# HSBC Continental Europe

1st Amendment of the Universal Registration Document and Interim Financial Report 2025

HSBC

# Contents

## Presentation of information

All references to the 2024 Universal Registration Document refer to the 2024 Universal Registration Document and Annual Financial Report filed on 19 February 2025 with the AMF under reference number D.25-0044.

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

Within the Interim management report and Condensed financial statements and related notes, HSBC Continental Europe has presented income statement figures for the six months to 30 June 2025 along with income statement figures for the same period in the prior year to illustrate the current performance compared with the same period in prior year. Unless otherwise stated, commentary on the income statement compares the six months to 30 June 2025 with the same period in the prior year. Balance sheet commentary compares the position at 30 June 2025 to 31 December 2024.

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This amendment to the Universal Registration Document was filed on 30 July 2025 with the French financial markets authority (Autorité des marchés financiers – AMF), as the competent authority under Regulation (EU) n°2017/1129, without prior approval in accordance with Article 9 of that Regulation.

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

## Reference to the Universal Registration Document

This amendment to the Universal Registration Document refers to the 2024 Universal Registration Document and Annual Financial Report filed with the AMF on 19 February 2025 under reference number D.25-0044.

## Cautionary statement regarding forward-looking statements

This amendment to the Universal Registration Document contains certain forward-looking statements with respect to the financial condition, Environmental, Social and Governance ('ESG') related matters, results of operations and business of the HSBC Group.

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

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

# Key financial metrics

| | Half-year to | |
|---|---|---|
| | **30 Jun 2025** | 30 Jun 2024[1] |
| **For the period (€m)** | | |
| Net operating income before change in expected credit losses and other credit risk provisions in respect of continuing operations[2] | **1,912** | 1,699 |
| Profit/(loss) before tax in respect of continuing operations | **490** | 549 |
| Profit/(loss) for the year[3] | **373** | 370 |
| Profit/(loss) attributable to shareholders of the parent company[3] | **360** | 350 |
| **At period end (€m)** | | |
| Total equity attributable to shareholders of the parent company | **13,866** | 12,528 |
| Total assets | **280,292** | 280,081 |
| Risk-weighted assets[4] | **67,610** | 61,276 |
| Loans and advances to customers (net of impairment allowances) | **46,123** | 52,628 |
| Customer accounts | **86,359** | 100,708 |
| **Capital ratios %** | | |
| Common Equity Tier 1 | **15.5** | 15.1 |
| Total Tier 1 | **17.6** | 17.5 |
| Total capital | **19.8** | 19.8 |
| **Leverage Ratio** | **4.8** | 4.3 |
| **Liquidity Ratios %** | | |
| Liquidity Coverage Ratio ('LCR')[5] | **144** | 156 |
| Net Stable Funding Ratio ('NSFR')[5] | **145** | 136 |
| **Performance, efficiency and other ratios (annualised %)** | | |
| Annualised return on average ordinary shareholders' equity[3,6] | **4.9** | 5.4 |
| Pre-tax return on average risk-weighted assets[3,6] | **0.7** | 0.8 |
| Cost efficiency ratio in respect of continuing operations[7] | **70.7** | 66.9 |
| Ratio of customer advances to customer accounts | **53.4** | 52.3 |

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France.
2 Net operating income before change in expected credit losses and other credit risk provisions is also referred to as revenue.
3 Balances are disclosed in respect of continuing and discontinued operations. Refer to Note 11 of the condensed financial statements.
4 RWAs for Q2 2025 are calculated based on CRR3 requirements. Comparatives are updated in order to align to Q2'24 Corep submission post publication but are subject to CRR2 rules.
5 In accordance with Capital Requirements Regulation ('CRR II') guidelines, the LCR is computed as a 12-month average and the NSFR as at period-end. Additionally, the components of the LCR calculation have been represented to comply with EBA reporting requirements.
6 Definitions and calculations of alternative performance measures are included in our 'Reconciliation of alternative performance measures'.
7 Cost efficiency is defined as total operating expenses divided by net operating income before change in expected credit losses and other credit and other credit risk provisions.

## Performance highlights

Performance during the first half of 2025 reflected strong revenue growth in Corporate and Institutional Banking[1] driven by increased client activity. This was partly offset by investment in technology and restructuring costs.

Since the beginning of the year and as previously announced, HSBC Continental Europe has signed agreements to sell its custody and fund administration businesses in Germany and the retained portfolio of home and certain other loans in France.

These initiatives form part of the HSBC Group's simplification strategy announced in October 2024. HSBC is focused on increasing its leadership and market share in areas where it has a clear competitive advantage, and where it has the greatest opportunity to grow and support its clients. This includes connecting European clients to opportunities across HSBC's international network and supporting the needs of HSBC's global client base in Continental Europe.

**Profit after tax for the period** was EUR 373 million, stable compared to EUR 370 million in the first half of 2024.

**Net operating income before change in expected credit losses and other credit impairment charges**[2] was EUR 1,912 million, up from EUR 1,699 million in the first half of 2024, driven by higher revenues in Corporate and Institutional Banking, with growth in Markets and Investment Banking, partly offset by lower net interest income.

**Change in expected credit losses and other credit impairment charges**[2] was a charge of EUR 70 million, compared with a charge of EUR 13 million in the first half of 2024. The cost of risk[3] was 30 basis points, from a low level of 7 basis points in the first half of 2024, the increase being driven by specific provisions (stage 3).

**Operating expenses**[2] were EUR 1,352 million, up from EUR 1,137 million in the first half of 2024, due to restructuring costs and investment in technology, partly offset by reversals of prior period impairments.

**Profit before tax**[2] was EUR 490 million compared to EUR 549 million in the first half of 2024.

1 Following the announcement by the HSBC Group of a new organisational structure in October 2024, and effective 1 January 2025, HSBC Continental Europe now operates through two new business lines: 'Corporate and Institutional Banking' covering the clients and products previously served by Commercial Banking, Global Banking, Markets and Securities Services, and 'International Wealth and Premier Banking' replacing Wealth and Personal Banking.
2 In respect of continuing operations.
3 Annualised change in expected credit losses and other credit impairment charges divided by customer loans outstanding at the end of the period.

# Purpose and strategy

## HSBC in Europe

Europe is an important part of the global economy, accounting for roughly 20 per cent of global trade and one-quarter of global Gross Domestic Product ('GDP') (UNCTAD, IMF 2024). In addition, Europe is the world's top exporter of services and second largest exporter of manufactured goods (UNCTAD, IMF 2023). HSBC Bank plc helps to facilitate trade within Europe and between Europe and other jurisdictions where the HSBC Group has a presence.

With assets of GBP 721 billion at 30 June 2025, HSBC Bank plc is one of Europe's largest banking and financial services organisations. HSBC Bank plc employ around 10,331 people across its locations. HSBC Bank plc is responsible for HSBC's European business, apart from UK retail and some UK commercial banking activity which, post ring-fencing, is managed by HSBC UK Bank plc.

HSBC Bank plc operates as one integrated business with two main hubs in London and Paris, with presence in 18 markets. The London hub consists of the UK non-ring-fenced bank, which provides overall governance and management for the Europe region as a whole and is a global centre of excellence for Corporate and Institutional Banking ('CIB') for the HSBC Group.

Europe is a critical region for the HSBC Group and a major contributor to global revenues and capabilities. The region connects European clients to opportunities across the HSBC Group network, and global clients to opportunities in Europe.

## About HSBC Continental Europe

HSBC Continental Europe is the dedicated Intermediate Parent Undertaking ('IPU') for the European Union ('EU') and comprises the Paris hub, its EU branches (Belgium, Czech Republic, Germany, Ireland, Italy, Luxembourg, the Netherlands, Poland, Spain and Sweden) and its banking subsidiaries in Malta and Luxembourg.

HSBC Continental Europe has been undertaking a transformation to focus its resources on being the leading corporate and institutional bank for international clients in Europe. This includes increasing our leadership and market share in areas where we have a clear competitive advantage, and the greatest opportunity to grow and support our clients, in particular connecting European clients to opportunities across HSBC's international network and supporting the European needs of HSBC's global client base.

### Reshaping for Growth

Measures taken to restructure the business will position HSBC Continental Europe to be even more competitive by focusing its resources on areas where it has a clear competitive advantage. Over the coming period, HSBC Continental Europe will finalise the exits of these non-strategic activities while continuing to invest in people and technology to meet the needs of its international clients.

On 1 January 2024, HSBC Continental Europe completed the sale of its French retail banking operations. In accordance with the terms of the sale, HSBC Continental Europe retained a portfolio of EUR 7.1 billion of home and certain other loans at the time of the sale. During the fourth quarter of 2024 HSBC Continental Europe began to actively market this retained loan portfolio for sale. On 18 July 2025, HSBC Continental Europe has signed a memorandum of understanding with a consortium comprising Rothesay Life Plc and CCF regarding the sale of this portfolio. The Potential Transaction is expected to complete in the fourth quarter of 2025, subject to the appropriate information and consultation processes with respective works councils.

On 23 September 2024, following a strategic review, HSBC Continental Europe announced that it had signed an agreement to sell its private banking business in Germany to BNP Paribas. The transaction is expected to be completed in the second half of 2025.

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, which has received regulatory approvals, is expected to complete in the second half of 2025.

On 14 May 2025, following HSBC Group announcements, HSBC Continental Europe proposed developments for the bank that reflect 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 are also required in France (through a 'Plan de Sauvegarde de l'Emploi' (Social Plan) including a voluntary scheme) and in Germany before any implementation. During the first half of 2025, HSBC Continental Europe recognised EUR 183 million of restructuring costs relating to these actions, primarily termination benefits.

On 27 June 2025, HSBC Continental Europe reached an agreement to sell its custody business in Germany to BNP Paribas, subject to customary regulatory and anti-trust approvals and conclusion of negotiations with the Works Council in Germany. A phased transfer of staff and clients is anticipated, starting early 2026.

On 11 July 2025, HSBC Continental Europe reached an agreement to sell its fund administration business, Internationale Kapitalanlagegesellschaft mbH ('INKA'), to BlackFin Capital Partners S.A.S. Subject to regulatory and anti-trust approvals and the conclusion of works council consultations, the transaction is expected to close in the second half of 2026.

The strategic review of HSBC Continental Europe's shareholding in HSBC Bank Malta p.l.c. announced in September 2024 is ongoing and no decision has been made.

▶ For further details on disposals and events after the balance sheet date, please see notes 1 'Basis of preparation and material accounting policies' on pages 46 to 47 and 14 'Events after the balance sheet date'on page 60.

# Business segments

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 'Analysis of reported results by global business' on page 9.

## Corporate and Institutional Banking ('CIB')

HSBC's ambition is to be the world's leading international Corporate and Institutional Bank, focused on Transaction Banking, Financing and Distribution.

HSBC Continental Europe is fully aligned to this ambition.

## International Wealth and Premier Banking ('IWPB')

HSBC serves customers through its distinct propositions for Private Banking, Premier, Personal Banking and International Wealth.

HSBC aims to be a leading international wealth manager, leveraging our international clientele and connectivity. International Wealth and Premier Banking is ideally placed to serve the increasing number of affluent and high-net-worth customers. For HSBC Continental Europe, IWPB supports customers with their financial needs through Wealth Management, Insurance, Asset Management, and Private Banking.

# Geopolitical, economic and regulatory background and outlook

## Economic background

### Global

The first half of 2025 has been marked by a significant rise in global economic uncertainty, due to the policy changes announced by the new US administration.

Higher US tariffs have in particular introduced downside risks on global trade. The Trump administration has announced several waves of tariffs, initially targeted at specific economies (Mexico, Canada, Mainland China) and specific sectors (steel, aluminium, cars). On 2 April, President Donald Trump announced higher reciprocal tariffs of 11-50 per cent on about 60 economies but these tariffs were then delayed for 90 days until 9 July, with a 10 per cent baseline tariff on imports taking place in the interim. This interim period was to grant enough time to the main trading partners to negotiate trade deals with the US but in case of failure, higher tariffs could be reimposed. The evolution of US tariffs is therefore expected to remain a major factor for the second half of the year.

The One Big Beautiful Bill Act ('OBBBA') was signed into law on 4 July and encapsulates President Trump's second-term agenda. The legislation includes permanent extension of the 2017 Tax Cuts and Jobs Act ('TCJA'), expanded funding for immigration enforcement, cuts to Medicaid and other social programs, increased defense spending, and a rollback of green energy subsidies. It is projected by the Congressional Budget Office to add USD3 trillion to the federal deficit over the next decade, and the Committee on Taxation estimates that GDP will be higher by 0.4 per cent over 10 years under OBBBA.

Despite this backdrop, US indicators have signalled economic resilience in the first half of the year. US GDP contracted by 0.5 per cent quarter-on-quarter annualised in the first quarter of 2025, but mainly reflected a surge in goods imports as businesses front-loaded purchases ahead of tariffs, while consumer spending remained quite firm. Initial data for the second quarter of 2025 has already showed a sharp pullback in imports. This dynamic may lead to an increase in quarterly GDP growth in the quarter.

Conversely, in the rest of the world, front-loading effects on exports to the US have led to upside surprises in GDP growth for several economies in the first quarter. It was especially the case for mainland China, where GDP expanded by 5.4 per cent year-on-year. Looking ahead, to cushion the downside risks on exports, Chinese authorities have introduced new stimulus measures to support domestic demand, through monetary and fiscal policy.

## Eurozone

The Eurozone economy started 2025 on a positive note, with GDP rising 0.6 per cent quarter-on-quarter in the first quarter of the year. Underlying growth was however weaker. Around 0.4 per cent of the 0.6 per cent was driven by Ireland alone, where volatile data (Irish GDP grew 9.7 per cent) distorted the eurozone numbers. In addition, export growth may have reflected some front-loading ahead of US tariffs, which may unwind through the middle of the year.

Underlying domestic demand in the Eurozone has been resilient. This largely reflects a resilient labour market (the unemployment rate is back to its all-time low) and wage growth comfortably outpacing inflation. This real-term income growth has supported household spending and there is some evidence that savings rates may have moderated in the first quarter.

Loosening credit conditions and falling interest rates are also supporting consumers. The ECB has continued to cut its policy rates in the first half of 2025, by a cumulated 100 basis points. Underlying price pressures have shown further signs of moderation in the first half of the year, strengthening the confidence of the ECB in reaching its inflation target.

Regarding fiscal policy, the first half of 2025 has been marked by several initiatives pointing to a more expansionary bias. It has been especially the case in Germany: the constitution was altered to exempt defence spending beyond 1 per cent of GDP from the deficit limit under the current debt brake and to allow for the creation of a EUR 500 billion special off-budget fund for infrastructure investments. Outside Germany, the European Commission ('EC') announced initiatives for the whole EU, including granting more flexibility on fiscal rules to ramp up defence spending and the introduction of common loans to facilitate joint procurement of military equipment.

Against this backdrop, leading business surveys in the eurozone have remained resilient in the second quarter of the year, despite the uncertainty caused by US tariffs. German surveys such as that published by the Ifo Institute have been particularly encouraging, reflecting the boost on sentiment caused by the fiscal sea-change initiated this year. In contrast, economic confidence indicators in France have remained weak, reflecting the lingering uncertainty on the fiscal and political situation.The French government will need to pursue fiscal consolidation to bring the public deficit to 3 per cent of GDP by 2029. It will have to unveil an additional fiscal effort of EUR 40 billion in September 2025 for the next 2026 budget, which will be challenging given its lack of a majority in Parliament.

# Regulatory Environment

## Basel 3 Reforms Package

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 market risk standards ('FRTB'). In June 2025, the EC decided to postpone the implementation of the FRTB by one additional year until 1 January 2027, triggering a three-month scrutiny period by the European Parliament and Council. The deferral aims to ensure a level playing field for EU banks in light of the uncertainty regarding the adoption timelines in other major jurisdictions, such as the UK and US.

## 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.

Member States have until 10 January 2026 to transpose the CRD6 rules into national law, and an additional one year transition period for provisions relating to cross-border services and third country branches.

## Securitisation reforms

In June 2025, the European Commission ('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 requirements for banks holding less risky tranches; and make the Significant Risk Transfer test more transparent and less prescriptive.

In addition, a public consultation has been launched to amend the Liquidity Coverage Ratio Delegated Regulation to broaden the eligibility of certain liquid securitised assets for inclusion in banks' liquidity buffers.

The proposals will now be negotiated in the European Parliament and the Council, with final adoption expected no earlier than 2027.

## Capital buffers and Single Resolution Fund contribution

The Haut Conseil de Stabilité Financière ('HCSF') has decided to maintain the countercyclical capital buffer rate in France at 1 per cent. In addition, the HCSF has repealed its previous decision imposing a 3 per cent sectorial systemic buffer for banks holding significant exposures to highly indebted non-financial corporates.

The European Systemic Risk Board has announced no requirement for contributions to the Single Resolution Fund in 2025, as banks have met or surpassed the Minimum Requirement for Own Funds and Eligible Liabilities as of the last quarter of 2024.

## ESG risks

In January 2025, the European Bank Authority ('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 apply from 11 January 2026. Additionally, the EBA consulted in early 2025 on draft guidelines for ESG scenario analysis to complement its guidelines on the management of ESG risks.

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.

The EC published the first of a series of simplification Omnibus packages in February 2025, which included proposals to amend the Corporate Sustainability Reporting Directive. The proposals included a 'substantive' proposal, covering the revision and simplification of the European Sustainability Reporting Standards ('ESRS'), which is expected be finalised and enter into force for 31 December 2027. As part of the mandate set out by the EC, the European Financial Reporting Advisory Group is expected to consult on the revised ESRS by end of July 2025.

Alongside the Omnibus package, the EC also consulted on proposed amendments to the disclosures under the EU Taxonomy Regulation. The EC finalised these amendments and adopted a set of measures aimed at simplifying the application of the EU Taxonomy Regulation in the form of a Delegated Act following the consultation period.

# HSBC Continental Europe Consolidated Results

## Use of alternative performance measures

HSBC Continental Europe reported results are prepared in accordance with International Financial Reporting Standards ('IFRS Accounting Standards') as detailed in the Condensed Financial Statements starting on page 38.

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

These are considered alternative performance measures. All alternative performance measures are described and reconciled to the closest reported financial measure when used. For further details refer to 'return on average ordinary shareholders' equity and pre-tax return on average risk-weighted assets' note on page 12.

The global business segmental results are presented in accordance with IFRS 8 'Operating Segments', as detailed in Note 4 'Segmental analysis' on page 49.

## Summary consolidated income statement

| | Half-year to | |
|---|---|---|
| | **30 Jun 2025** | 30 Jun 2024 |
| | **€m** | €m |
| Continuing operations | | |
| Net interest income | **710** | 931 |
| Net fee income | **648** | 601 |
| Net income from financial instruments held for trading or managed on a fair value basis | **468** | 113 |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss | **14** | 19 |
| Changes in fair value of designated debt and related derivatives | **—** | 3 |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | **35** | 16 |
| Gains less losses from financial investments | **8** | (2) |
| Insurance finance income/(expense) | **(11)** | (19) |
| Insurance service result | **6** | 5 |
| Gains/(losses) recognised on assets held for sale | **(2)** | (11) |
| Other operating income | **36** | 43 |
| **Net operating income before change in expected credit losses and other credit impairment charges[1]** | **1,912** | 1,699 |
| Change in expected credit losses and other credit impairment charges | **(70)** | (13) |
| **Net operating income** | **1,842** | 1,686 |
| Total operating expenses | **(1,352)** | (1,137) |
| **Profit/(loss) before tax** | **490** | 549 |
| Tax expense | **(90)** | (145) |
| Profit/(loss) after tax in respect of continuing operations | **400** | 404 |
| Profit/(loss) after tax in respect of discontinued operations | **(27)** | (34) |
| **Profit/(loss) for the period** | **373** | 370 |
| – attributable to shareholders of the parent company | **360** | 350 |
| – attributable to non-controlling interests in respect of continuing operations | **13** | 20 |
| – attributable to non-controlling interests in respect of discontinued operations | **—** | — |

1 Net operating income before change in expected credit losses and other credit impairment charges is also referred to as revenue.

# Reported performance

**Net interest income** was EUR 710 million in the first half of 2025, down from EUR 931 million in the first half of 2024. The decrease was due to reduction in interest income in Global Payments Solutions, driven by lower interest rates, and lower volumes in Securities Services.

**Net fee income** was EUR 648 million in the first half of 2025, up from EUR 601 million in the first half of 2024 mainly driven by higher transaction volumes and related fees in Investment Banking together with increased client demand in Foreign Exchange and Global Debt Markets.

**Net income from financial instruments held for trading or managed on a fair value basis** was EUR 468 million in the first half of 2025, up from EUR 113 million in the first half of 2024. The increase was driven by client volumes in Equity and Global Debt Markets and mark to market movements on interest rate swaps.

**Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss** was EUR 14 million in the first half of 2025, down from EUR 19 million in the first half of 2024.

**Changes in fair value of designated debt and related derivatives** were nil in the first half of 2025, down from EUR 3 million in the first half of 2024.

**Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss** were EUR 35 million in the first half of 2025, compared to EUR 16 million in the first half of 2024 driven by fair value value gains on equity holdings.

**Gains less losses from financial investments** were EUR 8 million in the first half of 2025, compared to a loss of EUR 2 million in the first half of 2024 driven by disposal of bonds.

**Insurance finance expense** was EUR 11 million in the first half of 2025, down from an expense of EUR 19 million in the first half of 2024.

**Insurance service result** was EUR 6 million in the first half of 2025, up from EUR 5 million in the first half of 2024.

**Losses recognised on Assets held for sale** were EUR 2 million in the first half of 2025, compared to a loss of EUR 11 million in the first half of 2024, related to the planned sale of the private banking business in Germany.

**Other operating income** was EUR 36 million in the first half of 2025, down from EUR 43 million in the first half of 2024.

**Net operating income before change in expected credit losses and other credit impairment charges** was EUR 1,912 million in the first half of 2025, up from EUR 1,699 million in the first half of 2024.

**Change in expected credit losses and other credit impairment charges** was a net charge of EUR 70 million in the first half of 2025. The increase compared to the net charge of EUR 13 million in the first half of 2024 was driven by higher stage 3 provisions.

**Operating expenses** were EUR 1,352 million, compared to EUR 1,137 million in the first half of 2024. The change was due to higher restructuring costs and investment in technology partly offset by reversal of prior year impairments.

**Profit before tax** was EUR 490 million in the first half of 2025, down from EUR 549 million for the first half of 2024.

**Profit attributable to shareholders of the parent company** was EUR 360 million in the first half of 2025.

# Discontinued operations

**Net operating income in discontinued operations** was a loss of EUR 16 million in the first half of 2025 compared to a EUR 32 million loss in 2024.

**Operating expenses** were EUR 13 million compared to EUR 15 million in 2024.

**Loss before tax** for discontinued operations was EUR 29 million in the first half of 2025 compared to a EUR 47 million loss in the prior year.

## Profit/(loss) for the period by global business (continuing operations)

| | CIB | IWPB | Corporate Centre | Total |
|---|---|---|---|---|
| | Half-year to 30 Jun 2025 | | | |
| | €m | €m | €m | €m |
| Net operating income before change in expected credit losses and other credit impairment charges | **1,583** | **224** | **105** | **1,912** |
| – of which: net interest income/(expense) | **725** | **89** | **(104)** | **710** |
| Change in expected credit losses and other credit impairment charges | **(74)** | **4** | **—** | **(70)** |
| **Net operating income/(expense)** | **1,509** | **228** | **105** | **1,842** |
| Total operating expenses | **(1,074)** | **(199)** | **(79)** | **(1,352)** |
| **Profit/(loss) before tax** | **435** | **29** | **26** | **490** |
| | Half-year to 30 Jun 2024[1,2] | | | |
| Net operating income before change in expected credit losses and other credit impairment charges | 1,492 | 243 | (36) | 1,699 |
| – of which: net interest income/(expense) | 823 | 105 | 3 | 931 |
| Change in expected credit losses and other credit impairment charges | (19) | 5 | 1 | (13) |
| Net operating income/(expense) | 1,473 | 248 | (35) | 1,686 |
| Total operating expenses | (905) | (192) | (40) | (1,137) |
| Profit/(loss) before tax | 568 | 56 | (75) | 549 |

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France.
2 Comparative information for the prior year has been represented to reflect the group's revised segment structure, which became effective on 1 January 2025.

## Analysis of reported results by global business

### Corporate and Institutional Banking ('CIB')

**Profit before tax** was EUR 435 million in the first half of 2025, down from EUR 568 million in June 2024.

**Net operating income before change in expected credit losses and other credit impairment charges** was EUR 1,583 million in the first half of 2025, up compared to EUR 1,492 million in June 2024. The change was driven by strong Foreign Exchange and Debt and Equity trading income coming from higher client demand, Investment Banking with a higher number of deals partly offset by a decrease in net interest income on deposits driven by lower interest rates.

**Change in expected credit losses and other credit impairment charges** was a net charge of EUR 74 million compared with a net charge of EUR 19 million in June 2024, due to additional stage 3 provisions.

**Operating expenses** were EUR 1,074 million in the first half of 2025 compared to EUR 905 million in June 2024, driven by the impact of restructuring costs and investments in technology.

**Loans and advances to customers** were EUR 41.9 billion at 30 June 2025, compared to EUR 40.3 billion at 31 December 2024.

**Customers accounts** were EUR 80.4 billion at 30 June 2025, compared to EUR 90.4 billion at 31 December 2024, the change being driven by the classification of the Germany custody business as held for sale.

### International Wealth and Premier Banking ('IWPB')

**Profit before tax** was EUR 29 million in the first half of 2025, down from EUR 56 million in the first half of 2024.

**Net operating income before change in expected credit losses and other credit impairment charges** was EUR 224 million in the first half of 2025, compared to EUR 243 million in the first half of 2024. The change was driven by the impact of lower interest rates on Retail as well as reduced volumes in private bank Germany, partly offset by the non-recurrence of the HSBC Epargne Entreprise loss on sale booked in the first semester of 2024.

**Change in expected credit losses and other credit impairment charges** was a net release of EUR 4 million, compared with a net release of EUR 5 million in the first half of 2024.

**Operating expenses** were EUR 199 million for the first half of 2025, up from EUR 192 million in the first half of 2024 mainly driven by higher technology costs.

**Loans and advances to customers** were EUR 4.2 billion at 30 June 2025, stable compared to 31 December 2024.

**Total Wealth Balances** excluding held for sale business (including third party Assets under Management in Asset Management) were EUR 129.1 billion in June 2025, compared to EUR 130.4 billion at December 2024.

**Customers accounts** were EUR 6.4 billion at 30 June 2025, compared to EUR 7.1 billion at 31 December 2024.

## Corporate Centre

**Profit before tax** was EUR 26 million in the first half of 2025, compared to loss of EUR 75 million in the first half of 2024.

**Net operating income before change in expected credit losses and other credit impairment charges** was EUR 105 million in the first half of 2025, up from a loss of EUR 36 million in the first half of 2024. The change was driven by movements in the fair value on non-qualifying interest rate hedges.

**Operating expenses** were EUR 79 million in the first half of 2025, compared to EUR 40 million in the first half of 2024, driven by restructuring costs.

## Revenue by country (continuing operations)

| | Half-year to 30 Jun 2025 | | | |
|---|---|---|---|---|
| | CIB | IWPB | Corporate Centre | Total |
| | €m | €m | €m | €m |
| France | **695** | **67** | **100** | **862** |
| Germany | **463** | **57** | **2** | **522** |
| EEA Branches | **383** | **—** | **1** | **384** |
| Malta and Other Countries | **42** | **100** | **2** | **144** |
| **Revenue[1]** | **1,583** | **224** | **105** | **1,912** |
| | Half year to 30 Jun 2024[2,3] | | | |
| France | 616 | 60 | (37) | 639 |
| Germany | 448 | 64 | — | 512 |
| EEA Branches | 384 | — | 1 | 385 |
| Malta and Other Countries | 44 | 119 | — | 163 |
| Revenue[1] | 1,492 | 243 | (36) | 1,699 |

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.
2 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France.
3 Comparative information for the prior year has been represented to reflect the group's revised segment structure, which became effective on 1 January 2025.

## Review of business position

### Summary consolidated balance sheet

| | At | |
|---|---|---|
| | 30 Jun 2025 | 31 Dec 2024 |
| | €m | €m |
| **Total assets** | **280,292** | 265,008 |
| Cash and balances at central banks | **43,004** | 48,907 |
| Trading assets | **29,093** | 22,853 |
| Financial assets designated and otherwise mandatorily measured at fair value through profit and loss | **1,640** | 1,563 |
| Derivatives | **42,764** | 43,251 |
| Loans and advances to banks | **5,181** | 5,703 |
| Loans and advances to customers | **46,123** | 51,288 |
| Reverse repurchase agreements – non-trading | **32,267** | 25,764 |
| Financial investments | **23,236** | 20,740 |
| Assets held for sale | **32,160** | 25,477 |
| Other assets | **24,824** | 19,462 |
| **Total liabilities** | **266,231** | 250,177 |
| Deposits by banks | **12,695** | 11,820 |
| Customer accounts | **86,359** | 97,065 |
| Repurchase agreements – non-trading | **14,754** | 12,344 |
| Trading liabilities | **19,585** | 16,480 |
| Financial liabilities designated at fair value | **10,174** | 9,906 |
| Derivatives | **39,864** | 41,857 |
| Debt securities in issue | **16,553** | 15,257 |
| Insurance contract liabilities | **520** | 518 |
| Liabilities of disposal groups held for sale | **35,867** | 24,718 |
| Other liabilities | **29,860** | 20,212 |
| **Total equity** | **14,061** | 14,831 |
| Total shareholders' equity | **13,866** | 14,642 |
| Non-controlling interests | **195** | 189 |

Balance sheet information

| | CIB | IWPB | Corporate Centre | Total |
|---|---|---|---|---|
| | €m | €m | €m | €m |
| **At 30 Jun 2025** | | | | |
| Loans and advances to customers | **41,944** | **4,201** | **(22)** | **46,123** |
| Loans and advances to customers classified as held for sale[1,2] | **736** | **307** | **—** | **1,043** |
| Customers accounts | **80,377** | **6,406** | **(424)** | **86,359** |
| Customer accounts classified as held for sale[1,2] | **10,559** | **2,268** | **—** | **12,827** |
| | | | | |
| At 31 Dec 2024[3] | | | | |
| Loans and advances to customers | 40,337 | 4,267 | 6,684 | 51,288 |
| Loans and advances to customers classified as held for sale[1] | — | 298 | — | 298 |
| Customers accounts | 90,431 | 7,055 | (421) | 97,065 |
| Customer accounts classified as held for sale[1] | — | 2,010 | — | 2,010 |

1 Includes loans and advances and customers accounts related to the private banking business in Germany.
2 Includes loans and advances and customers accounts related to the custody business in Germany.
3 Comparative information for the prior year has been represented to reflect the group's revised segment structure, which became effective on 1 January 2025.

HSBC Continental Europe's consolidated balance sheet had total assets of EUR 280.3 billion at 30 June 2025, compared to EUR 265.0 billion at 31 December 2024.

## Assets

– Trading assets increased from EUR 22.9 billion at December 2024 to EUR 29.1 billion at June 2025 reflecting increased client activity in trading bonds and equities.

– Derivatives decreased from EUR 43.3 billion to EUR 42.8 billion as a result of mark-to-market movements notably on foreign exchange contracts and interest rate swaps.

– Loans and advances to customers decreased from EUR 51.3 billion at December 2024 to EUR 46.1 billion at June 2025, largely driven by the classification of the France retail home and other loans portfolio as held for sale.

– Reverse repurchase agreements – non-trading increased from EUR 25.8 billion to EUR 32.3 billion at 30 June 2025, reflecting increased lending to clients.

– Financial investments increased from EUR 20.7 billion at December 2024 to EUR 23.2 billion at June 2025 driven by purchases of government bonds.

– Others assets increased from EUR 19.5 billion at December 2024 to EUR 24.8 billion at June 2025 driven by seasonality on settlement accounts partly offset by a decrease in cash collateral.

– Assets held for sale increased from EUR 25.5 billion at December 2024 to EUR 32.2 billion at June 2025 mainly driven by the classification of the France retail home and other loans portfolio as held for sale.

## Liabilities

– Customer accounts decreased from EUR 97.1 billion at December 2024 to EUR 86.4 billion at June 2025 mainly driven by the classification of custody business in Germany as held for sale.

– Repurchase agreements – non-trading increased from EUR 12.3 billion to EUR 14.8 billion at 30 June 2025, reflecting increased positions with banks.

– Trading liabilities increased from EUR 16.5 billion at 31 December 2024 to EUR 19.6 billion at 30 June 2025, driven by increased client activity.

– Derivatives decreased from EUR 41.9 billion to EUR 39.9 billion at June 2025 as a result of mark-to-market movements on foreign exchange contracts and interest rate swaps.

– Other liabilities increased from EUR 20.2 billion at December 2024 to EUR 29.9 billion at June 2025 driven by a seasonal increase in settlement accounts and an increase in cash collateral received.

– Liabilities of disposal groups held for sale increased from EUR 24.7 at December 2024 to EUR 35.9 billion at June 2025 mainly driven by the classification of custody business in Germany as held for sale.

## Equity

Shareholders' equity stood at EUR 13.9 billion, down from EUR 14.6 billion in December 2024.

The CET1 (Common Equity Tier 1) ratio was 15.5 per cent at 30 June 2025 and the total capital ratio was 19.8 per cent.

## Liquidity and funding

At 30 June 2025, the average short-term Liquidity Coverage Ratio ('LCR') was 144 per cent and the long-term Net Stable Funding Ratio ('NSFR') was 145 per cent.

▶ Additional disclosure on Treasury risk is available on page 33.

Average number of persons employed by HSBC Continental Europe

| | Half-year to | |
|---|---|---|
| | **30 Jun 2025** | 30 Jun 2024[1] |
| International Wealth and Premier Banking | **1,378** | 1,405 |
| Corporate and Institutional Banking | **3,215** | 3,308 |
| Corporate Centre | **20** | 18 |
| Global Functions and Others[2] | **2,687** | 2,906 |
| **Total[3]** | **7,300** | 7,637 |

1 Comparative information for the prior year has been represented to reflect the group's revised segment structure, which became effective on 1 January 2025.
2 Including pre-retirement ('CFCS') and expatriates.
3 Permanent contracts ('CDI') and fixed terms contracts ('CDD') within HSBC Continental Europe (including the European branches) and its subsidiaries.

## Reconciliation of alternative performance measures

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

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

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

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

| | Half-year ended | |
|---|---|---|
| | **30 Jun 2025** | 30 Jun 2024[1] |
| | **€m** | €m |
| **Profit** | | |
| Profit/(loss) before tax in respect of continuing operations | **490** | 549 |
| Profit/(loss) before tax in respect of discontinued operation | **(29)** | (47) |
| Profit/(loss) before tax | **461** | 502 |
| Profit/(loss) attributable to the ordinary shareholders of the parent company[2] | **306** | 297 |
| **Equity** | | |
| Average ordinary shareholders' equity[2] | **12,493** | 10,953 |
| **Risk-weighted assets** | | |
| Average risk-weighted assets[3] | **66,073** | 60,292 |
| **Ratio %** | | |
| Return on average ordinary shareholders' equity (annualised) | **4.9** | 5.4 |
| Pre-tax return on average risk-weighted assets | **0.7** | 0.8 |

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France.
2 This excludes amounts attributable to non-controlling interests and holders of other equity instruments (additional tier 1 capital).
3 Average RWA Q2'25 is the average from the last three quarters. Q4'24 RWA is calculated based on CRR2 rules while Q1'25 and Q2'25 are subject to CRR3. Average RWA for Q2'24 is not reinstated and subject to CRR2 rules.

# Credit ratings

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

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

There were no changes to HSBC Continental Europe's ratings during the first half of 2025.

Annual review meetings with rating agencies were held in May 2025.

# Risks

## Key highlights

### Principal Regulatory Ratios (Unaudited)

| | At | |
|---|---|---|
| | **30 Jun 2025** | 31 Dec 2024 |
| | **%** | % |
| **Capital Ratios** | | |
| Common equity tier 1 | **15.5** | 18.8 |
| Total tier 1 | **17.6** | 21.1 |
| Total capital | **19.8** | 23.5 |
| Leverage Ratio | **4.8** | 5.4 |
| **Liquidity Ratios** | | |
| Liquidity Coverage Ratio | **144** | 150 |
| Net Stable Funding Ratio | **145** | 137 |

### Risk-Weighted Assets – by Risk Type (Unaudited)

| | RWAs | | Capital required | |
|---|---|---|---|---|
| | **30 Jun 2025** | 31 Dec 2024 | **30 Jun 2025** | 31 Dec 2024 |
| | **€m** | €m | **€m** | €m |
| Credit Risk | **51,449** | 46,008 | **4,116** | 3,680 |
| Counterparty Credit Risk | **5,559** | 6,815 | **446** | 545 |
| Market Risk | **3,579** | 3,786 | **287** | 302 |
| Operational Risk | **7,023** | 6,688 | **562** | 522 |
| **Total Risk-Weighted Assets** | **67,610** | 63,297 | **5,411** | 5,049 |

## Risk factors

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

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

# 1 Macroeconomic and geopolitical risks

**1.1 Economic and market conditions may adversely affect HSBC Continental Europe's results.**
Probability: Very Likely/Impact: High (unchanged from FY24).

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

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

- The economic cycle: Deteriorating business, consumer or investor confidence and lower levels of investment and productivity growth, may lead to recession and lower client activity. Rapid changes to the economic environment can also create challenging operating conditions for financial institutions such as HSBC and may affect its earnings and profits. A key source of uncertainty in 2025 and beyond comes from the shift in economic and financial policies in the US under the administration of President Donald Trump. US tariff policy and other countries' responses are likely to have significant consequences for global growth outlook and global trade, and may risk higher inflation and interest rate expectations. Uncertainty over the extent and nature of Chinese efforts to stimulate domestic growth and support a rebalancing of the economy including property sector is also a source of potential risk. Economic uncertainty for HSBC Continental Europe could also be driven by the economic situations in France and Germany.
- Inflation and monetary policy: High inflation and interest rates can have material impacts on HSBC Continental Europe's customers which could therefore negatively impact HSBC Continental Europe. Across most of HSBC Continental Europe's markets, high headline inflation continued to subside through 2024 and also in the first half of 2025 as the European Central Bank enacted monetary easing. However, uncertainty over US monetary policy trajectory remains.
- Financial stability: Changing economic conditions and shifting policy create a more uncertain and volatile environment for asset markets. Changes to asset prices can adversely affect HSBC by increasing the financial vulnerability of customers and decreasing the value of collateral and other claims.
- Fiscal policy and high levels of government debt: Through the pandemic period, government debt levels across both developed and emerging markets increased sharply, and in many cases left growth and employment dependent on continued deficit spending. Against the backdrop of higher interest rates, financial strains on highly indebted sovereigns increased and debt sustainability could be an issue in the future. Where HSBC has exposure to such sovereigns or related parties, it could incur losses. At the same time, external sovereign ratings downgrades and/or a disorderly increase in long-term government funding costs, could increase the cost of funding for HSBC and/or limit access to market funding, resulting in an adverse impact on interest margins and liquidity.
- Geopolitical Risk : Geopolitical risks remain high.

▶ For further details – see section 'Managing risk'on page 24.

Adverse changes to economic, financial and geopolitical situation could result in:

- Idiosyncratic losses: Impairment estimates attempt to capture the effects of economic, financial and geopolitical risks in the aggregate, but credit losses on specific exposures, with idiosyncratic features that make them particularly susceptible to the risks described above, may not be fully captured.
- Sector-wide impairment: Changing economic conditions, policies and funding costs may give rise to a deterioration in specific industries and sectors. In addition, certain sectors in various countries may be targeted by material increases in trade tariffs, with industry wide implications.
- Reduced credit demand: The demand for borrowing from creditworthy customers may diminish during periods of recession or where economic activity slows or remains subdued.
- A tightening of financial market conditions: HSBC Continental Europe's ability to borrow from other financial institutions or to engage in funding transactions may be adversely affected by market disruption.
- Goodwill and intangibles: There could also be adverse impacts on other assets, goodwill and other intangible assets.

Provisioning against credit loss is conducted under the IFRS 9 'Financial Instruments' (IFRS 9) calculations of expected credit losses ('ECL'), which uses forward looking scenarios that incorporate the economic and financial risks detailed above.

▶ For further details concerning HSBC Continental Europe's economic scenarios including the Central Scenario – see section 'Measurement uncertainty and sensitivity analysis of ECL estimates' on page 26.

Forecasts remain uncertain, and changing economic conditions and the materialisation of key risks could reduce the accuracy of the Central scenario. Forecasts in recent years have been sensitive to changing economic and financial policy, changing supply chain conditions, monetary policy expectations and the inflation outlook.

The relationship between economic factors and historical loss experience is also subject to uncertainty and inconsistency. This may require adjustments to modelled ECLs in cases where HSBC determines that the model was unable to capture material underlying risks.

▶ For further details – see also Risk Factor 3.1 – 'HSBC Continental Europe could incur losses or be required to hold additional capital as a result of model limitations or weaknesses' for additional details on how models have been impacted by higher inflation and interest rates.

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

▶ For further details – see also sections 'Economic background' on page 5.

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

### 1.2 Liquidity, or ready access to funds, is essential to its businesses.

Probability: Unlikely/Impact: High (unchanged from FY24).

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

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

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

HSBC Continental Europe also accesses wholesale markets in order to secure funding to align asset and liability balances, maturities and currencies, and to contribute to the financing of its lending and market activities.

An inability to obtain financing in the unsecured long-term or short-term debt capital markets, or to access the secured lending markets, could have a material adverse effect on our liquidity.

Non-favourable macroeconomic developments, market disruptions or regulatory developments may increase the funding costs or challenge the ability of HSBC Continental Europe to raise funds to support or expand its businesses.

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

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

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

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

HSBC Continental Europe continues to rely on its daily internal liquidity stress test metrics, complementing the regulatory Liquidity Coverage Ratio ('LCR'), for the operational day-to-day management of the Bank's liquidity position. The assumptions and results of these internal stress tests are reviewed by the Asset, Liability, and Capital Management Committee ('ALCO') and presented through the Internal Liquidity Adequacy Assessment Process to the Board.

### 1.3 Market fluctuations may reduce HSBC Continental Europe's income or the value of its portfolios.

Probability: Likely/Impact: Medium (unchanged from FY24).

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

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

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

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

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

▶ For further details – see also section 'Market risk in the first half of 2025' on page 36.

As at 30 June 2025, Market Risk RWAs were EUR 3.470 billion.

▶ For further details – see Market Risk tables in the HSBC Continental Europe Pillar 3 document.

**1.4 HSBC Continental Europe is subject to financial and non-financial risks associated with Environmental, Social and Governance ('ESG') related matters, such as climate change, nature-related risk, and human rights issues.**
Probability: Likely/Impact: Medium (unchanged from FY24).

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

Climate and nature-related risks could have both financial and non-financial impacts on HSBC Continental Europe either directly or indirectly through its business activities and relationships. Transition risk can arise from the move to a low-carbon economy, such as through policy, regulatory and technological changes. Physical risk can arise through increasing severity and/or frequency of severe weather or other climatic events, such as rising sea levels and flooding and chronic shifts in weather patterns, which could affect HSBC Continental Europe's ability to conduct its day-to-day operations. Net zero alignment risk and the risk of greenwashing are two thematic issues related to environmental risk that are most likely to materialize in the form of reputational, regulatory compliance and litigation risks.

HSBC Continental Europe seeks to manage environmental risk (including climate and nature related risks) across all its businesses and functions in line with the Group-wide risk management framework and the approaches developed to manage climate and nature-related risks.

HSBC Continental Europe annual environmental risk materiality assessment helps to understand how climate and/or nature risks may impact HSBC's risk taxonomy. The assessment considers short term, (up to 2026), medium term (between 2027 and 2035), and long term, (between 2036 and 2050). In summary, HSBC Continental Europe may face:

- Credit losses if climate-related regulatory, legislative or technological developments impact customers' business models or if extreme weather events disrupt or interrupt customers' operations, resulting in financial difficulty for customers and/or stranded assets, and impacting their ability to repay their debts. Customers may find that their business models fail to align to a net zero economy, or face disruption to their operations or a deterioration in their assets as a result of extreme weather or ecosystem services degradation.
- Trading losses if climate change results in changes to macroeconomic and financial variables that negatively impact our trading book exposures.
- Liquidity impacts in the form of deposit outflows due to changes in customer behaviours driven by impacts to profitability/wealth or due to reputational concerns relating to the progress made towards HSBC climate related ambitions and targets.
- Impacts to its real estate portfolios due to changes to the climate, the increase in the frequency and severity of extreme weather events and the chronic shifts in weather patterns, which could impact both property values and the ability of borrowers to afford their mortgage payments and lead to reduced availability or increased cost of insurance, including insurance that protects property pledged as collateral of HSBC Continental Europe mortgages.
- Increase in operational risk if extreme weather events impact critical operations and premises.
- Regulatory compliance risk resulting 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 climate-related reporting standards, requiring implementation in short timeframes.
- Conduct risks in association with the increasing demand for 'green' or 'sustainable' products where there are differing and developing standards or taxonomies.
- Reputational risks arising 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 HSBC Group approach to the transition to net zero, and if insufficient progress is made in achieving HSBC climate-related ambitions and targets.
- Model risk, as the uncertain and evolving impacts of climate change and data and methodology limitations present challenges to creating reliable and accurate model outputs.
- Increased reputational, regulatory compliance and legal risks as HSBC Group makes progress towards its ESG-related ambitions and targets, with stakeholders likely to place greater focus on its actions, such as the development of ESG-related policies, our disclosures and financing and investment decisions relating to its ESG-related ambitions and targets.

HSBC Continental Europe may be exposed to additional risks if the Bank:

- Fails to make sufficient progress towards HSBC ESG-related ambitions and targets.
- Does not set adequate plans to execute those plans or adapt those plans to changes in the external environment.
- Fails to manage the risks associated both with meeting and not meeting its ESG-related target and ambitions.
- Does not meet evolving regulatory expectations and requirements on the management of ESG risks.
- Knowingly or unknowingly, makes inaccurate, unclear, misleading, or unsubstantiated claims regarding sustainability to its stakeholders.

ESG-related litigation and regulatory enforcement risks may be also faced, either directly if stakeholders think that HSBC Continental Europe is not adequately managing climate, nature and broader ESG-related risks, or indirectly, if its clients and customers are themselves the subject of litigation, potentially resulting in the revaluation of client assets.

HSBC Continental Europe may face reporting risk in relation to ESG disclosures due to data and methodology limitations. Methodologies, data, scenarios and industry standards that HSBC Continental Europe has used may evolve over time in line with market practice, regulation or developments in science, where applicable. Any such developments in methodologies and scenarios, and changes in the availability, accuracy and verifiability of data over time and the ability to collect and process such data, exposes the Bank to financial reporting risk in relation to its climate and ESG disclosures and could result in revisions to its internal measurement frameworks as well as reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year on year.

Regulation and disclosure requirements in relation to human rights, and environmental damage, are increasing. Businesses and third parties are expected to be transparent about their efforts to identify and respond to the risk of negative human rights impacts and environmental damage arising from their activities and relationships. Failure to manage these risks may negatively impact people and communities, which in turn may result in reputational, regulatory compliance, financial or legal risks for HSBC Continental Europe.

In respect of all ESG-related risks, HSBC Continental Europe aims to ensure that its strategy, its business model (including the products and services provided to customers) and its risk management processes, (including processes to measure and manage the various financial and non-financial risks HSBC Continental Europe faced as a result of ESG-related matters) are adapted to meet regulatory requirements, stakeholder and market expectations, which continue to evolve significantly and at pace.

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.

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

### 2.1 HSBC Continental Europe is subject to numerous new and existing legislative and regulatory requirements, and the risk of failure to comply with applicable regulations at least temporarily.

Probability: Very Likely/Impact: High (unchanged from FY24).

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

In recent years, regulators and governments have increasingly focused on reforming both the prudential regulation of the financial services industry and the ways in which the business of financial services are conducted. The measures taken include enhanced capital, liquidity and funding requirements, the separation or prohibition of certain activities by banks, changes in the operation of capital markets activities, the introduction of tax levies and transaction taxes and changes in compensation practices.

With regard to conduct, there is a focus on customers and markets, payments and e-money, digital assets and artificial intelligence ('AI'), and ESG, including governance and operational resilience.

This is all set against increased geopolitical tensions which may limit the development of consistent regulatory requirements, and the evolving regulatory response to the banking turmoil in 2023.

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

**Prudential and related issues**

- Implementation of the Basel Committee on Banking Supervision's reforms to the prudential framework, 'Basel 3.1', which includes changes to the RWA approaches to credit risk, market risk, operational risk, counterparty risk and credit valuation adjustments and the application of an RWA output floor;
- Increased supervisory expectations arising from expanding and increasingly complex regulatory reporting obligations, including expectations on data integrity and associated governance and controls;
- The possible impacts on some of our regulatory ratios, such as the CET1 ratio, LCR and NSFR, arising from the programme initiated to strengthen our global processes, improve consistency (through data enhancement, transformation of the reporting systems and an uplift to the control environment relating to the reporting production process) and enhance controls across regulatory reports;
- Changes to the prudential framework following the several third-party bank failures in 2023, for example in relation to liquidity or interest rate risk in the banking book ('IRRBB');
- Requirements flowing from arrangements for the resolution strategy of the Group and its individual operating entities that may have different effects in different countries;
- Financial effects of climate risk and other ESG related changes being incorporated within the global prudential framework, including physical risks from climate change and the transition risks resulting from a shift to a low carbon economy;
- Increasing regulatory expectations and requirements, for example, the EU's Digital Operational Resilience Act ('DORA'), relating to various aspects of operational resilience, including an increasing focus on the response of institutions to operational disruptions; and
- Reviews of regulatory frameworks applicable to the wholesale financial markets.

**Non-prudential and related issues**

- Increasing focus by regulators, international bodies and other policy makers, on how we conduct business, particularly around the delivery of fair outcomes for customers, promoting effective competition and ensuring the orderly and transparent operation of financial markets;
- Supervisory and regulatory change focus on technology adoption and digital delivery, underpinned by customer protection, including the use of digital assets and currencies and wider financial technology risks e.g. the EU's Markets in Crypto-Assets Regulation, which introduces a framework for regulating crypto-assets;
- Continuing supervisory and regulatory change focus globally on payment services and related infrastructure;
- Ongoing expectations with respect to managing emerging financial crime risks and its impact on customers, and implementing increasingly complex and less predictable sanctions and trade restrictions;

– Implementation of conduct and other measures as a result of regulators' focus on organisational culture, employee behaviour, whistleblowing and diversity and inclusion;
– Requirements regarding remuneration arrangements and senior management accountability;
– Changes in national or supra-national requirements regarding the management of third-party risk;
– Increasing regulatory expectations and requirements in relation to the use of artificial intelligence (e.g. the proposed EU AI Act), Capital Requirements Directive VI, ESG-related governance, risk management and disclosure frameworks (e.g. the EU Corporate Sustainability Reporting Directive), particularly in connection with climate change, transition plans, greenwashing and supply chain due diligence; and
– Regulatory focus on policies and controls related to the unauthorised use by employees of electronic communications on non-business platforms.

**2.2 HSBC Continental Europe, its branches and its subsidiaries are subject to tax-related risks in the countries in which they are established.**
Probability: Likely/Impact: Medium (unchanged from FY24).

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

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

Due to major restructuring and reorganisation over recent years, transfer pricing risk has increased for the bank. In that respect, HSBC Continental Europe ensures compliance with the relevant transfer pricing rules in each location to mitigate the tax risk. However, transfer pricing remains a subject of particular focus by the tax authorities highlighted by the recent reforms which will further strengthen the tax authorities' powers. This requires monitoring in view of the practice of the tax authorities to systematically verify the principles applied by international groups carrying out intra-group transactions.

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

▶ For further details – see Note 10 (section Tax-related investigations).

HSBC Continental Europe continues to monitor recent developments in the French tax law to ensure it remains compliant and has continued to strengthen its internal controls.

It is also worth noting that tax rules are becoming increasing complex and continue to evolve. Changes to international tax rules potentially create additional risks for all banks including HSBC Continental Europe.

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

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

Based on the outlook as of 30 June 2025, France and Ireland have an effective tax rate below the minimum level of taxation of 15 per cent. No top-up tax liabilities are expected to arise in France because of its loss-making position. In Ireland, the impact is expected to be non-significant.

# 3 Risks related to HSBC Continental Europe's operations

**3.1 HSBC Continental Europe could incur losses or be required to hold additional capital as a result of model limitations or weaknesses.**
Probability: Very Likely/Impact: High (unchanged from FY24).

HSBC Continental Europe uses models for a range of purposes in managing its business, including regulatory capital calculations, financial reporting, calculation of ECLs on an IFRS 9 basis, credit approvals, stress testing, financial crime and fraud risk management.

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

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

Regulatory scrutiny and supervisory concerns over banks' use of models are considerable, particularly the internal models used in the calculation of regulatory capital. If regulatory approval for key capital models is not achieved in a timely manner or if those models are subject to negative feedback from regulators, HSBC Continental Europe could be required to hold additional capital.

Model risk remains a key area of focus given the regulatory scrutiny in this area with local regulatory examinations taking place and further developments in policy expected from the regulators.

The economic consequences of higher global inflation and significant increases in interest rates have impacted the reliability of model outputs beyond how IFRS 9 models have been built and calibrated to operate. Consequently, IFRS 9 models under the current economic conditions may generate outputs that do not accurately assess the actual level of credit quality in all cases. In order to calculate more realistic valuation of assets, compensating controls, such as post model management adjustments based on expert judgement may be required. Such compensating controls require a significant degree of management judgment and assumptions. There is a risk that future actual results may differ from such judgments and assumptions. Longer term, the models are likely to require redevelopment to consider the effects of changes in rates and financial markets.

▶ For further details concerning risk weighted assets as at 30 June 2025, refer to 'Overview of risk weighted exposure amounts' in the HSBC Continental Europe Pillar 3 document. These numbers are for a large part computed using internal models.

Likewise, models are used to infer the fair value of some financial instruments, such as over-the-counter derivatives ('OTC'), whose price cannot be directly observed on trading platforms: in these cases, models compute a fair value by leveraging the prices of similar observable financial instruments.

These may be based on observable inputs only ('Level 2' fair value accounting) or, in some cases, on some unobservable inputs that have to be prudently estimated ('Level 3' fair value accounting).

▶ For further details concerning fair values of financial instruments carried at fair value as at 30 June 2025, refer to Note 5 on page 50.

The adoption of more sophisticated modelling approaches including artificial intelligence by both HSBC Continental Europe and the financial services industry could also lead to increased model risk that will have to be managed in compliance with the EU AI Act.

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

### 3.2 HSBC Continental Europe's operations are highly dependent on its information technology systems.

Probability: Likely/Impact: High (unchanged from FY24).

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

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

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

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

In the first half of 2025, IT incidents (including incidents with third parties) were reported to local regulators following the revised incident management process aligned to the DORA that came into effect in January 2025.

▶ For further details – see also Risk Factor: HSBC Continental Europe's operations use third party and intra-Group suppliers and service providers.

HSBC is continuing to invest in strengthening the resilience of its technology infrastructure and the further alignment of IT systems across HSBC Continental Europe, ensuring an appropriate and consistent control environment across the IT landscape.

There were no net operational losses related to information technology in the first half of 2025 (EUR 0.0 million in 2024).

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

Probability: Likely/Impact: High (unchanged from FY24).

The threat of cyber incidents remains a concern for HSBC Continental Europe, as it does across the financial sector and other industries. As cyber-threats continue to evolve, failure to protect HSBC Continental Europe's operations may result in disruption for its customers, and its business, cause financial loss or loss of sensitive data. This could have a negative impact on the bank's customers, and its own reputation, among other risks.

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

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

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

There have been no material cyber-related breaches that impacted HSBC Continental Europe customers or operations in the first half of 2025 due to controls in place despite numerous attacks being observed on a daily basis. However, the risk remains that future cyber-related attacks, either directly or via one of its suppliers, could have a material adverse effect on HSBC Continental Europe's business, financial condition, results of operations, prospects and reputation.

### 3.4 HSBC Continental Europe's operations use third party and intra-Group suppliers and service providers.

Probability: Likely/Impact: Medium (unchanged from FY24).

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

The use of third-party suppliers and service providers by financial institutions is a particular focus of the regulators. This includes how outsourcing decisions are made, how key relationships are managed and our understanding of third-party dependencies and their impact on service provision.

Risks arising from the use of third parties and from supply chains, such as risks related to operational incidents, financial stability, cyber-attacks and geopolitical tension are particularly important and challenging to manage. The threat of cyber-attacks on our providers and supply chain remains a concern for HSBC Continental Europe, as it does across the entire financial sector as cyber events may result in disruption for customers or impact the data shared.

The inadequate management of third party risk could impact HSBC Continental Europe's ability to meet strategic, regulatory and client expectations. This may lead to a range of impacts, including regulatory censure, penalties or damage both to shareholder value and to HSBC Continental Europe’s reputation. Any outsourcing of a material service needs to be validated in the HSBC Continental Europe Risk Management Meeting and then notified to regulators.

In the first half of 2025, HSBC Continental Europe continued to work on the enhancement of its Third-Party Management and Global Register system, on automation and standardisation of the process with HSBC Group. From a regulatory perspective, HSBC Continental Europe has focused on the implementation of Digital Operational Resilience Act, covering the Register of Information (‘ROI’), ICT determination, Important Business Service Mapping (‘IBS’), materiality and risk assessments.

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

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

Probability: Very Likely/Impact: High (unchanged from FY24).

As HSBC Continental Europe has become more data-driven and its business processes moved to digital channels, the volume of data that the bank relies on has increased.

As a result, management of data (including data retention and deletion, data quality, data privacy and data architecture) from creation to destruction must be robust and designed to identify quality and availability issues.

Inadequate data management could result in negative impacts to customer service, business processes, or require manual intervention to reduce the risk of errors in reporting to senior management, executives or regulators. This could have a material adverse effect on the Bank’s business, prospects, financial results and reputation.

HSBC Continental Europe did not suffer any significant data-related incidents linked to increasing data volumes or evolving regulations in the first half of 2025.

Over recent years, the regulatory expectations related to data management and data architecture have increased considerably.

Primarily driven by BCBS 239 – Principles for effective risk data aggregation and risk reporting which sought to strengthen banks’ risk data aggregation capabilities and internal risk reporting practices.

BCBS 239 has for objective to enhance the risk management and decision-making processes at banks.

### 4.2 The delivery of HSBC Continental Europe's strategy is subject to execution risk.

Probability: Likely (unchanged from FY24)/Impact: High (modified from Medium).

Effective management of transformation projects is required to deliver the Group’s strategic priorities; both externally driven programmes and key business initiatives to deliver growth, operational resilience and efficiency outcomes.

The scale, complexity and, at times, concurrent demands of the projects required to meet these can result in heightened execution risk.

HSBC Continental Europe has a clear and focused strategy that is consistent with the HSBC Group’s strategy.

▶ For further details – see ‘Purpose and strategy’ on page 4.

Within this framework, the strategy in Continental Europe is to focus on customers that value the HSBC network, leveraging its strengths in transaction banking, trade, capital markets and financing and increasing the cross-business and synergies between the HSBC Group’s different entities across the globe, while ensuring an efficient operating model across HSBC Continental Europe’s operations.

HSBC Continental Europe continues to adapt its operating model, implementing a number of programmes in support of the activities of HSBC Continental Europe while ensuring compliance with regulatory requirements.

The development and implementation of HSBC Continental Europe’s strategy requires difficult, subjective and complex judgements, including forecasts of economic conditions in Continental Europe but also in other parts of the world. HSBC Continental Europe may fail to correctly identify the relevant factors in making decisions as to capital deployment and cost reduction.

HSBC Continental Europe may also encounter unpredictable changes in the external environment that are unfavourable to its strategy. The bank’s ability to execute strategic change may be limited by its operational capacity, effectiveness of its change management controls and instituting and maintaining appropriate transitional arrangements and the potential for unforeseen changes in the market and/or regulatory environment in which it operates.

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

The global economic outlook also continues to remain uncertain. Therefore, there remains a risk that, in the absence of an improvement in economic conditions, HSBC Continental Europe’s cost and investment actions may not be sufficient to achieve the expected benefits.

The failure to successfully deliver or achieve the expected benefits of the HSBC Continental Europe’s key strategic initiatives could have a material adverse effect on its customers, the business it undertakes, financial results and future prospects, operational resilience and reputation.

Execution risk linked to ongoing projects is being managed and tracked by a dedicated committee.

**4.3 The increasing volume of personal data processing activities and of cross-border data transfers may lead to significant data privacy breaches.**
Probability: Likely/Impact: Medium (unchanged from FY24).

HSBC Continental Europe’s businesses and functions rely on the processing of a large volume of personal data. These data are increasingly processed in non-EU jurisdictions so as to fulfil operational requirements.

Whilst the offshoring of personal data processing activities has notable benefits, it also considerably increases the risk that the personal data in question will be processed in a manner which is incompatible with the high standards imposed by the General Data Protection Regulation (‘GDPR’) and the Schrems II ruling.

Whilst no significant incident impacting relating to cross-border personal data processing activities occurred in 2025, the Schrems II and GDPR risks remain topical in 2025.

Failure to comply with data privacy laws and other legislation in the jurisdictions in which HSBC Continental Europe operates may result in regulatory sanctions. Any of these failures could have a material adverse effect on its business, financial condition, results of operations, prospects, and reputation.

**4.4 HSBC Continental Europe is subject to the risk of financial crime and third parties may use the bank as a conduit for illegal activities without its knowledge**
Probability: Likely/Impact: Medium (unchanged from FY24).

Financial crime risk is the risk that HSBC’s products and services will be exploited for criminal activity. This includes fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing. Financial crime risk arises from day-to-day banking operations involving customers, third parties and employees.

Financial institutions remain under considerable regulatory scrutiny regarding their ability to detect and prevent financial crime as we operate in an ever-changing environment due to increasingly complex geopolitical tensions and macroeconomic factors as well as, evolving international financial crime regulations. Within the European Union, HSBC is actively monitoring the Regulatory changes with the implementation of the EU AML Regulation in 2027. In addition, the accessibility and increasing sophistication of generative AI brings financial crime risks. While there is potential for the technology to support financial crime detection, there is also a risk that criminals use generative AI to perpetrate fraud, particularly scams.

HSBC Continental Europe’s ability to manage financial crime risk is dependent on the use and effectiveness of its financial crime risk assessments, systems and controls. Weak or ineffective financial crime processes and controls may risk HSBC inadvertently facilitating financial crime which may result in regulatory investigation, sanction, litigation, fines and reputational damage.

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

Furthermore, annual Global financial crime mandatory training is provided to all colleagues in HSBC Continental Europe, with additional targeted training tailored to certain individuals.

HSBC Continental Europe continues to make progress with several key financial crime risk management initiatives such as with the deployment of our intelligence-led, dynamic risk assessment (capability for customer account monitoring replacing rule based monitoring. Deployments started in the year prior for France, Malta with further deployments successfully completed in Poland, Spain, and Ireland. Financial Crime is also deploying a next generation capability to increase monitoring coverage of correspondent banking type activity with successful deployments completed in Poland, Spain, Ireland, Malta and Czech Republic as well as France, which is already live. HSBC Continental Europe remains focused on embedding these new tools and processes to be operationally effective with an ambition to decrease the time to detect potential risks. Due to the large change program required in systems and processes, France experienced an increase in cases which required a focused action plan to decrease timeliness back into sustainable levels.

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

▶ For further details concerning tax related investigations – see Note 10 (section Tax-related investigations). Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

**4.5 HSBC Continental Europe's risk management measures may not be successful.**
Probability: Likely/Impact: Medium (unchanged from FY24).

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

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

– The Risk Map is an integrated risk management tool used to assess, monitor and report current risk profile, including the qualitative statements, Risk Drivers and Top Risks of the Bank. It provides a point-in-time view of the enterprise-wide risk profile across both financial and non-financial risks against the risk appetite approved by the Board. The qualitative statements set out the top-level description of the Bank's appetite for specific risk types, that define the residual risk the Bank is comfortable or accept taking to achieve strategic aims and the residual risk that cannot be tolerated. A Risk Driver is an issue or event that may cause risk to be outside of appetite and a Top Risk is a Risk Driver that the Bank is managing, which if not managed and mitigated has the potential to have a material impact. Thematic Issues are broad, overarching material matters that are driven by either internal (e.g. internal operating environment) or external; (macroeconomic factors/regulatory demands) events or trends. They typically span multiple Level 1 risk categories; and

– The Risk Appetite Statement.

► For further details concerning Risk Appetite – see section 'Risk appetite' on page 25.

Whilst HSBC Continental Europe employs a broad and diversified set of risk monitoring and mitigation techniques, such methods and the judgements that accompany their application cannot anticipate every unfavourable event or the specifics and timing of every outcome.

Failure to manage risks appropriately could have a material adverse effect on the businesses, financial condition, results of operations, prospects, capital position, strategy and reputation of the bank.

# 5 Risks related to HSBC Continental Europe's business

### 5.1 Risks concerning borrower credit quality are inherent in HSBC Continental Europe's businesses.

Probability: Likely/Impact: High (unchanged from FY24).

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

Adverse changes in the credit quality of HSBC Continental Europe's borrowers and counterparties arising from a general deterioration in economic conditions or systemic risks in the financial systems could reduce the recoverability and value of HSBC Continental Europe's assets, and result in increased credit losses.

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

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

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

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

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

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

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

A rolling program of sector reviews is in place.

Single name and sector concentrations are within appetite. Other key credit risk metrics are also within appetite.

Following the sale of retail business, the retained portfolio is in run off. This portfolio is circa 95 per cent secured by Credit Logement and has reduced to EUR 6.5 billion as at the end of June 2025 (compared to EUR 6.7 billion as at the end of December 2024).

► For further details concerning RWAs as at 30 June 2025 – see table: Overview of risk weighted exposure amounts in the HSBC Continental Europe Pillar 3 document.

Change in expected credit losses and other credit impairment charges was a net charge of EUR 70 million in the first half of 2025 compared to a net charge of EUR 13 million in the first half of 2024.

### 5.2 HSBC Continental Europe has significant exposure to counterparty risk.

Probability: Likely/Impact: High (unchanged from FY24).

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

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

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

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

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

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

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

Market events (such as the US President Donald Trump's firm stance on his new trade economic policy which started in April 2025) and their impacts on the portfolio are closely monitored as part of HSBC Continental Europe's counterparty credit risk management.

Stress testing is also a management tool used to review the HSBC Continental Europe portfolio.

Risk management actions focus on collateral disputes and failed payments.

As at 30 June 2025, Counterparty Risk RWAs were EUR 5.6 billion compared to EUR 6.8 billion as at 31 December 2024.

▶ For further details – see RWAs as at 30 June 2025 – table: Overview of risk weighted exposure amounts in the HSBC Continental Europe Pillar 3 document.

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

Probability: Likely/Impact: High (unchanged from FY24).

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

In the current situation the main financial risk for HSBC Assurances Vie (France) is a reduction in inflows and an increase in lapses, which could result in negative net new money and liquidity risk. Moreover, in case of significant level of negative net new money flows with the current level of interest rates, HSBC Assurances Vie (France) could have to sell a part of its bond portfolio and thus realise a part of its unrealised losses.

Over 2024 the main elements which could expose HSBC Assurances Vie (France) to this risk were the sale of the French Retail Bank, the principal distribution network to CCF, the movements of interest rates and the economic and political uncertainty in France. From beginning of 2025, the main risk factor was the possible reorganisation of the CCF network.

Mitigating actions are already in place in HSBC Assurances Vie (France) as these risks were previously identified. A competitive profit-sharing rate was delivered end of 2024 and commercial campaigns were launched to support the commercial activity. This risk was also mitigated thanks to the signing of a reinsurance contract in January 2024. After good results in the second half of 2024, the commercial performance remains satisfactory in the first half of 2025 and there is no significant change in the level of lapses.

The proportion of cash and of short-term investments of the HSBC Assurances Vie (France) portfolio were also managed accordingly and all the liquidity indicators remained within risk appetite in the first semester of 2025.

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

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

### 5.4 HSBC Continental Europe relies on recruiting, retaining and developing appropriate senior management and skilled personnel.

Probability: Likely/Impact: Medium (unchanged from FY24).

HSBC Continental Europe businesses, functions and entities may be exposed to risks associated with capacity and capability combined with changing requirements of our workforce skills, as well as the need to comply with employment laws and regulations. Failure to proactively identify and manage potential capacity and / or capability risks may impact the delivery of the strategic objectives or lead to regulatory sanctions or legal claims, it may as well lead to poor customer outcomes. The risks are heightened during the current period of organisational change. While it is understood that this may potentially heighten the overall risk profile, controls are still deemed appropriate, and no material challenges have been identified for now. The risk will continue to be reviewed and assessed to identify challenges and implement relevant actions.

Meeting the demand to recruit, retain and develop appropriate senior management and skilled personnel remains subject to several potential challenges. These include rapidly changing skill requirements and ways of working and the evolving regulatory landscape. Ongoing talent shortages in key markets, businesses and capabilities, particularly where those with the scarce capabilities are globally mobile, add to the complexity of the supply challenge. HSBC Continental Europe's continued success and implementation of its growth strategy depend in part on the retention of key members of its management team and wider employee base, the availability of skilled management in each of its businesses and functions, and the ability to continue to attract, train, motivate and retain highly qualified professionals, each of which may depend on factors beyond the Bank's control, including economic, market and regulatory conditions. Furthermore, HSBC Continental Europe has ambition for greater representation of women in senior leadership roles. If the Bank fails to achieve this ambition, its ability to attract and retain qualified professionals may be affected.

Various initiatives have been set to enhance employee engagement, convey a common and positive culture and enable growth in 2025, resulting in some improvements in HSBC Continental Europe's key indicators.

– HSBC Continental Europe's attrition rate has been on a downward trend over 2024; however, it remains closely monitored in certain businesses and/or areas where it could potentially lead to capacity and capability challenges. As of 30 June 2025, the overall annualised voluntary attrition rate stood at 5 per cent, up 1.2 points year on year.
– Since achieving its ambition of having 30 per cent of senior leadership positions held by women in 2020, the HSBC Group set a new ambition to reach 35 per cent by 2025. HSBC Group is on track to meet its 2025 ambition, with 34.6 per cent of senior leadership roles held by women at the end of 2024. To contribute to HSBC Group's ambition, HSBC Continental Europe equally has an ambition for greater representation of women in senior leadership positions. As of 30 June 2025, HSBC Continental Europe achieved 28.5 per cent representation of women in senior leadership roles, remaining stable year-on-year.

## 6 Risks related to HSBC Continental Europe's financial statements

**6.1 HSBC Continental Europe's financial statements are based in part on judgements, estimates and assumptions that are subject to uncertainty.**
Probability: Unlikely/Impact: Medium (unchanged from FY24).

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

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

The impacts of revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Accounting policies deemed critical to our results and financial position are those that involve a high degree of uncertainty and have a material impact on the financial statements. In first half of 2025 these included expected credit losses, impairment of goodwill and non-financial assets, measurement of financial instruments, deferred tax assets, provisions, impairment of interests in associates, or in investments in subsidiaries. As well as held for sale classification and measurement.

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

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

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

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

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

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

# Managing risks

Economic, financial and geopolitical developments may materially affect the group's customers, operations and financial risk profile. HSBC Continental Europe maintains a proactive approach to managing its exposure to these risks, supported by continuous monitoring and review.

Economic activity in the EU increased in the first half of 2025 as the global economy continued to grow, but developments were distorted by consumption and investment spending being advanced to avoid expected tariff levies. Over the remainder of 2025, tariffs are expected to become an increasing headwind to global growth, and economic forecasts and economic expectations have been lowered accordingly.

Risks to the global economy remain elevated due to the uncertainty over US trade policy and the potential for additional sanctions, trade restrictions, counter-sanctions and other countermeasures. High uncertainty may impact financial market pricing and further erode confidence, while higher tariffs could disrupt supply chains and reduce global trade, increasing the group and its customers exposure to such developments.

Tariffs, supply chain disruptions and reduced trade may also negatively impact fee income and demand for financing, although the reconfiguration of supply chains may also present new opportunities for investment and growth.

Major central banks have adjusted their policy approach in light of uncertainty. The ECB have continued to cut interest rates, but have cited concern over the significant uncertainty in the global economy including the impact of tariffs, that might influence the pace and scale of further reductions.

Policy interest rates are expected to remain higher than the pre-pandemic period. Higher rates may reduce loan demand across key consumer and business segments, which could lead to a deterioration in credit quality and weigh on real estate and other asset prices.

Fiscal policy across major markets remains broadly supportive of growth. European governments have committed to raising defence spending, either by redirecting existing expenditure or allowing fiscal deficits to rise.

The geopolitical environment has continued to increase in complexity and geopolitical tensions could impact the group's operations and its risk profile. During the second quarter, the war between Israel and Iran illustrated the threat of energy supply disruption to the global economy. The ongoing conflicts in the Middle East and the Russia-Ukraine war remain key sources of uncertainty, which may also impact the HSBC Continental Europe and its customers.

HSBC Continental Europe's businesses could also be adversely affected by economic and political developments in regions of the world outside of Europe. This reflects HSBC Continental Europe's extensive business links, through members of the HSBC Group and other entities, in Asia and elsewhere. Tensions between China and the US, which may extend to involve other countries, and developments in Hong Kong, Taiwan and the surrounding maritime region, may adversely affect the HSBC Group.

In the first half of 2025, management adjustments to ECLs were applied to reflect sector or portfolio risks that are not fully captured by the models. HSBC Continental Europe continues to monitor, and seek to manage, the potential implications of all the above developments on its customers and its business.

▶ For further details of HSBC Continental Europe's Central and other scenarios, see 'Measurement uncertainty and sensitivity analysis of ECL estimates' on page 26.

HSBC Continental Europe remains committed to investing in the reliability and resilience of its technology systems and critical services, including its ability to withstand and respond to cyber attacks. In its approach to defending against these threats, HSBC Continental Europe invest in business and technical controls to help the bank detect, prevent, manage and recover from issues in a timely manner within its risk appetite.

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

# Risk appetite

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

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

HSBC Continental Europe continues to develop its climate risk appetite as it engages with businesses on including climate risk in decision making and starting to embed climate risk appetite into business planning.

# Key developments in the first half of 2025

In the first half of 2025, HSBC Continental Europe continued to manage risks related to macroeconomic and geopolitical uncertainties and develop risk management capabilities through the continued enhancement of its risk management framework. HSBC Continental Europe also retained its focus on risk transformation and financial crime and continued to assess its operational resilience capability while prioritising the most significant enterprise risks.

HSBC Continental Europe made progress with and continues to develop capabilities to address key risks described in its Universal Registration Document and Annual Financial Report 2024.

More specifically, HSBC Continental Europe sought to enhance its risk management in the following areas:

- HSBC Continental Europe has undertaken a programme aimed at strengthening its regulatory reporting processes and making them more sustainable. This multifaceted programme includes enhancing data, consistency and controls. This remains a key priority for management and regulatory authorities.
- Continued focus on HSBC Continental Europe's technology and cybersecurity controls to improve the resilience and security of its technology services in response to the heightened external threat environment.
- The enhancement of HSBC Continental Europe's processes, framework and controls to improve the oversight of its material third parties. HSBC Continental Europe has also strengthened its due diligence and monitoring capabilities with respect to the financial stability of its third parties to better manage its supply chain and operational resilience.
- Continuing deployment of industry leading technology and advanced analytics capabilities to improve its ability to identify suspicious activities and prevent financial crime. HSBC Continental Europe will continue to evaluate technological solutions to improve its capabilities in the detection and prevention of financial crime.
- HSBC Continental Europe continued to embed climate and nature considerations across the organisation through risk policy and guideline updates, ongoing assessment of climate and nature risks in its risk taxonomy and reviewing a number of climate and nature models to enhance its internal climate and nature scenario analysis capabilities.

- Embedding its regulatory management systems focusing on forward-looking analysis, regulatory mapping, and regulatory content for its inventory.
- Creation of Wholesale Credit Risk Oversight ('WCRO') function to enable the fully independent oversight of the Wholesale Credit Risk controls performed by the First Line of Defence and the Second Line of Defence's risk-taking functions. WCRO is fully independent from Wholesale Credit Risk Management.
- Enhancements to HSBC Continental Europe's frameworks, policies and governance processes to embed regulatory requirements.

# Credit risk

## Credit risk profile

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

There were no material changes to the policies and practices for the management of credit risk in the first half of 2025. A summary of our current policies and practices for the management of credit risk is set out in 'Credit risk management' of the Universal Registration Document 2024.

## Summary of credit risk

### Measurement uncertainty and sensitivity analysis of ECL estimates

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

**Methodology**

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

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

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

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

Scenario weightings are calibrated to probabilities that are determined with reference to consensus forecast probability distributions. Management may then choose to vary weights if they assess that the calibration lags more recent events, or does not reflect their view of the distribution of economic and geopolitical risk. Management view of the scenarios and the probability distribution takes into consideration the relationship of the consensus scenario for both internal and external assessments of risk.

In reviewing the economic environment, the level of risk and uncertainty, management has considered both global and country specific factors.

In the second quarter of 2025, key considerations around uncertainty attached to the Central scenario projections focused on:

- US import tariffs and bilateral tariff escalations globally, and the impact on trade and manufacturing supply chains;
- the outlook for real estate in our key markets; and
- geopolitical risks, including tensions in the Middle East and the Russia-Ukraine war.

Management assessed that a change to the standard scenario weightings was appropriate given elevated market measures of volatility and policy uncertainty. As a consequence, the assigned scenario weights were revised with 10 per cent shift from Central to Downside 1, compared to the standard calibrated probabilities in the fourth quarter of 2024.

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

| | At 30 Jun 2025 | | At 31 Dec 2024 | |
|---|---|---|---|---|
| | **Gross carrying/ nominal amount** | **Provision for ECL[1]** | Gross carrying/ nominal amount | Provision for ECL[1] |
| | **€m** | **€m** | €m | €m |
| Loans and advances to customers at amortised cost | **46,628** | **(505)** | 51,775 | (487) |
| Loans and advances to banks at amortised cost | **5,182** | **(1)** | 5,704 | (1) |
| Other financial assets measured at amortised cost | **103,033** | **(1)** | 95,233 | — |
| – cash and balances at central banks | **43,004** | **—** | 48,907 | — |
| – reverse repurchase agreements – non trading | **32,267** | **—** | 25,764 | — |
| – financial investments[2] | **5,417** | **—** | 3,338 | — |
| – prepayments, accrued income and other assets[3] | **22,345** | **(1)** | 17,224 | — |
| Assets held for sale[4] | **3,390** | **—** | 2,475 | — |
| **Total gross carrying amount on balance sheet** | **158,233** | **(507)** | 155,187 | (488) |
| Loans and other credit-related commitments | **127,014** | **(37)** | 104,656 | (33) |
| Financial guarantees[5] | **1,925** | **(4)** | 1,950 | (7) |
| **Total nominal amount off-balance sheet[6]** | **128,939** | **(41)** | 106,606 | (40) |
| | **287,172** | **(548)** | 261,793 | (528) |

| | **Fair value** | **Memorandum allowance for ECL[7]** | Fair value | Memorandum allowance for ECL[7] |
|---|---|---|---|---|
| | **€m** | **€m** | €m | €m |
| **Debt instruments measured at Fair Value through Other Comprehensive Income (‘FVOCI’)[8]** | **31,303** | **(14)** | 25,567 | (5) |

1 The total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.
2 Includes only financial investments measured at amortised cost. ‘Financial investments’ as presented within the consolidated balance sheet on page 41 includes financial assets measured at amortised cost and debt and equity instruments measured at fair value through other comprehensive income.
3 Includes only those financial instruments which are subject to the impairment requirements of IFRS 9. ‘Prepayments, accrued income and other assets’ as presented within the consolidated balance sheet on page 41 includes both financial and non-financial assets.
4 Includes EUR 2.3 billion (EUR 2.2 billion 31 December 2024) for private banking business in Germany, EUR 0.9 billion custody business in Germany. Refer to Note 11 'Assets held for sale, liabilities of disposal groups held for sale and discontinued operations on page 57'.
5 Excludes performance guarantee contracts to which the impairment requirements of IFRS 9 are not applied.
6 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.
7 Debt instruments measured at FVOCI continue to be measured at fair value with the allowance for ECL as a memorandum item. Change in ECL is recognised in ‘Change in expected credit losses and other credit impairment charges’ in the income statement.
8 Includes EUR 8.2 billion (EUR 8.2 billion 31 December 2024) for life insurance business, EUR 5.3 billion for the retained portfolio of home and certain other loans in France classified as held for sale. Refer to Note 11 'Assets held for sale, liabilities of disposal groups held for sale and discontinued operations on page 57’.

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 30 June 2025

| | Gross carrying/nominal amount[1] | | | | | Provision for ECL | | | | | ECL coverage % | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI[2] | Total | Stage 1 | Stage2 | Stage 3 | POCI[2] | Total | Stage 1 | Stage 2 | Stage 3 | POCI[2] | Total |
| | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m | % | % | % | % | % |
| Loans and advances to customers at amortised cost | 41,381 | 3,838 | 1,408 | 1 | 46,628 | (47) | (88) | (370) | — | (505) | 0.1 | 2.3 | 26.3 | — | 1.1 |
| – personal | 3,242 | 144 | 82 | — | 3,468 | (6) | (2) | (25) | — | (33) | 0.2 | 1.4 | 30.5 | — | 1.0 |
| – corporate and commercial | 28,538 | 3,462 | 1,287 | 1 | 33,288 | (36) | (83) | (340) | — | (459) | 0.1 | 2.4 | 26.4 | — | 1.4 |
| – non-bank financial institutions | 9,601 | 232 | 39 | — | 9,872 | (5) | (3) | (5) | — | (13) | 0.1 | 1.3 | 12.8 | — | 0.1 |
| Loans and advances to banks at amortised cost | 5,139 | 42 | 1 | — | 5,182 | — | — | (1) | — | (1) | — | — | 100.0 | — | — |
| Other financial assets measured at amortised cost | 103,009 | 15 | 9 | — | 103,033 | (1) | — | — | — | (1) | — | — | — | — | — |
| Assets held for sale | 3,376 | 14 | — | — | 3,390 | — | — | — | — | — | — | — | — | — | — |
| Loan and other credit-related commitments | 124,623 | 2,254 | 137 | — | 127,014 | (12) | (13) | (12) | — | (37) | — | 0.6 | 8.8 | — | — |
| – personal | 304 | 7 | — | — | 311 | — | — | — | — | — | — | — | — | — | — |
| – corporate and commercial | 52,246 | 2,143 | 137 | — | 54,526 | (10) | (13) | (12) | — | (35) | — | 0.6 | 8.8 | — | 0.1 |
| – financial | 72,073 | 104 | — | — | 72,177 | (2) | — | — | — | (2) | — | — | — | — | — |
| Financial guarantees | 1,676 | 202 | 47 | — | 1,925 | (1) | (1) | (2) | — | (4) | 0.1 | 0.5 | 4.3 | — | 0.2 |
| – personal | 37 | — | — | — | 37 | — | — | — | — | — | — | — | — | — | — |
| – corporate and commercial | 637 | 198 | 47 | — | 882 | (1) | (1) | (2) | — | (4) | 0.2 | 0.5 | 4.3 | — | 0.5 |
| – financial | 1,002 | 4 | — | — | 1,006 | — | — | — | — | — | — | — | — | — | — |
| **At 30 Jun 2025** | **279,204** | **6,365** | **1,602** | **1** | **287,172** | **(61)** | **(102)** | **(385)** | **—** | **(548)** | **—** | **1.6** | **24.0** | **—** | **0.2** |

1 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.
2 Purchased or originated credit impaired ('POCI').

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

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

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

Stage 2 days past due analysis at 30 June 2025

| | Gross carrying amount | | | Provision for ECL | | | ECL coverage % | | |
|---|---|---|---|---|---|---|---|---|---|
| | Stage 2 | of which: 1 to 29 DPD[1,2] | of which: 30 and > DPD[1,2] | Stage 2 | of which: 1 to 29 DPD[1,2] | of which: 30 and > DPD[1,2] | Stage 2 | of which: 1 to 29 DPD[1,2] | of which: 30 and > DPD[1,2] |
| | €m | €m | €m | €m | €m | €m | % | % | % |
| Loans and advances to customers at amortised cost: | 3,838 | 18 | 34 | (88) | — | — | 2.3 | — | — |
| – personal | 144 | 17 | 3 | (2) | — | — | 1.4 | — | — |
| – corporate and commercial | 3,462 | 1 | 29 | (83) | — | — | 2.4 | — | — |
| – non-bank financial institutions | 232 | — | 2 | (3) | — | — | 1.3 | — | — |
| Loans and advances to banks at amortised cost | 42 | — | — | — | — | — | — | — | — |
| Other financial assets measured at amortised cost | 15 | — | — | — | — | — | — | — | — |
| Assets held for sale | 14 | — | — | — | — | — | — | — | — |

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

## Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 31 December 2024

| | Gross carrying/nominal amount[1] | | | | | Provision for ECL | | | | | ECL coverage % | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m | % | % | % | % | % |
| Loans and advances to customers at amortised cost | 45,571 | 4,591 | 1,612 | 1 | 51,775 | (40) | (85) | (362) | — | (487) | 0.1 | 1.9 | 22.5 | — | 0.9 |
| – personal[2] | 9,840 | 290 | 108 | — | 10,238 | (3) | (10) | (32) | — | (45) | — | 3.4 | 29.6 | — | 0.4 |
| – corporate and commercial | 28,015 | 4,226 | 1,495 | 1 | 33,737 | (34) | (74) | (324) | — | (432) | 0.1 | 1.8 | 21.7 | — | 1.3 |
| – non-bank financial institutions | 7,716 | 75 | 9 | — | 7,800 | (3) | (1) | (6) | — | (10) | — | 1.3 | 66.7 | — | 0.1 |
| Loans and advances to banks at amortised cost | 5,679 | 25 | — | — | 5,704 | (1) | — | — | — | (1) | — | — | — | — | — |
| Other financial assets measured at amortised cost | 95,209 | 15 | 9 | — | 95,233 | — | — | — | — | — | — | — | — | — | — |
| Assets Held for sale[3] | 2,458 | 17 | — | — | 2,475 | — | — | — | — | — | — | — | — | — | — |
| Loan and other credit-related commitments | 100,948 | 3,578 | 130 | — | 104,656 | (9) | (14) | (10) | — | (33) | — | 0.4 | 7.7 | — | — |
| – personal | 308 | 4 | — | — | 312 | — | — | — | — | — | — | — | — | — | — |
| – corporate and commercial | 50,394 | 3,545 | 130 | — | 54,069 | (8) | (14) | (10) | — | (32) | — | 0.4 | 7.7 | — | 0.1 |
| – financial | 50,246 | 29 | — | — | 50,275 | (1) | — | — | — | (1) | — | — | — | — | — |
| Financial guarantees[4] | 1,856 | 50 | 44 | — | 1,950 | (1) | (2) | (4) | — | (7) | 0.1 | 4.0 | 9.1 | — | 0.4 |
| – personal | 38 | — | — | — | 38 | — | — | — | — | — | — | — | — | — | — |
| – corporate and commercial | 837 | 46 | 44 | — | 927 | (1) | (2) | (4) | — | (7) | 0.1 | 4.3 | 9.1 | — | 0.8 |
| – financial | 981 | 4 | — | — | 985 | — | — | — | — | — | — | — | — | — | — |
| At 31 Dec 2024 | 251,721 | 8,276 | 1,795 | 1 | 261,793 | (51) | (101) | (376) | — | (528) | — | 1.2 | 20.9 | — | 0.2 |

1 Represents the maximum amount at risk should the contracts be fully drawn down and customers default.
2 Includes retained portfolio of French home and certain other loans following the sale of retail banking operations in France, with carrying amount of EUR 6.7 billion as at 31 December 2024, of which EUR 6.3 billion guaranteed by Crédit Logement.
3 Includes private banking business in Germany and life insurance business in France. For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207 in Universal Registration Document 2024.
4 Excludes performance guarantee contracts to which the impairment requirements of IFRS 9 are not applied.

## Stage 2 days past due analysis at 31 December 2024

| | Gross carrying amount | | | Provision for ECL | | | ECL coverage % | | |
|---|---|---|---|---|---|---|---|---|---|
| | Stage 2 | of which: 1 to 29 DPD[1] | of which: 30 and > DPD[1] | Stage 2 | of which: 1 to 29 DPD[1] | of which: 30 and > DPD[1] | Stage 2 | of which: 1 to 29 DPD[1] | of which: 30 and > DPD[1] |
| | €m | €m | €m | €m | €m | €m | % | % | % |
| Loans and advances to customers at amortised cost | 4,591 | 55 | 42 | (85) | (2) | — | 1.9 | 3.6 | — |
| – personal | 290 | 49 | 7 | (10) | (2) | — | 3.4 | 4.1 | — |
| – corporate and commercial | 4,226 | 5 | 34 | (74) | — | — | 1.8 | — | — |
| – non-bank financial institutions | 75 | 1 | 1 | (1) | — | — | 1.3 | — | — |
| Loans and advances to banks at amortised cost | 25 | — | — | — | — | — | — | — | — |
| Other financial assets measured at amortised cost | 15 | — | — | — | — | — | — | — | — |
| Assets held for sale[2] | 17 | — | — | — | — | — | — | — | — |

1 Days past due ('DPD'). amounts presented above are on contractual basis.
2 For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207 in Universal Registration Document 2024.

# Stage 2 decomposition at 30 June 2025

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

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

The Quantitative classification shows when the relevant reporting date Probability of Default ('PD') measures exceeds the defined quantitative thresholds for retail and wholesale exposures, as set out in Note 1.2 'Summary of material accounting policies', on page 249 of the 2024 Universal Registration Document.

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

▶ For further details on our approach to the assessment of significant increase in credit risk, see Note 1.2 'Summary of material accounting policies' on page 249 of the Universal Registration Document 2024.

Stage 2 Decomposition at 30 June 2025

| | Gross carrying value | | | | Provision for ECL | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Loans and advances to customers** | **Personal** | **Corporate and commercial** | **Non-bank financial institutions** | **Total** | **Personal** | **Corporate and commercial** | **Non-bank financial institutions** | **Total** | **ECL Coverage % Total** |
| | **€m** | **€m** | **€m** | **€m** | **€m** | **€m** | **€m** | **€m** | **%** |
| Quantitative | **144** | **1,477** | **39** | **1,660** | **(2)** | **(28)** | **—** | **(30)** | **1.8** |
| Qualitative | **—** | **1,970** | **191** | **2,161** | **—** | **(55)** | **(3)** | **(58)** | **2.7** |
| 30 days past due backstop | **—** | **15** | **2** | **17** | **—** | **—** | **—** | **—** | **—** |
| **Total stage 2** | **144** | **3,462** | **232** | **3,838** | **(2)** | **(83)** | **(3)** | **(88)** | **2.3** |

Stage 2 Decomposition at 31 December 2024

| | Gross carrying value | | | | Provision for ECL | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Loans and advances to customers | Personal | Corporate and commercial | Non-bank financial institutions | Total | Personal | Corporate and commercial | Non-bank financial institutions | Total | ECL Coverage % Total |
| | €m | €m | €m | €m | €m | €m | €m | €m | % |
| Quantitative | 281 | 1,931 | 20 | 2,232 | (10) | (31) | — | (41) | 1.8 |
| Qualitative | 4 | 2,277 | 54 | 2,335 | — | (43) | (1) | (44) | 1.9 |
| 30 days past due backstop | 5 | 18 | 1 | 24 | — | — | — | — | — |
| Total stage 2 | 290 | 4,226 | 75 | 4,591 | (10) | (74) | (1) | (85) | 1.9 |

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

| | Non-credit impaired | | | | Credit impaired | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | POCI | | | |
| | Gross carrying/ nominal amount | Provision for ECL | Gross carrying/ nominal amount | Provision for ECL | Gross carrying/ nominal amount | Provision for ECL | Gross carrying/ nominal amount | Provision for ECL | Gross carrying/ nominal amount | Provision for ECL |
| | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m |
| **At 1 Jan 2025** | 118,927 | (51) | 8,244 | (101) | 1,786 | (376) | 1 | — | 128,958 | (528) |
| Transfers of financial instruments | 352 | (19) | (447) | 20 | 95 | (1) | — | — | — | — |
| – transfers from stage 1 to stage 2 | (4,014) | 4 | 4,014 | (4) | — | — | — | — | — | — |
| – transfers from stage 2 to stage 1 | 4,433 | (23) | (4,433) | 23 | — | — | — | — | — | — |
| – transfers to stage 3 | (69) | — | (135) | 4 | 204 | (4) | — | — | — | — |
| – transfers from stage 3 | 2 | — | 107 | (3) | (109) | 3 | — | — | — | — |
| Net remeasurement of ECL arising from transfer of stage | — | 19 | — | (13) | — | — | — | — | — | 6 |
| New financial assets originated or purchased | 11,120 | (8) | — | — | — | — | — | — | 11,120 | (8) |
| Asset derecognised (including final repayments) | (2,771) | — | (414) | 1 | (97) | 25 | — | — | (3,282) | 26 |
| Changes to risk parameters – further lending/repayments | (6,126) | 5 | (865) | 12 | (135) | (22) | — | — | (7,126) | (5) |
| Changes to risk parameters – credit quality | — | (12) | — | (46) | — | (49) | — | — | — | (107) |
| Changes to model used for ECL calculation | — | 4 | — | 23 | — | — | — | — | — | 27 |
| Assets written off | — | — | — | — | (36) | 36 | — | — | (36) | 36 |
| Credit-related modifications that resulted in derecognition | — | — | — | — | — | — | — | — | — | — |
| Foreign exchange | 1 | — | (1) | — | — | — | — | — | — | — |
| Others[2] | (6,602) | 2 | (180) | 2 | (21) | 2 | — | — | (6,803) | 6 |
| Assets held for sale[3] | (828) | — | (2) | — | — | — | — | — | (830) | — |
| **At 30 Jun 2025** | 114,073 | (60) | 6,335 | (102) | 1,592 | (385) | 1 | — | 122,001 | (547) |
| ECL release/(charge) for the period | | 8 | | (23) | | (46) | | — | | (61) |
| Add: Recoveries | | | | | | | | | | — |
| Add/(less): Others | | | | | | | | | | (9) |
| **Total ECL release/(charge) for the period** | | | | | | | | | | (70) |

| | At 30 Jun 2025 | | Half-year ended 30 Jun 2025 |
|---|---|---|---|
| | Gross carrying/ nominal amount | Provision for ECL | ECL release/ (charge) |
| | €m | €m | €m |
| **As above** | 122,001 | (547) | (70) |
| Other financial assets measured at amortised cost | 103,033 | (1) | — |
| Assets held for sale[4] | 3,390 | — | — |
| Non-trading reverse purchase agreement commitments | 58,748 | — | — |
| Performance and other guarantees not considered for IFRS 9 | | | — |
| **Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/Summary consolidated income statement** | 287,172 | (548) | (70) |
| Debt instruments measured at FVOCI[5] | 31,303 | (14) | — |
| **Total Provision for ECL/total income statement Provision for ECL charge for the period** | 318,475 | (562) | (70) |

1 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.
2 Includes retained portfolio of home and certain other loans in France.
3 Relates to the custody business in Germany.
4 Includes EUR 2.3 billion for private banking business in Germany, EUR 0.9 billion custody business in Germany. Refer to Note 11 'Assets held for sale, liabilities of disposal groups held for sale and discontinued operations on page 57'.
5 Includes EUR 8.2 billion for life insurance business, EUR 5.3 billion for retained portfolio of home and certain other loans in France classified as held for sale. Refer to Note 11 'Assets held for sale, liabilities of disposal groups held for sale and discontinued operations on page 57'.

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

| | Non-credit impaired | | | | Credit impaired | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | POCI | | Total | |
| | Gross carrying/ nominal amount | Provision for ECL | Gross carrying/ nominal amount | Provision for ECL | Gross carrying/ nominal amount | Provision for ECL | Gross carrying/ nominal amount | Provision for ECL | Gross carrying/ nominal amount | Provision for ECL |
| | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m |
| At 1 Jan 2024 | 113,743 | (61) | 8,206 | (91) | 1,889 | (637) | 7 | — | 123,845 | (789) |
| Transfers of financial instruments | (680) | (24) | 301 | 28 | 380 | (4) | — | — | 1 | — |
| – transfers from stage 1 to stage 2 | (5,036) | 6 | 5,036 | (6) | — | — | — | — | — | — |
| – transfers from stage 2 to stage 1 | 4,346 | (28) | (4,346) | 28 | — | — | — | — | — | — |
| – transfers to stage 3 | (99) | — | (570) | 8 | 670 | (8) | — | — | 1 | — |
| – transfers from stage 3 | 109 | (2) | 181 | (2) | (290) | 4 | — | — | — | — |
| Net remeasurement of ECL arising from transfer of stage | — | 18 | — | (18) | — | — | — | — | — | — |
| New financial assets originated or purchased | 32,039 | (31) | — | — | — | — | — | — | 32,039 | (31) |
| Asset derecognised (including final repayments) | (16,222) | 5 | (1,376) | 8 | (439) | 143 | — | — | (18,037) | 156 |
| Changes to risk parameters – further lending/repayments | (9,722) | 28 | 1,131 | (20) | 303 | 113 | (6) | — | (8,294) | 121 |
| Changes to risk parameters – credit quality | — | 15 | — | — | — | (357) | — | — | — | (342) |
| Changes to model used for the provision for ECL calculation | — | (3) | — | (7) | — | — | — | — | — | (10) |
| Assets written off | — | — | — | — | (224) | 224 | — | — | (224) | 224 |
| Credit-related modifications that resulted in derecognition | — | — | — | — | — | — | — | — | — | — |
| Foreign exchange | 9 | — | 5 | — | (2) | — | — | — | 12 | — |
| Others | 179 | 2 | (6) | (1) | (121) | 142 | — | — | 52 | 143 |
| Assets classified as held for sale[2] | (419) | — | (17) | — | — | — | — | — | (436) | — |
| At 31 Dec 2024 | 118,927 | (51) | 8,244 | (101) | 1,786 | (376) | 1 | — | 128,958 | (528) |
| ECL release/(charge) for the period | | 32 | | (37) | | (101) | | — | | (106) |
| Add: Recoveries | | | | | | | | | | — |
| Add/(less): Others | | | | | | | | | | 12 |
| Total ECL release/(charge) for the period | | | | | | | | | | (94) |

| | At 31 Dec 2024 | | 12 months ended 31 Dec 2024 |
|---|---|---|---|
| | Gross carrying/ nominal amount | Provision for ECL | ECL release/ (charge) |
| | €m | €m | €m |
| As above | 128,958 | (528) | (94) |
| Other financial assets measured at amortised cost | 95,233 | — | — |
| Assets held for sale[3] | 2,475 | — | — |
| Non-trading reverse purchase agreement commitments | 35,127 | — | — |
| Performance and other guarantees to which IFRS 9 is not applied | | | (3) |
| Summary of financial instruments to which the impairment requirements of IFRS 9 are applied/ Summary consolidated income statement | 261,793 | (528) | (97) |
| Debt instruments measured at FVOCI[4] | 25,567 | (5) | — |
| Total allowance for ECL/total income statement ECL charge for the period | 287,360 | (533) | (97) |

1 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.
2 Includes private banking business in Germany and life insurance business in France.
3 For further details on gross carrying amounts and allowances for ECL related to assets held for sale, see 'Assets held for sale' on page 207 in Universal Registration Document 2024.
4 Includes EUR 8.2 billion related to life insurance business in France classified as held for sale in 2024.

# Treasury risk

## Overview

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

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

### Approach and policy

Our objective in the management of treasury risk is to maintain appropriate levels of capital, liquidity, funding, foreign exchange and market risk to support our business strategy, and meet our regulatory and stress testing-related requirements.

Our approach to treasury management is driven by our strategic and organisational requirements, taking into account the regulatory, economic and commercial environment. We aim to maintain a strong capital and liquidity base to support the risks inherent in our business and invest in accordance with our strategy, meeting regulatory requirements at all times.

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

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

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

### Governance

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

A summary of our current policies and practices regarding the management of treasury risk is set out on pages 211 to 217 of the Universal Registration Document 2024.

### Pillar 3 market discipline

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

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

## Capital

### Overview

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

A summary of HSBC Continental Europe's policies and practices regarding capital management, measurement and allocation is provided on page 213 of the Universal Registration Document 2024.

### 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 the Capital Requirements Directive ('CRD'), the P2R should be held in the form of 56.25 per cent of CET1 and 75 per cent of Tier 1, as a minimum.

The average countercyclical capital buffer ('CCyB') stands at the level of 0.9 percent at the end of June 2025, which is unchanged compared to 2024.

At the end of June 2025, HSBC Continental Europe's overall requirement in respect of total capital is 14.4 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 the 575/2013 Regulation, the 2.5 per cent for the Capital Conservation buffer ('CCB') in respect of article 129 of the 2013/36 Directive, the 0.9 per cent Countercyclical buffer ('CCyB') mentioned above, the 0.25 per cent Other Systemically Important Institution buffer ('O-SII') in force since 1 January 2022 as per the decision from the ACPR and the 2.75 per cent Pillar 2 requirement mentioned above.

As at 30 June 2025, the overall requirement in respect of Common equity tier 1 is 9.7 per cent, excluding Pillar 2 Guidance ('P2G').

### Regulatory developments

Refer to 'Regulatory Environment' section on page 6.

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

| | CRR3 | CRR2 | CRR2 |
|---|---|---|---|
| | | At | |
| | 30 Jun 2025 | 31 Dec 2024 | 30 Jun 2024[2] |
| | 2025 | 2024 | 2024 |
| | €m | €m | €m |
| **Available own funds (amounts)** | | | |
| Common Equity Tier 1 (CET1) capital | **10,461** | 11,916 | 9,266 |
| Tier 1 capital | **11,903** | 13,359 | 10,703 |
| Total capital | **13,383** | 14,848 | 12,104 |
| **Risk-weighted exposure amounts** | | | |
| Total risk exposure amount | **67,610** | 63,297 | 61,276 |
| Total risk exposure pre-floor | **67,610** | — | — |
| **Capital ratios (as a percentage of risk-weighted exposure amount)** | | | |
| Common Equity Tier 1 ratio (%) | **15.5** | 18.8 | 15.1 |
| Common Equity Tier 1 ratio considering unfloored TREA (%) | **15.5** | — | — |
| Tier 1 ratio (%) | **17.6** | 21.1 | 17.5 |
| Tier 1 ratio considering unfloored TREA (%) | **17.6** | — | — |
| Total capital ratio (%) | **19.8** | 23.5 | 19.8 |
| Total capital ratio considering unfloored TREA (%) | **19.8** | — | — |
| **Leverage ratio** | | | |
| Total exposure measure | **249,202** | 245,648 | 251,268 |
| Leverage ratio (%) | **4.8** | 5.4 | 4.3 |
| **Liquidity Coverage Ratio[3]** | | | |
| Total high-quality liquid assets ('HQLA') (Weighted value -average) | **79,803** | 75,513 | 76,475 |
| Cash outflows – Total weighted value | **85,980** | 82,826 | 81,040 |
| Cash inflows – Total weighted value | **30,675** | 32,299 | 31,891 |
| Total net cash outflows (adjusted value) | **55,305** | 50,527 | 49,148 |
| Liquidity coverage ratio (%) | **144** | 150 | 156 |
| **Net Stable Funding Ratio** | | | |
| Total available stable funding | **83,525** | 86,928 | 84,027 |
| Total required stable funding | **57,798** | 63,448 | 61,774 |
| NSFR ratio (%) | **145** | 137 | 136 |

1 Values presented in the table for Q2 2025 are calculated based on CRR3 requirements. Comparatives have not been restated.
2 Values for Q2 2024 has been updated to align to Q2 2024 Corep submission post publication.
3 These values and ratios are disclosed as averages in line with CRR reporting requirements.

Composition of regulatory own funds (Unaudited)

| | CRR3 | CRR2 |
|---|---|---|
| | 30 Jun 2025 | 31 Dec 2024 |
| | €m | €m |
| **Common equity tier 1 ('CET1') capital: instruments and reserves** | | |
| Capital instruments and the related share premium accounts | **8,075** | 8,075 |
| – of which: share premium account | **6,747** | 6,747 |
| Retained earnings | **3,513** | 2,927 |
| Accumulated other comprehensive income (and other reserves) | **488** | 1,642 |
| Minority interests (amount allowed in consolidated CET1) | **69** | 103 |
| Independently reviewed interim net profits net of any foreseeable charge or dividend | **—** | 568 |
| **Common equity tier 1 capital before regulatory adjustments** | **12,145** | 13,315 |
| **Total regulatory adjustments to Common Equity Tier 1 ('CET1')** | **(1,683)** | (1,399) |
| **Common Equity Tier 1 ('CET1') capital** | **10,461** | 11,916 |
| Additional tier 1 capital before regulatory adjustments | **1,441** | 1,443 |
| Total regulatory adjustments to Additional Tier 1 ('AT1') capital | **—** | — |
| **Additional Tier 1 (AT1) capital** | **1,441** | 1,443 |
| **Tier 1 capital (T1 = CET1 + AT1)** | **11,903** | 13,359 |
| Tier 2 capital before regulatory adjustments | **1,900** | 1,908 |
| Total regulatory adjustments to tier 2 capital | **(420)** | (420) |
| **Tier 2 capital** | **1,480** | 1,488 |
| **Total capital (TC = T1 + T2)** | **13,383** | 14,848 |
| **Total risk exposure amount** | **67,610** | 63,297 |

HSBC Continental Europe's common equity Tier 1 capital has remained broadly unchanged during the first half of 2025. HSBC Continental Europe's reported profit for the period of EUR 360 million has not been verified for inclusion in CET1.

RWA movement by global business by key driver (Unaudited)

| | Total RWA |
|---|---|
| | 1 Jan 2025 to 30 Jun 2025 |
| | €m |
| **RWAs at 1 January** | **63,297** |
| Asset size | **(623)** |
| Asset quality | **789** |
| Model updates | **1,321** |
| Methodology and policy | **3,242** |
| Acquisitions and Disposals | **(493)** |
| Foreign exchange movement | **(229)** |
| Other | **306** |
| **Total RWA movement** | **4,313** |
| **RWAs at 30 Jun** | **67,610** |
| **RWAs by global business** | |
| Corporate and Institutional Banking | **56,955** |
| International Wealth and Premier Banking | **6,523** |
| Corporate Centre | **4,132** |

Leverage Ratio at 30 June (Unaudited)

| | At | |
|---|---|---|
| | **30 Jun 2025** | 31 Dec 2024 |
| | **€m** | €m |
| Tier 1 Capital | **11,903** | 13,359 |
| Leverage Exposure | **249,202** | 245,648 |
| Leverage ratio % | **4.8** | 5.4 |

# Liquidity and funding risk management

## Liquidity and funding risk management framework

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

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

We aim to ensure that management has oversight of liquidity and funding risks through robust governance, in line with our risk management framework. We manage liquidity and funding risk at an operating entity level, in accordance with globally consistent policies, procedures and reporting standards. This ensures that obligations can be met in a timely manner, in the jurisdiction where they fall due.

The HSBC Group requires operating entities to meet internal minimum requirements and any applicable regulatory requirements at all times. These requirements are assessed through our internal liquidity adequacy assessment process ('ILAAP'), which ensures that operating entities have robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons, including intra-day. The ILAAP informs the validation of risk tolerance and the setting of risk appetite. It also assesses the capability to manage liquidity and funding effectively. These metrics are set and managed locally but are subject to robust global review and challenge to ensure consistency of approach and application of the HSBC Group's policies and controls.

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

# Interest-rate risk in the banking book

Interest rate risk in the banking book ('IRRBB') is the risk of an adverse impact to earnings or capital due to changes in market interest rates. It is generated by our non-traded assets and liabilities, specifically loans, deposits and financial instruments that are not held for trading intent.

## Risk management and governance

Our Global IRRBB risk management framework is designed to ensure that all material sources of IRRBB are identified, measured, managed, and monitored, with robust policies and frameworks in place.

Interest rate risk that can be economically hedged is transferred to Markets Treasury, with some exceptions. Any interest rate risk that Markets Treasury cannot economically hedge is not transferred and will remain within the global business from where the risks originate. Hedging is generally executed through interest rate derivatives or fixed-rate bonds.

The primary driver of interest rate risk in the banking book in HSBC is the repricing mismatch between interest rate sensitive assets, and rate insensitive liabilities and equity. The Structural Hedge is the tool to manage and mitigate this variability by smoothing the impact of market rate movements over the medium term. The Structural Hedge is a portfolio of fixed rate assets, including bonds, derivatives and customer lending. The size and duration of the Structural Hedge is constrained in certain currencies and entities by financial resource availability and market capacity.

Our IRRBB risks are measured and managed using a combination of economic value and earnings-based measures to ensure that the balance between stabilising earnings and generating value sensitivity is managed appropriately. These metrics measure IRRBB risks across the banking book, to support the overall monitoring against risk appetite, including:

- Banking Net Interest Income ('BNII') Sensitivity; and
- Economic Value of Equity ('EVE') Sensitivity.

## Key risk drivers

The bank's interest rate risk in the banking book can be segregated into the following drivers:

– Gap risk – also known as Duration Risk or Repricing Risk – arises from the term structure of banking book instruments, and describes the risk arising from the timing of instruments' rate changes. The extent of gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk);

– Basis risk describes the impact of relative changes in interest rates for financial instruments that have similar tenors but are priced using different interest rate indices; and

– Option risk arises from option derivative positions or from optional elements embedded in a bank's assets, liabilities and/or off balance sheet items, where the bank or its customer can alter the level and timing of their cash flows.

## Banking Net Interest Income sensitivity

BNII Sensitivity analyses the sensitivity of our banking net interest income to interest rate shocks. This metric, which was introduced in our Annual Report and Accounts 2023, includes the sensitivity coming from trading book assets funded by banking book liabilities or vice versa. BNII Sensitivity is therefore a more comprehensive measure than NII Sensitivity which was disclosed previously and is aligned with the presentation of banking net interest income as an alternative performance measure intended to approximate the bank's banking revenue that is directly impacted by changes in interest rates.

The sensitivities represent a hypothetical simulation of the base case BNII, 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, hypothetical managed rate product pricing assumptions, prepayment of mortgages and deposit stability. The sensitivity calculations exclude pensions, insurance exposures, and our interest in associates.

A principal part of our management of non-traded interest rate risk is to monitor the sensitivity of expected BNII under varying interest rate scenarios (simulation modelling), where all other economic variables are held constant.

The sensitivity analysis performed in the case of a down-shock does not include floors to market rates, and it does not include floors on some wholesale assets and liabilities. However, floors have been maintained for deposits and loans to customers where this is contractual or where negative rates would not be applied.

## Economic Value of Equity sensitivity

EVE represents the present value of the future banking book cash flows that could be distributed to equity holders under a managed run-off scenario. This equates to the current book value of equity plus the present value of future NII in this scenario. EVE can be used to assess the economic capital required to support interest rate risk in the banking book. An EVE sensitivity represents the expected movement in EVE due to pre-specified interest rate shocks, where all other economic variables are held constant. HSBC Continental Europe is required to monitor EVE sensitivities as a percentage of capital resources.

# Market risks

## Market risks in the first half of 2025

On European markets, the first half of 2025 was marked by another period of strong volatility. The trade tariffs announced by President Donald Trump, in early April, as well as Germany and Europe repositioning on growth and defence spending, in response to the US narrative, both jolted markets with spikes in volatility. In that respect and in response to potentially inflationary policies and events, medium- and long-term euro interest rates increased with the 10y benchmark settling close to 2.5 per cent (versus 2.3 per cent at end of year). Furthermore, the European Central Bank continued its accommodative monetary policy with four additional rate cuts, for a total of 1 percentage point. The European governments credit spreads have been resilient over the period, with medium- and long-term debt performing. The Germany/French 10y spread tightened by close to 15 basis points on behalf of a relative stability in the French political landscape. Equity indexes were up over the period, with the DAX (+20 per cent) over performing and the CAC (+3 per cent) underperforming peers. On the foreign exchange markets, the euro strengthened against the US dollar, at 1.16.

# Value at Risk ('VaR')

## Trading portfolios

**Value at Risk of the trading portfolio**

Trading VaR predominantly resides within Corporate and Institutional Banking. The Total VaR has been broadly in line with strict control of RWA consumption targets.

HSBC Continental Europe Total trading VaR by risk type

| | Foreign exchange | Interest rate | Equity | Credit spread | Commodity | Portfolio diversification | Total |
|---|---|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m | €m | €m |
| **Balance at 30 Jun 2025** | **0.89** | **2.50** | **2.25** | **1.28** | **0.09** | **(3.03)** | **3.97** |
| Average | **0.79** | **2.55** | **2.07** | **1.03** | **0.09** | **(2.60)** | **3.94** |
| Maximum | **1.31** | **3.64** | **3.24** | **1.62** | **0.55** | **(3.55)** | **5.39** |
| | | | | | | | |
| Balance at 31 Dec 2024 | 1.36 | 2.20 | 1.91 | 0.91 | 0.37 | (3.33) | 3.41 |
| Average | 0.78 | 4.74 | 2.35 | 1.11 | 0.07 | (3.16) | 5.88 |
| Maximum | 1.55 | 11.11 | 4.59 | 1.86 | 0.54 | (5.33) | 12.94 |

## Non-trading portfolios

**Value at Risk of the non-trading portfolio**

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

HSBC Continental Europe Total non-trading VaR by risk type

| | Foreign exchange | Interest rate | Equity | Credit spread | Portfolio diversification | Total |
|---|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m | €m |
| **Balance at 30 Jun 2025** | **0.01** | **8.42** | **0.54** | **14.85** | **(4.03)** | **19.79** |
| Average | **0.01** | **9.91** | **0.51** | **15.46** | **(5.62)** | **20.26** |
| Maximum | **0.11** | **20.14** | **0.62** | **17.28** | **(8.64)** | **27.62** |
| | | | | | | |
| Balance at 31 Dec 2024 | 0.01 | 8.22 | 0.48 | 16.41 | (4.64) | 20.49 |
| Average | 0.01 | 9.81 | 0.34 | 13.52 | (5.51) | 18.17 |
| Maximum | 0.17 | 14.70 | 0.62 | 20.72 | (9.15) | 24.92 |

# Condensed financial statements

## Contents



# Notes on the condensed financial statements

## Contents

# Consolidated income statement

| | Notes | Half-year to 30 Jun 2025 €m | 30 Jun 2024[1] €m |
|---|---|---|---|
| **Continuing operations** | | | |
| Net interest income | | **710** | 931 |
| – interest income | | **3,221** | 4,242 |
| – interest expense | | **(2,511)** | (3,311) |
| Net fee income | 3 | **648** | 601 |
| – fee income | | **989** | 876 |
| – fee expense | | **(341)** | (275) |
| Net income/(expense) from financial instruments held for trading or managed on a fair value basis | | **468** | 113 |
| Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit and loss | | **14** | 19 |
| Changes in fair value of designated debt and related derivatives | | **—** | 3 |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | | **35** | 16 |
| Gains less losses from financial investments | | **8** | (2) |
| Insurance finance income/(expense) | | **(11)** | (19) |
| Insurance service result | | **6** | 5 |
| – insurance service revenue | | **9** | 10 |
| – insurance service expense | | **(3)** | (5) |
| Gains/(losses) recognised on assets held for sale | | **(2)** | (11) |
| Other operating income | | **36** | 43 |
| **Net operating income before change in expected credit losses and other credit impairment charges** | | **1,912** | 1,699 |
| Change in expected credit losses and other credit impairment charges | | **(70)** | (13) |
| **Net operating income** | | **1,842** | 1,686 |
| **Total operating expenses** | | **(1,352)** | (1,137) |
| – employee compensation and benefits | | **(712)** | (513) |
| – general and administrative expenses | | **(619)** | (591) |
| – depreciation and impairment of property, plant and equipment and right of use assets | | **(53)** | (18) |
| – amortisation and impairment of intangible assets and goodwill impairment | | **32** | (15) |
| **Profit/(loss) before tax** | | **490** | 549 |
| Tax expense | | **(90)** | (145) |
| Profit/(loss) after tax in respect of continuing operations | | **400** | 404 |
| Profit/(loss) after tax in respect of discontinued operations | | **(27)** | (34) |
| **Profit/(loss) for the period** | | **373** | 370 |
| Attributable to: | | | |
| – shareholders of the parent company | | **360** | 350 |
| – non-controlling interests in respect of continuing operations | | **13** | 20 |
| – non-controlling interests in respect of discontinued operations | | **—** | — |

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France.

# Consolidated statement of comprehensive income

| | Half-year to | |
|---|---|---|
| | **30 Jun 2025** | 30 Jun 2024[1] |
| | **€m** | €m |
| Profit/(loss) for the period from continuing operations | **400** | 404 |
| **Other comprehensive income/(expense)** | | |
| **Items that will be reclassified subsequently to profit or loss when specific conditions are met:** | | |
| Debt instruments at fair value through other comprehensive income: | **34** | 27 |
| – fair value gains/(losses) | **58** | 35 |
| – fair value losses/(gains) transferred to the income statement on disposal | **(9)** | 2 |
| – expected credit losses recognised in income statement | **—** | — |
| – income taxes | **(15)** | (10) |
| Cash flow hedges: | **33** | (122) |
| – fair value gains/(losses) | **18** | (164) |
| – fair value gains/(losses) reclassified to the income statement | **27** | — |
| – income taxes | **(12)** | 42 |
| Finance income/(expenses) from insurance contracts | **—** | — |
| – before income taxes | **—** | — |
| – income taxes | **—** | — |
| Exchange differences and other | **5** | — |
| **Items that will not be reclassified subsequently to profit or loss:** | | |
| Remeasurement of defined benefit asset/liability: | **1** | 8 |
| – before income taxes | **2** | 11 |
| – income taxes | **(1)** | (3) |
| Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk: | **49** | (18) |
| – before income taxes | **66** | (25) |
| – income taxes | **(17)** | 7 |
| Equity instruments designated at fair value through other comprehensive income: | **1** | (1) |
| – fair value gains/(losses) | **1** | (1) |
| – income taxes | **—** | — |
| **Other comprehensive income/(expense) for the period, net of tax** | **123** | (106) |
| **Total comprehensive income/(expense) for the period from continuing operations** | **523** | 298 |
| **Total comprehensive income/(expense) for the period from discontinued operations[2]** | **(1,234)** | (33) |
| **Attributable to:** | | |
| – shareholders of the parent company | **(725)** | 245 |
| – non-controlling interests in respect of continuing operations | **14** | 20 |
| – non-controlling interests in respect of discontinued operations | **—** | — |
| **Total comprehensive income/(expense) for the period** | **(711)** | 265 |

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France.
2 Total comprehensive income/(expense) from discontinued operations for 2025 includes EUR 1.2 billion fair value pre-tax loss upon re-classification of retained retail portfolio to a hold-to collect-and-sell business model from 1 January 2025 and measured prospectively from the first quarter of 2025 at fair value through other comprehensive income.

# Consolidated balance sheet

| | Notes | At 30 Jun 2025 €m | 31 Dec 2024 €m |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | | **43,004** | 48,907 |
| Trading assets | | **29,093** | 22,853 |
| Financial assets designated and otherwise mandatorily measured at fair value through profit and loss | | **1,640** | 1,563 |
| Derivatives | | **42,764** | 43,251 |
| Loans and advances to banks[1] | | **5,181** | 5,703 |
| Loans and advances to customers[1] | | **46,123** | 51,288 |
| Reverse repurchase agreements – non-trading | | **32,267** | 25,764 |
| Financial investments | | **23,236** | 20,740 |
| Assets held for sale[2] | 11 | **32,160** | 25,477 |
| Prepayments, accrued income and other assets | | **23,216** | 17,998 |
| Current tax assets | | **641** | 595 |
| Goodwill and intangible assets | 7 | **313** | 219 |
| Deferred tax assets | | **654** | 650 |
| **Total assets** | | **280,292** | 265,008 |
| **Liabilities** | | | |
| Deposits by banks | | **12,695** | 11,820 |
| Customer accounts | | **86,359** | 97,065 |
| Repurchase agreements – non-trading | | **14,754** | 12,344 |
| Trading liabilities | | **19,585** | 16,480 |
| Financial liabilities designated at fair value | | **10,174** | 9,906 |
| Derivatives | | **39,864** | 41,857 |
| Debt securities in issue | | **16,553** | 15,257 |
| Liabilities of disposal groups held for sale[2] | 11 | **35,867** | 24,718 |
| Accruals, deferred income and other liabilities | | **27,334** | 17,848 |
| Current tax liabilities | | **280** | 236 |
| Insurance contract liabilities | | **520** | 518 |
| Provisions | 8 | **343** | 184 |
| Deferred tax liabilities | | **3** | 3 |
| Subordinated liabilities | | **1,900** | 1,941 |
| **Total liabilities** | | **266,231** | 250,177 |
| **Equity** | | | |
| Called up share capital | | **1,328** | 1,328 |
| Share premium account | | **6,747** | 6,747 |
| Other equity instruments | 2 | **1,430** | 1,430 |
| Other reserves | | **374** | 1,574 |
| Retained earnings | | **3,987** | 3,563 |
| **Total Shareholders' equity** | | **13,866** | 14,642 |
| Non-controlling interests | | **195** | 189 |
| **Total equity** | | **14,061** | 14,831 |
| **Total liabilities and equity** | | **280,292** | 265,008 |

1 The loans and advances to banks and customers include expected credit losses provided under IFRS 9. Further analysis of the expected credit loss is disclosed in the table 'Summary of financial instruments to which the impairment requirements in IFRS 9 are applied' under section 'Credit Risk'.
2 Include businesses classified as held-for-sale as part of a broader restructuring of HSBC Continental Europe business. Refer to Note 11 'Assets held for sale, liabilities of disposal groups held for sale and discontinued operations'.

## Consolidated statement of changes in equity

| | Called-up share capital and share premium | Other equity instruments | Retained earnings | Other reserves: Financial assets at FVOCI Reserve | Other reserves: Cash flow hedging reserve | Other reserves: Foreign exchange reserve | Other reserves: Merger and other reserves | Other reserves: Insurance finance reserve | Total share-holders' equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m |
| **At 1 Jan 2025** | 8,075 | 1,430 | 3,563 | (638) | 23 | — | 1,609 | 580 | 14,642 | 189 | 14,831 |
| Profit/(loss) for the period from continuing operations | — | — | 387 | — | — | — | — | — | 387 | 13 | 400 |
| Other comprehensive income (net of tax) | — | — | 50 | 36 | 33 | 3 | — | — | 122 | 1 | 123 |
| – debt instruments at fair value through other comprehensive income | — | — | — | 33 | — | — | — | — | 33 | 1 | 34 |
| – equity instruments designated at fair value through other comprehensive income | — | — | — | 1 | — | — | — | — | 1 | — | 1 |
| – cash flow hedges | — | — | — | — | 33 | — | — | — | 33 | — | 33 |
| – re-measurement of defined benefit asset/ liability | — | — | 1 | — | — | — | — | — | 1 | — | 1 |
| – changes in fair value of financial liabilities designated at fair value due to movement in own credit risk | — | — | 49 | — | — | — | — | — | 49 | — | 49 |
| – insurance finance income/(expense) recognised in other comprehensive income | — | — | — | — | — | — | — | — | — | — | — |
| – exchange differences | — | — | — | 2 | — | 3 | — | — | 5 | — | 5 |
| **Total comprehensive income/expense for the period** | — | — | 437 | 36 | 33 | 3 | — | — | 509 | 14 | 523 |
| **Total comprehensive income/(expense) for the period from discontinued operations**[1] | — | — | (27) | (1,222) | — | (5) | — | 20 | (1,234) | — | (1,234) |
| Capital securities issued during the period | — | — | — | — | — | — | — | — | — | — | — |
| Dividends to shareholders[2] | — | — | (54) | — | — | — | — | — | (54) | (8) | (62) |
| Other movements | — | — | 68 | 7 | — | — | (72) | — | 3 | — | 3 |
| **Total Others** | — | — | 14 | 7 | — | — | (72) | — | (51) | (8) | (59) |
| **At 30 Jun 2025** | 8,075 | 1,430 | 3,987 | (1,817) | 56 | (2) | 1,537 | 600 | 13,866 | 195 | 14,061 |

1 The FVOCI reserve for the period from discontinued operations includes EUR 1.2 billion fair value pre-tax loss upon re-classification of retained retail portfolio to a hold-to collect-and-sell business model from 1 January 2025 and measured prospectively from the first quarter of 2025 at fair value through other comprehensive income.
2 Dividends corresponds to the coupon payment on other equity instrument (additional tier 1 capital) amounting to EUR 54 million.

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

| | Called-up share capital and share premium | Other equity instruments | Retained earnings | Other reserves: Financial assets at FVOCI Reserve | Other reserves: Cash flow hedging reserve | Other reserves: Foreign exchange reserve | Other reserves: Merger and other reserves | Other reserves: Insurance finance reserve | Total share-holders' equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m |
| At 1 Jan 2024 | 6,326 | 1,433 | 3,103 | (763) | (63) | (6) | 1,603 | 709 | 12,342 | 166 | 12,508 |
| Profit/(loss) for the period from continuing operations | — | — | 384 | — | — | — | — | — | 384 | 20 | 404 |
| Other comprehensive income (net of tax) | — | — | (10) | 25 | (122) | 1 | — | — | (106) | — | (106) |
| – debt instruments at fair value through other comprehensive income | — | — | — | 27 | — | — | — | — | 27 | — | 27 |
| – equity instruments designated at fair value through other comprehensive income | — | — | — | (1) | — | — | — | — | (1) | — | (1) |
| – cash flow hedges | — | — | — | — | (122) | — | — | — | (122) | — | (122) |
| – re-measurement of defined benefit asset/liability | — | — | 8 | — | — | — | — | — | 8 | — | 8 |
| – changes in fair value of financial liabilities designated at fair value due to movement in own credit risk | — | — | (18) | — | — | — | — | — | (18) | — | (18) |
| – insurance finance income/(expense) recognised in other comprehensive income | — | — | — | — | — | — | — | — | — | — | — |
| – exchange differences | — | — | — | (1) | — | 1 | — | — | — | — | — |
| Total comprehensive income/expense for the period from continuing operations | — | — | 374 | 25 | (122) | 1 | — | — | 278 | 20 | 298 |
| Total comprehensive income/(expense) for the period from discontinued operations | — | — | (34) | (17) | — | 3 | — | 15 | (33) | — | (33) |
| Capital securities issued during the period | — | — | — | — | — | — | — | — | — | — | — |
| Dividends to shareholders[2] | — | — | (53) | — | — | — | — | — | (53) | (6) | (59) |
| Other movements | — | — | (6) | (4) | — | — | 4 | — | (6) | — | (6) |
| Total Others | — | — | (59) | (4) | — | — | 4 | — | (59) | (6) | (65) |
| At 30 Jun 2024 | 6,326 | 1,433 | 3,384 | (759) | (185) | (2) | 1,607 | 724 | 12,528 | 180 | 12,708 |

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France.
2 Dividends corresponds to the coupon payment on other equity instrument (additional tier 1 capital) amounting to EUR 53 million.

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

| | | | | Other reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Called-up share capital and share premium | Other equity instruments | Retained earnings | Financial assets at FVOCI Reserve | Cash flow hedging reserve | Foreign exchange reserve | Merger and other reserves | Insurance finance reserve | Total share-holders' equity | Non-controlling interests | Total equity |
| | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m | €m |
| At 1 Jul 2024 | 6,326 | 1,433 | 3,384 | (759) | (185) | (2) | 1,607 | 724 | 12,528 | 180 | 12,708 |
| Profit/(loss) for the period from continuing operations | — | — | 259 | — | — | — | — | — | 259 | 15 | 274 |
| Other comprehensive income (net of tax) | — | — | (7) | (28) | 208 | 2 | — | — | 175 | 1 | 176 |
| – debt instruments at fair value through other comprehensive income | — | — | — | (25) | — | — | — | — | (25) | 1 | (24) |
| – equity instruments designated at fair value through other comprehensive income | — | — | — | (3) | — | — | — | — | (3) | — | (3) |
| – cash flow hedges | — | — | — | — | 208 | — | — | — | 208 | — | 208 |
| – re-measurement of defined benefit asset/liability | — | — | (5) | — | — | — | — | — | (5) | — | (5) |
| – changes in fair value of financial liabilities designated at fair value due to movement in own credit risk | — | — | (2) | — | — | — | — | — | (2) | — | (2) |
| – insurance finance income/(expense) recognised in other comprehensive income | — | — | — | — | — | — | — | — | — | — | — |
| – exchange differences | — | — | — | — | — | 2 | — | — | 2 | — | 2 |
| Total comprehensive income/expense for the period from continuing operations | — | — | 252 | (28) | 208 | 2 | — | — | 434 | 16 | 450 |
| Total comprehensive income/expense for the period from discontinued operations | — | — | (41) | 155 | — | (1) | — | (144) | (31) | — | (31) |
| Capital securities issued during the period | 1,749 | (3) | — | — | — | — | — | — | 1,746 | — | 1,746 |
| Dividends to shareholders[2] | — | — | (30) | — | — | — | — | — | (30) | (7) | (37) |
| Other movements | — | — | (2) | (6) | — | 1 | 2 | — | (5) | — | (5) |
| Total Others | 1,749 | (3) | (32) | (6) | — | 1 | 2 | — | 1,711 | (7) | 1,704 |
| At 31 Dec 2024 | 8,075 | 1,430 | 3,563 | (638) | 23 | — | 1,609 | 580 | 14,642 | 189 | 14,831 |

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France.
2 Dividends corresponds to coupon payment on other equity instrument (AT1 capital) amounting to EUR 30 million.

# Consolidated statement of cash flows

| | Half-year to | |
|---|---|---|
| | **30 Jun 2025** | 30 Jun 2024[1] |
| | **€m** | €m |
| **Continuing operations** | | |
| **Profit/(loss) before tax** | **490** | 549 |
| **Adjustments for non-cash items:** | | |
| – depreciation, amortisation and impairment of property plant and equipment, right of use and intangibles | **26** | 33 |
| – net gain from investing activities | **(7)** | 10 |
| – share of profits in associates and joint ventures | **—** | — |
| – change in expected credit losses gross of recoveries and other credit impairment changes | **71** | 13 |
| – provisions including pensions | **186** | (3) |
| – share-based payment expense | **14** | 10 |
| – other non-cash items included in profit before tax | **(32)** | (33) |
| – elimination of exchange differences[2] | **994** | (78) |
| **Changes in operating assets and liabilities** | | |
| – Changes in operating assets | **(11,706)** | (16,639) |
| – Changes in operating liabilities | **10,412** | 20,617 |
| – tax paid | **(131)** | (109) |
| **Net cash from operating activities** | **317** | 4,370 |
| Purchase of financial investments | **(8,529)** | (5,213) |
| Proceeds from the sale and maturity of financial investments | **5,561** | 1,817 |
| Net cash flow from the purchase and sale of property, plant and equipment | **(7)** | (4) |
| Net investment in intangible assets | **(56)** | (25) |
| Net cash flow on disposal/acquisition of subsidiaries, businesses, associates and joint ventures[3] | **—** | (9,925) |
| **Net cash from investing activities** | **(3,031)** | (13,350) |
| Issue of ordinary share capital and other equity instruments | **—** | — |
| Subordinated loan capital issued | **500** | — |
| Subordinated loan capital repaid | **(541)** | (100) |
| Dividends paid to shareholders of the parent company | **(54)** | (53) |
| Dividends paid to non-controlling interests | **(8)** | (6) |
| **Net cash from financing activities** | **(103)** | (159) |
| **Net cash from discontinued operations** | **(230)** | (143) |
| **Net increase/(decrease) in cash and cash equivalents** | **(3,047)** | (9,282) |
| **Cash and cash equivalents at beginning of the period** | **75,477** | 95,623 |
| Exchange differences in respect of cash and cash equivalents | **(349)** | (68) |
| **Cash and cash equivalents at the end of the period** | **72,081** | 86,273 |

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France.
2 Adjustment to bring changes between opening and closing balance sheet amounts to average rates. This is not done on a line-by-line basis, as details cannot be determined without unreasonable expense.
3 Represents the sale of retail banking operations in France on 1 January 2024.

# Notes on the condensed financial statements

## 1 Basis of preparation and material accounting policies

HSBC Continental Europe is an entity domiciled in France. The HSBC Continental Europe condensed consolidated financial statements for the half-year up to 30 June 2025 contain the financial statements of HSBC Continental Europe, its subsidiaries and interests in jointly controlled entities and affiliates.

The consolidated financial statements of HSBC Continental Europe for the financial year 2024 are available upon request from the HSBC Continental Europe registered office at 38, avenue Kléber – 75116 Paris or on the website www.hsbc.fr.

These interim condensed consolidated financial statements were approved by the Board of Directors on 29 July 2025.

### (a) Compliance with International Financial Reporting Standards

The interim condensed consolidated financial statements of HSBC Continental Europe have been prepared in accordance with IAS 34 Interim Financial Reporting ('IAS 34') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU'). They do not include all the information disclosed in the annual financial statements and should be read in conjunction with the HSBC Continental Europe Universal Registration Document 2024.

At 30 June 2025, there were no unendorsed standards effective for the half-year to 30 June 2025 affecting these interim consolidated financial statements, and there was no difference between IFRS Accounting Standards endorsed by the EU and IFRS Accounting Standards issued by the IASB in terms of their application to HSBC Continental Europe.

#### Standards applied during the half-year to 30 June 2025

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

### (b) Use of estimates and judgements

Management believes that the critical estimates and judgements applicable to the group are those that relate to impairment of amortised cost and FVOCI financial assets, the valuation of financial instruments, goodwill, deferred tax assets, provisions for liabilities and non-current assets held-for-sale. Due to the maturity of TLTRO instruments, the related management judgements on government grants are no longer designated as critical for these Interim condensed statements.

Other than in respect of government grants, there were no material changes in the current period to any of the critical estimates and judgements disclosed in 2024, which are stated on pages 248 to 261 of the Universal Registration Document 2024.

### (c) Composition of HSBC Continental Europe

There were no material changes in the composition of HSBC Continental Europe in the half-year to 30 June 2025. For further details of future business disposals see Note 13 'Changes in scope of consolidation during the first half-year of 2025' on page 60 and Note 11 'Assets held for sale, liabilities of disposal groups held for sale and discontinued operations' on pages 57 to 59.

### (d) Future accounting developments

#### Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'

In May 2024, the IASB issued amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures', effective for annual reporting periods beginning on or after 1 January 2026. In addition to guidance as to when certain financial liabilities can be deemed settled when using an electronic payment system, the amendments also provide further clarification regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arising from ESG related contingencies, and financial assets with certain non-recourse features. The HSBC Group is currently undertaking an assessment of the potential impact.

#### IFRS 18 'Presentation and Disclosure in Financial Statements'

In April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual reporting periods beginning on or after 1 January 2027. The new accounting standard aims to give users of financial statements more transparent and comparable information about a company's financial performance. It will replace IAS 1 'Presentation of Financial Statements' but carries over many requirements from this IFRS Accounting Standard unchanged. In addition, there are three sets of new requirements relating to the structure of the income statement, management-defined performance measures and the aggregation and disaggregation of financial information.

While IFRS 18 will not change recognition criteria or measurement bases, it might have a significant impact on presenting information in the financial statements, in particular the income statement. The HSBC Group is currently assessing impacts and data readiness.

## (e) Going concern

The financial statements are prepared on a going concern basis as the Directors are satisfied that HSBC Continental Europe has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources.

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

## (f) Accounting policies

The accounting policies adopted by HSBC Continental Europe for these interim condensed consolidated financial statements are consistent with those described in Note 1 on the financial statements of the Universal Registration Document 2024, as are the methods of computation.

## (g) Significant events during the first half-year

### Business disposals

For details on business disposals refer to Note 11 'Assets held for sale, liabilities of disposal groups held for sale and  discontinued operations' on pages 57 to 59.

### 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.

### Irrevocable Payment Commitments of Single Resolution Fund

Consistent with its peers, HSBC Continental Europe has reviewed its accounting treatment of certain cash deposits following a Court of Justice of the European Union ruling issued on 25 October 2023 concerning the status of those deposits in the event of license withdrawal. HSBC Continental Europe concluded that it's accounting policy is not affected by the ruling. Specifically the cash deposit continues to be presented as an asset, and the associated 'Irrevocable Payment Commitment' continues to be accounted for as an unrecognised contingent liability until such future date that it becomes probable that an outflow will arise at which point a provision will be recognised. As at 30 June 2025, the cash asset amounted to EUR 150 million, including EUR 10 million 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 reflect 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 are also required in France (through a 'Plan de Sauvegarde de l'Emploi' (Social Plan) including a voluntary scheme) and in Germany before any implementation. During the first half of 2025, HSBC Continental Europe recognised EUR 183 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 4 'Segmental analysis' on page 49.

## (h) Presentation of information

Disclosures concerning the nature and extent of risks relating to financial instruments are in risk section on pages 26 to 32. These form an integral part of these condensed financial statements.

# 2 Dividends and Earnings per share

There was no interim dividend distribution for the 2025 financial year during the first half of 2025.

The Combined General Meeting held on 24 March 2025 approved the the proposal of the Board of Directors held on 18 February 2025, not to distribute a dividend in respect of the year 2024.

| | Half-year to | | | | | |
|---|---|---|---|---|---|---|
| | **30 Jun 2025** | | | 30 Jun 2024[1] | | |
| | **Profit/(loss)** | **Number of shares** | **Per share** | Profit/(loss) | Number of shares | Per share |
| | **€m** | **(million)** | **€** | €m | (million) | € |
| Basic earnings per share | **360** | **266** | **1.35** | 350 | 212 | 1.65 |
| Diluted earnings per share | **360** | **266** | **1.35** | 350 | 212 | 1.65 |
| – Basic/Diluted earnings per ordinary share in respect of continuing operations | **387** | **266** | **1.45** | 384 | 212 | 1.81 |
| – Basic/Diluted earnings per ordinary share in respect of discontinued operations | **(27)** | **266** | **(0.10)** | (34) | 212 | (0.16) |
| Dividends per share[2] | | | **—** | | | — |

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France.
2 Coupons paid on other equity instruments are not included in the calculation of the dividends per share.

Basic earnings per ordinary share were calculated by dividing the profit/(loss) attributable to ordinary shareholders of the parent company of EUR 360 million by the weighted average number of ordinary shares outstanding of 265,583,192 (first half of 2024: profit of EUR 350 million and 212,466,555 weighted average number of shares).

Diluted earnings per share were calculated by dividing the basic earnings, which require no adjustment for the dilutive effects of potential ordinary shares (including share options outstanding not yet exercised), by the weighted average number of ordinary shares outstanding plus the weighted average number of ordinary shares that would be issued on ordinary conversion of all the potential dilutive ordinary shares of 265,583,192 (first half of 2024: 212,466,555 shares).

At 30 June 2025, no potentially dilutive ordinary share has been issued.

# Other equity instruments

## Total coupons on capital instruments classified as equity

| | | Six months ended | |
|---|---|---|---|
| | | **30 Jun 2025** | 30 Jun 2024 |
| | First call date | **€m** | €m |
| **Perpetual subordinated capital securities** | | | |
| – EUR 200 million issued at 5.73% | May 2022 | **6** | 6 |
| – EUR 300 million issued at 6.45% | March 2023 | **10** | 10 |
| – EUR 250 million issued at 3.46%[1] | December 2024 | **—** | 4 |
| – EUR 250 million issued at 5.625%[1] | December 2029 | **7** | — |
| – EUR 250 million issued at 3M Euribor + 4.06% | March 2027 | **8** | 10 |
| – EUR 235 million issued at 5Y Euro Swap Rate + 5.55% | January 2022 | **13** | 13 |
| – EUR 200 million issued at 6.907%[2] | January 2025 | **10** | 10 |
| **Total** | | **54** | 53 |

1 On 18 December 2024, EUR 250 million instrument was redeemed and replaced with the instrument of the same nominal and the interest rate of 5.625 per cent.
2 On 30 December 2024, the interest on the EUR 200 million perpetual subordinated security issued on 21 January 2019 at 5.039 per cent was revised to 6.907 per cent.

# 3 Net fee income

## Net fee income by product type (continuing operations)

| | Half-year to | |
|---|---|---|
| | **30 Jun 2025** | 30 Jun 2024[1] |
| | **€m** | €m |
| Funds under management | **228** | 191 |
| Credit facilities | **133** | 126 |
| Broking income | **118** | 125 |
| Underwriting | **93** | 88 |
| Account services | **74** | 81 |
| Global custody | **55** | 50 |
| Remittances | **52** | 43 |
| Cards | **9** | 8 |
| Imports/exports | **6** | 7 |
| Insurance agency commission | **3** | 3 |
| Other[2] | **218** | 154 |
| **Fee income** | **989** | 876 |
| Less: fee expense | **(341)** | (275) |
| **Net Fee income** | **648** | 601 |

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France.
2 Other includes intercompany fees and third party fees not included in other categories.

## Net fee income by global business (continuing operations)

| | CIB | IWPB | Corporate Centre | Total |
|---|---|---|---|---|
| | €m | €m | €m | €m |
| **Half-year to 30 Jun 2025** | | | | |
| **Fee income** | **906** | **167** | **(84)** | **989** |
| Less: fee expense | **(384)** | **(49)** | **92** | **(341)** |
| **Net fee (expense)/income** | **522** | **118** | **8** | **648** |
| Half-year to 30 Jun 2024[1] | | | | |
| Fee income | 811 | 172 | (107) | 876 |
| Less: fee expense | (320) | (63) | 108 | (275) |
| Net fee (expense)/income | 491 | 109 | 1 | 601 |

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France.

# 4 Segmental analysis

## Profit/(loss) for the period by global business (continuing operations)

| | Half-year to 30 Jun 2025 | | | |
|---|---|---|---|---|
| | CIB | IWPB | Corporate Centre | Total |
| | €m | €m | €m | €m |
| **Net operating income before change in expected credit losses and other credit risk provisions** | **1,583** | **224** | **105** | **1,912** |
| – of which: net interest income/(expense) | **725** | **89** | **(104)** | **710** |
| Change in expected credit losses and other credit impairment charges | **(74)** | **4** | **—** | **(70)** |
| **Net operating income** | **1,509** | **228** | **105** | **1,842** |
| Total operating expenses | **(1,074)** | **(199)** | **(79)** | **(1,352)** |
| **Profit/(loss) before tax** | **435** | **29** | **26** | **490** |
| | Half-year to 30 Jun 2024[1,2] | | | |
| Net operating income before change in expected credit losses and other credit risk provisions | 1,492 | 243 | (36) | 1,699 |
| – of which: net interest income/(expense) | 823 | 105 | 3 | 931 |
| Change in expected credit losses and other credit impairment charges | (19) | 5 | 1 | (13) |
| Net operating income | 1,473 | 248 | (35) | 1,686 |
| Total operating expenses | (905) | (192) | (40) | (1,137) |
| Profit/(loss) before tax | 568 | 56 | (75) | 549 |

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France.
2 Comparative information for the prior year has been represented to reflect the group's revised segment structure, which became effective on 1 January 2025.

Revenue by country (continuing operations)[1]

| | CIB | IWPB | Corporate Centre | Total |
|---|---|---|---|---|
| | Half-year to 30 Jun 2025 | | | |
| | €m | €m | €m | €m |
| France | **695** | **67** | **100** | **862** |
| Germany | **463** | **57** | **2** | **522** |
| EEA Branches | **383** | **—** | **1** | **384** |
| Malta and Other countries | **42** | **100** | **2** | **144** |
| **Revenue[1]** | **1,583** | **224** | **105** | **1,912** |
| | Half year to 30 Jun 2024[2,3] | | | |
| France | 616 | 60 | (37) | 639 |
| Germany | 448 | 64 | — | 512 |
| EEA Branches | 384 | — | 1 | 385 |
| Malta and Other Countries | 44 | 119 | — | 163 |
| Revenue[1] | 1,492 | 243 | (36) | 1,699 |

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.
2 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France.
3 Comparative information for the prior year has been represented to reflect the group's revised segment structure, which became effective on 1 January 2025.

Balance sheet information

| | CIB | IWPB | Corporate Centre | Total |
|---|---|---|---|---|
| | €m | €m | €m | €m |
| **At 30 Jun 2025** | | | | |
| Loans and advances to customers | **41,944** | **4,201** | **(22)** | **46,123** |
| Loans and advances to customers classified as held for sale[1,2] | **736** | **307** | **—** | **1,043** |
| Customer accounts | **80,377** | **6,406** | **(424)** | **86,359** |
| Customer accounts classified as held for sale[1,2] | **10,559** | **2,268** | **—** | **12,827** |
| At 31 Dec 2024[3] | | | | |
| Loans and advances to customers | 40,337 | 4,267 | 6,684 | 51,288 |
| Loans and advances to customers classified as held for sale[1] | — | 298 | — | 298 |
| Customer accounts | 90,431 | 7,055 | (421) | 97,065 |
| Customer accounts classified as held for sale[1] | — | 2,010 | — | 2,010 |

1 Includes loans and advances and customers accounts related to the private banking business in Germany.
2 Includes loans and advances and customers accounts related to the custody business in Germany.
3 Comparative information for the prior year has been represented to reflect the group's revised segment structure, which became effective on 1 January 2025.

# 5 Fair values of financial instruments carried at fair value

The accounting policies, control framework, and the hierarchy used to determine fair values are consistent with those applied for the Universal Registration Document 2024.

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

Financial instruments carried at fair value and bases of valuation

| | At 30 Jun 2025 | | | | At 31 Dec 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 – quoted market price | Level 2 – using observable inputs | Level 3 – with significant non-observable inputs | Total | Level 1 – quoted market price | Level 2 – using observable inputs | Level 3 – with significant non-observable inputs | Total |
| | €m | €m | €m | €m | €m | €m | €m | €m |
| **Assets** | | | | | | | | |
| Trading assets | **26,446** | **2,589** | **58** | **29,093** | 21,531 | 1,156 | 166 | 22,853 |
| Financial assets designated and otherwise mandatorily measured at fair value through profit or loss | **722** | **690** | **228** | **1,640** | 719 | 592 | 252 | 1,563 |
| Derivatives | **514** | **42,044** | **206** | **42,764** | 595 | 42,405 | 251 | 43,251 |
| Financial investments | **12,024** | **5,776** | **19** | **17,819** | 11,918 | 4,396 | 1,088 | 17,402 |
| Assets held for sale | **5,328** | **19,973** | **2,706** | **28,007** | 5,415 | 13,870 | 2,968 | 22,253 |
| **Liabilities** | | | | | | | | |
| Trading liabilities | **18,140** | **1,445** | **—** | **19,585** | 16,200 | 280 | — | 16,480 |
| Financial liabilities designated at fair value | **162** | **8,734** | **1,278** | **10,174** | 167 | 8,252 | 1,487 | 9,906 |
| Derivatives | **696** | **38,815** | **353** | **39,864** | 714 | 40,862 | 281 | 41,857 |
| Liabilities of disposal groups held for sale | **—** | **12** | **—** | **12** | — | 125 | — | 125 |

### Transfers between Level 1 and Level 2 fair values

| | Assets | | | | Liabilities | | |
|---|---|---|---|---|---|---|---|
| | Financial Investments | Trading assets | Designated and otherwise mandatorily measured at fair value through profit or loss | Derivatives | Trading Liabilities | Designated at fair value | Derivatives |
| | €m | €m | €m | €m | €m | €m | €m |
| **At 30 Jun 2025** | | | | | | | |
| Transfers from Level 1 to Level 2 | **—** | **4** | **—** | **—** | **10** | **—** | **—** |
| Transfers from Level 2 to Level 1 | **—** | **69** | **—** | **—** | **5** | **—** | **—** |
| At 31 Dec 2024 | | | | | | | |
| Transfers from Level 1 to Level 2 | 12 | 4 | — | — | 23 | — | — |
| Transfers from Level 2 to Level 1 | 37 | 2 | — | — | 35 | — | — |

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

## Fair value valuation bases

### Financial instruments measured at fair value using a valuation technique with significant unobservable inputs – Level 3

| | Assets | | | | | Liabilities | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Financial Investments | Trading assets | Designated and otherwise mandatorily measured at fair value through profit or loss | Derivatives | Total Assets | Trading liabilities | Designated at fair value | Derivatives | Total liabilities |
| | €m | €m | €m | €m | €m | €m | €m | €m | €m |
| **At 30 Jun 2025** | | | | | | | | | |
| Private equity including strategic investments | **16** | **1** | **212** | **—** | **229** | **—** | **1** | **—** | **1** |
| Structured notes | **—** | **—** | **—** | **—** | **—** | **—** | **1,276** | **—** | **1,276** |
| Derivatives | **—** | **—** | **—** | **206** | **206** | **—** | **—** | **353** | **353** |
| Other portfolios | **3** | **57** | **16** | **—** | **76** | **—** | **1** | **—** | **1** |
| **Total** | **19** | **58** | **228** | **206** | **511** | **—** | **1,278** | **353** | **1,631** |
| At 31 Dec 2024 | | | | | | | | | |
| Private equity including strategic investments | 16 | 1 | 236 | — | 253 | — | 1 | — | 1 |
| Structured notes | — | — | — | — | — | — | 1,483 | — | 1,483 |
| Derivatives | — | — | — | 251 | 251 | — | — | 281 | 281 |
| Other portfolios | 1,072 | 165 | 16 | — | 1,253 | — | 3 | — | 3 |
| Total | 1,088 | 166 | 252 | 251 | 1,757 | — | 1,487 | 281 | 1,768 |

## Reconciliation of fair value measurements in Level 3 of the fair value hierarchy

### Movement in Level 3 financial instruments

| | Assets | | | | Liabilities | | |
|---|---|---|---|---|---|---|---|
| | Financial Investments | Trading assets | Designated and otherwise mandatorily measured at fair value through profit or loss | Derivatives | Trading liabilities | Designated at fair value | Derivatives |
| | €m | €m | €m | €m | €m | €m | €m |
| **At 1 Jan 2025** | **1,088** | **166** | **252** | **251** | **—** | **1,487** | **281** |
| Total gains/(losses) recognised in profit or loss | **—** | **—** | **9** | **126** | **—** | **4** | **(198)** |
| – net income/(expense) from financial instruments held for trading or managed on a fair value basis | **—** | **—** | **—** | **126** | **—** | **4** | **(198)** |
| – net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| – changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | **—** | **—** | **9** | **—** | **—** | **—** | **—** |
| – gains less losses from financial investments at fair value through other comprehensive income | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Total gains/(losses) recognised in other comprehensive income | **12** | **—** | **—** | **—** | **—** | **—** | **—** |
| – financial investments: fair value gains/(losses) | **12** | **—** | **—** | **—** | **—** | **—** | **—** |
| – exchange differences | **—** | **—** | **—** | **—** | **—** | **—** | **—** |

Movement in Level 3 financial instruments (continued)

| | Assets | | | | Liabilities | | |
|---|---|---|---|---|---|---|---|
| | Financial Investments | Trading assets | Designated and otherwise mandatorily measured at fair value through profit or loss | Derivatives | Trading liabilities | Designated at fair value | Derivatives |
| | €m | €m | €m | €m | €m | €m | €m |
| Purchases | **99** | **27** | — | — | — | — | — |
| New issuances | — | — | — | — | — | **362** | — |
| Sales | **(25)** | — | — | — | — | — | — |
| Settlement and Other movements | **(24)** | **(113)** | **(33)** | **(138)** | — | **(124)** | **323** |
| Transfer out | **(1,131)** | **(22)** | — | **(61)** | — | **(506)** | **(78)** |
| Transfer in | — | — | — | **28** | — | **55** | **25** |
| **At 30 Jun 2025** | **19** | **58** | **228** | **206** | — | **1,278** | **353** |
| Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 30 Jun 2025 | — | — | **9** | **21** | — | **(10)** | **(123)** |
| – trading income/(expense) excluding net interest income | — | — | — | **21** | — | — | **(123)** |
| – net income/(expense) from other financial instruments designated at fair value | — | — | **9** | — | — | **(10)** | — |
| – expected credit loss charges and other credit risk charges | — | — | — | — | — | — | — |
| | | | | | | | |
| At 1 Jan 2024 | 797 | 240 | 2,172 | 178 | — | 1,523 | 256 |
| Total gains/(losses) recognised in profit or loss | — | (2) | (49) | 45 | — | 197 | 103 |
| – net income/(expense) from financial instruments held for trading or managed on a fair value basis | — | (2) | — | 45 | — | — | 103 |
| – net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss | — | — | (51) | — | — | — | — |
| – changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | — | — | 2 | — | — | 197 | — |
| – gains less losses from financial investments at fair value through other comprehensive income | — | — | — | — | — | — | — |
| Total gains/(losses) recognised in other comprehensive income | (19) | — | — | — | — | — | — |
| – financial investments: fair value gains/(losses) | (19) | — | — | — | — | — | — |
| – exchange differences | — | — | — | — | — | — | — |
| Purchases | 126 | 6 | 187 | — | — | — | — |
| New issuances | — | — | — | — | — | 545 | — |
| Sales | — | (27) | (1) | — | — | — | — |
| Settlement and Other movements | (246) | (11) | 237 | (42) | — | (725) | (71) |
| Transfer out | (53) | (44) | (7) | (14) | — | (345) | (15) |
| Transfer in | — | 1 | 5 | 51 | — | 209 | 50 |
| At 30 Jun 2024 | 605 | 163 | 2,544 | 218 | — | 1,404 | 323 |
| Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 30 Jun 2024 | — | (2) | (32) | 41 | — | (99) | (122) |
| – trading income/(expense) excluding net interest income | — | (2) | — | 41 | — | — | (122) |
| – net income/(expense) from other financial instruments designated at fair value | — | — | (32) | — | — | (99) | — |
| | | | | | | | |
| At 1 Jul 2024 | 605 | 163 | 2,544 | 218 | — | 1,404 | 323 |
| Total gains/(losses) recognised in profit or loss | — | — | 34 | 116 | — | (66) | 53 |
| – net income/(expense) from financial instruments held for trading or managed on a fair value basis | — | — | — | 116 | — | — | 53 |
| – net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss | — | — | 10 | — | — | — | — |
| – changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | — | — | 24 | — | — | (66) | — |
| – gains less losses from financial investments at fair value through other comprehensive income | — | — | — | — | — | — | — |

Movement in Level 3 financial instruments (continued)

| | Assets | | | | Liabilities | | |
|---|---|---|---|---|---|---|---|
| | Financial Investments | Trading assets | Designated and otherwise mandatorily measured at fair value through profit or loss | Derivatives | Trading liabilities | Designated at fair value | Derivatives |
| | €m | €m | €m | €m | €m | €m | €m |
| Total gains/(losses) recognised in other comprehensive income | 9 | — | — | — | — | — | — |
| – financial investments: fair value gains/(losses) | 9 | — | — | — | — | — | — |
| – exchange differences | — | — | — | — | — | — | — |
| Purchases | 1,096 | 5 | 152 | — | — | — | — |
| New issuances | — | — | — | — | — | 226 | — |
| Sales | (41) | (2) | (29) | — | — | — | — |
| Settlement and Other movements | (486) | — | (2,479) | (56) | — | 121 | (80) |
| Transfer out | (95) | — | — | (67) | — | (409) | (59) |
| Transfer in | — | — | 30 | 40 | — | 211 | 44 |
| At 31 Dec 2024 | 1,088 | 166 | 252 | 251 | — | 1,487 | 281 |
| Unrealised gains/(losses) recognised in profit or loss relating to and liabilities held at 31 Dec 2024 | — | (2) | 27 | 112 | — | (14) | (94) |
| – trading income/(expense) excluding net interest income | — | (2) | — | 112 | — | — | (94) |
| – net income/(expense) from other financial instruments designated at fair value | — | — | 27 | — | — | (14) | — |

# Effects of changes in significant unobservable assumptions to reasonably possible alternatives

Sensitivity of Level 3 fair values to reasonably possible alternative assumptions

| | **At 30 Jun 2025** | | | | At 31 Dec 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Reflected in profit or loss** | | **Reflected in other comprehensive Income** | | Reflected in profit or loss | | Reflected in other comprehensive Income | |
| | **Favourable changes** | **Unfavourable changes** | **Favourable changes** | **Unfavourable changes** | Favourable changes | Unfavourable changes | Favourable changes | Unfavourable changes |
| | **€m** | **€m** | **€m** | **€m** | €m | €m | €m | €m |
| Derivatives/trading assets/trading liabilities[1] | **8** | **(9)** | **—** | **—** | 11 | (11) | — | — |
| Financial assets and liabilities designated and otherwise mandatorily measured at fair value | **46** | **(45)** | **—** | **—** | 22 | (22) | — | — |
| Financial investments | **—** | **—** | **1** | **(4)** | — | — | 3 | (6) |
| **Total** | **54** | **(54)** | **1** | **(4)** | 33 | (33) | 3 | (6) |

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

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

| | **Reflected in profit or loss** | | **Reflected in other comprehensive income** | |
|---|---|---|---|---|
| | **Favourable changes** | **Unfavourable changes** | **Favourable changes** | **Unfavourable changes** |
| | **€m** | **€m** | **€m** | **€m** |
| **At 30 Jun 2025** | | | | |
| Private equity investments including strategic investments | **40** | **(39)** | **1** | **(1)** |
| Structured notes | **6** | **(6)** | **—** | **—** |
| Derivatives | **8** | **(9)** | **—** | **—** |
| Other portfolios | **—** | **—** | **—** | **(3)** |
| **Total** | **54** | **(54)** | **1** | **(4)** |
| At 31 Dec 2024 | | | | |
| Private equity investments including strategic investments | 15 | (15) | 1 | (1) |
| Structured notes | 7 | (7) | — | — |
| Derivatives | 10 | (10) | — | — |
| Other portfolios | 1 | (1) | 2 | (5) |
| Total | 33 | (33) | 3 | (6) |

The sensitivity analysis aims to measure a range of fair values consistent with the application of a 95 per cent confidence interval. Methodologies take account of the nature of the valuation technique employed, as well as the availability and reliability of observable proxy and historical data.

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

Quantitative information about significant unobservable input in Level 3 valuations

| | Fair value[1] | | Valuation technique | Key unobservable inputs | Full range of inputs | |
|---|---|---|---|---|---|---|
| | Assets €m | Liabilities €m | | | Lower | Higher |
| **At 30 Jun 2025** | | | | | | |
| Private equity including strategic investments | **229** | **1** | **Price – Net asset value** | **Current Value/Cost** | **—** | **6** |
| Asset-backed securities | **—** | **—** | | | | |
| – CLO/CDO[2] | **—** | **—** | **Market proxy** | **Bid quotes** | **N/A** | **N/A** |
| – other ABSs | **—** | **—** | | | | |
| Structured notes | **—** | **1,276** | | | | |
| – equity-linked notes | **—** | **921** | **Model – Option model** | **Equity volatility** | **14%** | **29%** |
| | | | **Model – Option model** | **Equity Correlation** | **30%** | **100%** |
| – FX-linked notes | **—** | **—** | **Model – Option model** | **FX volatility** | **—** | **—** |
| – other | **—** | **355** | | | | |
| **Derivatives** | **206** | **353** | | | | |
| Interest rate derivatives | **118** | **191** | | | | |
| – securitisation swaps | **3** | **59** | **Model – DCF[3]** | **Constant Prepayment Rate** | **5%** | **10%** |
| – long-dated swaptions | **2** | **—** | **Model – Option model** | **IR volatility** | **10%** | **15%** |
| – other | **113** | **132** | | | | |
| Foreign exchange derivatives | **9** | **13** | | | | |
| – foreign exchange options | **2** | **6** | **Model – Option model** | **FX volatility** | **7%** | **27%** |
| – foreign exchange other | **7** | **7** | | | | |
| Equity derivatives | **76** | **136** | | | | |
| – long-dated single stock options | | | **Model – Option model** | **Equity volatility** | **—** | **—** |
| – other | **76** | **136** | | | | |
| Credit derivatives | **3** | **13** | | | | |
| – other | **3** | **13** | | | | |
| Other portfolios | **76** | **1** | | | | |
| – Bonds | **41** | **—** | **Market proxy** | **Mid quotes** | **99** | **99** |
| – Other | **35** | **1** | | | | |
| **Total Level 3** | **511** | **1,631** | | | | |
| | | | | | | |
| At 31 Dec 2024 | | | | | | |
| Private equity including strategic investments | 253 | 1 | Price – Net asset value | Current Value/Cost | — | 1 |
| Asset-backed securities | — | — | | | | |
| – CLO/CDO[2] | — | — | Market proxy | Bid quotes | — | — |
| – other ABSs | — | — | | | | |
| Structured notes | — | 1,483 | | | | |
| – equity-linked notes | — | 1,127 | Model – Option model | Equity volatility | 14% | 18% |
| | | | Model – Option model | Equity Correlation | 26% | 99% |
| – FX-linked notes | — | — | Model – Option model | FX volatility | — | — |
| – other | — | 356 | | | | |
| Derivatives | 251 | 281 | | | | |
| Interest rate derivatives | 174 | 198 | | | | |
| – securitisation swaps | 41 | 4 | Model – DCF[3] | Constant Prepayment Rate | 5% | 10% |
| – long-dated swaptions | — | — | Model – Option model | IR volatility | — | — |
| – other | 133 | 194 | | | | |
| Foreign exchange derivatives | 2 | 2 | | | | |
| – foreign exchange options | 1 | 1 | Model – Option model | FX volatility | 4% | 14% |
| – foreign exchange other | 1 | 1 | | | | |
| Equity derivatives | 74 | 71 | | | | |
| – long-dated single stock options | — | — | Model – Option model | Equity volatility | — | — |
| – other | 74 | 71 | | | | |
| Credit derivatives | 1 | 10 | | | | |
| – other | 1 | 10 | | | | |
| Other portfolios | 1,253 | 3 | | | | |
| – Bonds | 1,086 | — | Market proxy | Bid quotes | — | — |
| – Other | 167 | 3 | | | | |
| Total Level 3 | 1,757 | 1,768 | | | | |

1 Including Level 3 balances with HSBC entities.
2 Collateralised Loan Obligation/Collateralised Debt Obligation.
3 Discounted cash flow.

# 6 Fair values of financial instruments not carried at fair value

The bases for measuring the fair values of loans and advances to banks and customers, financial investments, deposits by banks, customer accounts, debt securities in issue, subordinated liabilities, non-trading repurchase and reverse repurchase agreements are consistent with that detailed in the Universal Registration Document 2024.

Fair value of financial instruments not carried at fair value on the balance sheet

| | At 30 Jun 2025 | | At 31 Dec 2024 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair Value** | Carrying amount | Fair Value |
| | **€m** | **€m** | €m | €m |
| **Assets** | | | | |
| Loans and advances to banks | **5,181** | **5,181** | 5,703 | 5,703 |
| Loans and advances to customers[1] | **46,123** | **46,127** | 51,288 | 50,159 |
| Reverse repurchase agreements – non-trading | **32,267** | **32,267** | 25,764 | 25,764 |
| Financial investments – at amortised cost | **5,417** | **5,453** | 3,338 | 3,328 |
| **Liabilities** | | | | |
| Deposits by banks | **12,695** | **12,695** | 11,820 | 11,820 |
| Customer accounts | **86,359** | **86,360** | 97,065 | 97,078 |
| Repurchase agreements – non-trading | **14,754** | **14,754** | 12,344 | 12,344 |
| Debt securities in issue | **16,553** | **16,646** | 15,257 | 15,367 |
| Subordinated liabilities | **1,900** | **1,938** | 1,941 | 1,993 |

1 Loans and advances to customers in the comparative period 2024 include EUR 6.7 billion of home and certain other loans following the sale of retail banking operations in France. On 1 January 2025 we reclassified the portfolio to a hold-to-collect-and-sell business model, measuring it at fair value through other comprehensive income. At 30 June 2025, the portfolio has been classified as held for sale. Refer to Note 11 'Assets held for sale, liabilities of disposal groups held for sale and discontinued operations'.

Other financial instruments not carried at fair value are typically short-term in nature and reprice to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value.

# 7 Goodwill and intangible assets

| | **30 Jun 2025** | 31 Dec 2024 |
|---|---|---|
| | **€m** | €m |
| Goodwill | **66** | 66 |
| Other intangible assets[1] | **247** | 153 |
| **At the end of the period** | **313** | 219 |

1 Other intangible assets include internally generated software with a net carrying value of EUR 243 million (2024: EUR 144 million). During the year, capitalisation of internally generated software was EUR 56 million (2024: EUR 219 million), net of impairment reversal was EUR 185 million (2024: impairment of EUR (157) million) and amortisation was EUR (148) million (2024: EUR (30) million).

## Impairment testing

HSBC Continental Europe tests goodwill for impairment as at 31 December each year and whenever there is an indication that it may be impaired. At 30 June 2025, HSBC Continental Europe carried goodwill of EUR 66 million in the Asset Management business and there was no indication that it may be impaired.

# 8 Provisions

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

– existence of a present obligation occurring from a past event;

– it is probable that an outflow of resources will be required to settle the obligation; and

– a reliable estimate of the amount can be made.

| | Restructuring costs[1] | Legal proceedings and regulatory matters | Customer remediation | Other provisions | Total |
|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m |
| **Provisions (excluding contractual commitments)** | | | | | |
| At 31 Dec 2024 | 21 | 7 | 4 | 82 | 114 |
| Additions | **183** | **2** | **1** | **4** | **190** |
| Amounts utilised | **(10)** | **(1)** | **—** | **(11)** | **(22)** |
| Unused amounts reversed | **—** | **(1)** | **(2)** | **(1)** | **(4)** |
| Exchange and other movements | **—** | **1** | **—** | **(5)** | **(4)** |
| **At 30 Jun 2025** | **194** | **8** | **3** | **69** | **274** |
| **Contractual commitments[2]** | | | | | |
| At 31 Dec 2024 | | | | | 70 |
| Net change in expected credit loss provisions and other movements | | | | | **(1)** |
| **At 30 Jun 2025** | | | | | **69** |
| **Total provisions** | | | | | |
| At 31 Dec 2024 | | | | | 184 |
| **At 30 Jun 2025** | | | | | **343** |

1 Includes restructuring provision of EUR 183 million (primarily in France EUR 160 million). Further details of the provision is disclosed in section 'Significant events during the first half-year' within Note 1 on page 47.
2 The contractual commitments provision includes off-balance sheet loan commitments and guarantees, for which expected credit losses are provided under IFRS 9. Further analysis of the movement in the expected credit loss is disclosed within the 'Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees' table under section 'Credit Risk' on page 31.

▶ Information relating to legal proceedings and regulatory matters related to HSBC Group entities can be found in Note 10.

# 9 Contingent liabilities, contractual commitments and guarantees

| | At | |
|---|---|---|
| | **30 Jun 2025** | 31 Dec 2024 |
| | **€m** | €m |
| **Guarantees and contingent liabilities[1]** | | |
| – financial guarantees | **1,925** | 1,950 |
| – performance and other guarantees | **17,423** | 16,899 |
| – other contingent liabilities | **16** | 16 |
| **At the end of the period** | **19,364** | 18,865 |
| **Commitments[1,2]** | | |
| – documentary credits and short-term trade-related transactions | **928** | 1,099 |
| – forward asset purchases and forward deposits placed | **58,754** | 35,132 |
| – standby facilities, credit lines and other commitments to lend | **73,246** | 74,589 |
| **At the end of the period** | **132,928** | 110,820 |

1 Includes EUR 432 million commitments related to private banking business in Germany at 30 Jun 2025 (December 2024: EUR 0.3 million guarantees and other contingent liabilities and EUR 454 million commitments).
2 Includes EUR 127,014 million of commitments at 30 June 2025 (31 December 2024: EUR 104,656 million), to which the impairment requirements in IFRS 9 are applied where HSBC Continental Europe has become a party to an irrevocable commitment.

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

# 10 Legal proceedings and regulatory matters relating to HSBC Group entities generally

HSBC Group entities, including HSBC Continental Europe, are parties to various legal proceedings and regulatory matters arising out of their normal business operations. Apart from the matters described below and in the section entitled 'Legal risks and litigation management' on pages 223 and 224 of the Universal Registration Document 2024, HSBC Continental Europe considers that none of these matters is potentially significant apart from the tax-related investigations referred to below.

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

While the outcome of the matters referred to below is inherently uncertain, management believes that, based on the information available to it, appropriate provisions, as necessary, have been made in respect of such matters as at 30 June 2025.

## Bernard L. Madoff Investment Securities LLC

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

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

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

## Tax-related investigations

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

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

## Other regulatory investigations, reviews and litigation

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

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

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

## Held for sale

| | At | |
|---|---|---|
| | **30 Jun 2025** | 31 Dec 2024 |
| | **€m** | €m |
| Disposal groups | **32,169** | 25,493 |
| Impairment losses[1] | **(61)** | (19) |
| Non-current assets held for sale[2] | **52** | 3 |
| **Assets held for sale** | **32,160** | 25,477 |
| **Liabilities of disposal groups held for sale** | **35,867** | 24,718 |

1 This represents impairment losses in excess of the carrying amount on the non-current assets, excluded from the measurement scope of IFRS 5.
2 This includes shares of sino AG, following the decision to divest the 24.9 per cent stake in a controlled manner with the aim of maximising the value for HSBC shareholders.

## Disposal groups

### Private banking business in Germany

On 23 September 2024, HSBC Continental Europe announced the reaching of an agreement to sell its private banking business in Germany to BNP Paribas. The disposal group met held for sale criteria in the third quarter of 2024, with balances remaining classified as held for sale at 30 June 2025 of EUR 2.3 billion in assets and EUR 2.3 billion in liabilities. This sale is expected to complete in the second half of 2025 and generate an estimated pre-tax gain on disposal of EUR 0.2 billion, which will be recognised on completion.

### French life insurance business

On 20 December 2024, HSBC Continental Europe signed a memorandum of understanding for the planned 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 employee information and consultation processes. The transaction, which has received regulatory approvals, is expected to complete in the second half of 2025.

The disposal group met held for sale criteria in the fourth quarter of 2024, with balances remaining classified as held for sale at 30 June 2025 of EUR 23.7 billion in assets and EUR 22.9 billion in liabilities. The transaction is estimated to generate a pre-tax loss of EUR 0.1 billion inclusive of migration costs and the recycling of related reserves, largely on completion.

The transaction is structured on the basis of a price fixed on the reference date of 30 June 2024. Between this date and completion the loss on disposal will be adjusted for changes in the net asset value, including the entity's earnings, which will continue to be consolidated into the Group's results until disposal.

## Retained portfolio of home and certain other loans in France

Following the sale of our 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. During the fourth quarter of 2024, we began actively marketing the retained portfolio for sale. As a result, on 1 January 2025 we reclassified the portfolio to a hold-to-collect-and-sell business model, measuring it at fair value through other comprehensive income.

Since reclassification, we have recognised a fair value pre-tax loss in other comprehensive income of EUR 1.2 billion on the remeasurement of the financial instruments, which resulted in an approximately 2 percentage point reduction in the HSBC Continental Europe's CET1 ratio and 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' on non-qualifying economic hedges entered into in December 2024, hedging interest rate risk on the portfolio.

On 18 July 2025, HSBC Continental Europe signed a memorandum of understanding with a consortium comprising Rothesay Life Plc and CCF regarding the sale of the portfolio. The potential transaction, which remains subject to relevant information and consultation processes with respective works councils, is expected to complete in the fourth quarter of 2025. At 30 June 2025, given the advanced stage of agreement on deal terms and that completion was expected within 12 months, EUR 5.3 billion in loans met the criteria to be classified as held for sale in accordance with IFRS 5. Upon completion, the cumulative fair value changes recognised through other comprehensive income will recycle to the income statement.

## Custody business in Germany

On 27 June 2025, HSBC Continental Europe reached an agreement to sell its custody business in Germany to BNP Paribas, subject to customary regulatory and anti-trust approvals and the conclusion of negotiations with the works council in Germany. Following these, it is anticipated that the sale will 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 at 30 June 2025. As a result, EUR 0.9 billion in assets and EUR 10.7 billion in liabilities were classified as held for sale. 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.

## 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, comprising EUR 0.1 billion in assets and EUR 0.1 billion in liabilities at 30 June 2025, is expected to be classified to held for sale in the third quarter of 2025, reflecting commitment by the parties to the sale in July 2025. Completion of the potential sale is subject to customary regulatory and competition approvals as well as the conclusion of negotiations with the German works council, and is expected in the second half of 2026, at which point an immaterial gain on disposal will be recognised.

At 30 June 2025, the major classes of assets and associated liabilities of disposal groups held for sale, including allocated impairment losses, were as follows:

| | Private banking business in Germany | French life insurance business | Retained portfolio of home and certain other loans in France | Custody business in Germany[1] | Total |
|---|---|---|---|---|---|
| | €m | €m | €m | €m | |
| **Assets of disposal group held for sale** | | | | | |
| Cash and balances at central banks | 1,964 | — | — | — | 1,964 |
| Financial assets designated and otherwise mandatorily measured at fair value through profit and loss | — | 14,462 | — | — | 14,462 |
| Derivatives | — | 37 | — | — | 37 |
| Loans and advances to banks | — | 50 | — | 94 | 144 |
| Loans and advances to customers | 307 | — | — | 736 | 1,043 |
| Financial investments[2] | — | 8,233 | 5,275 | — | 13,508 |
| Prepayments, accrued income and other assets | 15 | 897 | 5 | 34 | 951 |
| Deferred tax assets | — | 60 | — | — | 60 |
| **Total assets at 30 Jun 2025** | **2,286** | **23,739** | **5,280** | **864** | **32,169** |
| | | | | | |
| **Liabilities of disposal group held for sale** | | | | | |
| Deposits by banks | — | — | — | 88 | 88 |
| Customer accounts | 2,268 | — | — | 10,559 | 12,827 |
| Financial liabilities designated at fair value | — | 11 | — | — | 11 |
| Derivatives | — | 1 | — | — | 1 |
| Accruals, deferred income and other liabilities | 18 | 1,614 | — | 49 | 1,681 |
| Current tax liabilities | — | 18 | — | — | 18 |
| Insurance contract liabilities | — | 21,240 | — | — | 21,240 |
| Provisions | — | 1 | — | — | 1 |
| **Total liabilities at 30 Jun 2025** | **2,286** | **22,885** | **—** | **10,696** | **35,867** |

| | Private banking business in Germany | French life insurance business | Retained portfolio of home and certain other loans in France | Custody business in Germany[1] | Total |
|---|---|---|---|---|---|
| | €m | €m | €m | €m | |
| **Fair value of selected financial instruments which are not carried at fair value on balance sheet** | | | | | |
| Loan and advances to customers | **308** | **—** | **—** | **736** | **1,044** |
| Customers accounts | **2,268** | **—** | **—** | **10,559** | **12,827** |
| Expected date of completion | **Second half of 2025** | **Second half of 2025** | **Second half of 2025** | **Second half of 2027** | |
| Operating segment | **IWPB** | **IWPB** | **Corporate Center** | **CIB** | |

1 Under the financial terms of the sale of our custody business in Germany, HSBC Continental Europe will transfer a nil net asset value for each client transferred, by way of inclusion of additional cash.
2 Represents financial investments measured at fair value through other comprehensive income.

# Discontinued operations

Along with the above classification to held for sale, at the HSBC Continental Europe level, the life insurance business in France also met the criteria of discontinued operations classification and presentation under IFRS 5. Accordingly, the profit of the discontinued operations amounting to EUR 18 million (2024: profit of EUR 45 million) has been reported separately in the income statement.

Along with the above classification to held for sale, at the HSBC Continental Europe level, the retained portfolio of home and certain other loans in France also met the criteria of discontinued operations classification and presentation under IFRS 5. Accordingly, the loss of the discontinued operations amounting to EUR 45 million (2024: loss of EUR 79 million) has been reported separately in the income statement.

## Discontinued operations income statement

| | 30 Jun 2025 | 30 Jun 2024[1] |
|---|---|---|
| | €m | €m |
| Net operating income | **(16)** | (32) |
| Total operating expenses | **(13)** | (15) |
| Operating profit/(loss) | **(29)** | (47) |
| Profit/(loss) before tax | **(29)** | (47) |
| Tax expense | **2** | 13 |
| Profit/(loss) for the year | **(27)** | (34) |
| – non-controlling interests | **—** | — |

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France.

Other comprehensive income relating to discontinued operations is as follows:

| | 30 Jun 2025 | 30 Jun 2024[1] |
|---|---|---|
| | €m | €m |
| Profit/(loss) for the period in respect of discontinued operations | **(27)** | (34) |
| Items that will be reclassified subsequently to profit or loss when specific conditions are met: | | |
| Debt instruments at fair value through other comprehensive income | **(1,222)** | (17) |
| Finance income/(expenses) from insurance contracts | **20** | 15 |
| Exchange differences and other | **(5)** | 3 |
| Other comprehensive income/(expense) for the period, net of tax in respect of discontinued operations[2] | **(1,207)** | 1 |
| Total comprehensive income/(expense) for the period in respect of discontinued operations | **(1,234)** | (33) |

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France.
2 The cumulative losses recognised in other comprehensive income in respect of discontinued operations as at 30 June 2025 amounted to EUR 41 million related to the life insurance business in France and EUR 1.2 billion related to the retained portfolio of home and certain other loans in France (2024 : EUR 42 million related to the life insurance business in France).

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

| | 30 Jun 2025 | 30 Jun 2024[1] |
|---|---|---|
| | €m | €m |
| Cash and cash equivalents at beginning of the period | **317** | 287 |
| Net cash from operating activities | **(230)** | (143) |
| Net cash from investing activities | **—** | — |
| Net cash from financing activities | **—** | — |
| Net cash from discontinued operations[1] | **(230)** | (143) |
| – cash and cash equivalents from discontinued operations | **87** | 144 |

1 In compliance with IFRS 5 standards, the comparatives have been represented to reflect discontinued operations related to the life insurance business in France and the retained portfolio of home and certain other loans in France, and the net cash from continuing and discontinued operations have been adjusted accordingly.

## 12 Transactions with related parties

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.

There were no other changes to the related party transactions described in the Universal Registration Document 2024 that have had a material effect on the financial position or performance of the HSBC Continental Europe’s group in the six months to 30 June 2025.

## 13 Changes in scope of consolidation during the first half-year of 2025

There were no material changes in the composition of HSBC Continental Europe in the half-year to 30 June 2025.

## 14 Events after the balance sheet date

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 potential transaction is subject to customary regulatory and competition approvals as well as the conclusion of negotiations with the German works council and expected to complete in the second half of 2026.

On 18 July 2025, HSBC Continental Europe signed a memorandum of understanding with a consortium comprising Rothesay Life Plc and CCF regarding the sale of its portfolio of home and certain other loans retained after the sale of its French retail banking operations. The potential transaction, which remains subject to relevant information and consultation processes with respective works councils, is expected to complete in the fourth quarter of 2025, when cumulative fair value losses recognised through other comprehensive income would reclassify to the income statement. These stood at EUR 1.2 billion at 30 June 2025.

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

# Statutory Auditors' review report on the interim financial information

**PricewaterhouseCoopers Audit**

63, rue de Villiers

92208 Neuilly-sur-Seine Cedex

**BDO Paris**

43-47, avenue de la Grande-Armée

75116 Paris

**For the six months ended 30 June 2025**

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

**HSBC Continental Europe**

38, avenue Kléber
75116 Paris

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

– the review of the accompanying condensed interim consolidated financial statements of HSBC Continental Europe for the six months ended 30 June 2025; and
– the verification of the information presented in the interim management report.

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

## 1 Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union.

## 2 Specific verification

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

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

Neuilly sur Seine and Paris, July 30, 2025

French original signed by:

The Statutory Auditors

**PricewaterhouseCoopers Audit**
Amel Hardy-Ben Bdira

**BDO Paris**
Vincent Génibrel

# Person responsible for the Universal Registration Document and its amendments

Mr Joseph Swithenbank, Deputy General Manager and Chief Financial Officer.

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

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

I certify, to the best of my knowledge, that the condensed accounts for the first half of the financial year have been prepared in accordance with the relevant accounting standards and give a fair view of assets and liabilities, financial position and result of the company and of all the entities included in the consolidation, and that the interim management report (the cross-reference table on page 64 indicates the content of said report) presents a fair review of the significant events that occurred during the first six months of the financial year, their impact on the accounts and the major related party transactions, as well as a description of the principal risks and uncertainties for the remaining six months of the financial year.

Paris, 30 July 2025

**Joseph Swithenbank, Deputy General Manager and Chief Financial Officer**

# Persons responsible for auditing the financial statements

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

1 Member of the Compagnie Régionale des Commissaires aux comptes of Versailles.
2 PricewaterhouseCoopers Audit represented by Amel Hardy-Ben Bdira starting from 2025.
3 Member of the Compagnie Régionale des Commissaires aux comptes of Paris.
4 BDO Paris represented by Vincent Génibrel starting from 2023.

# Cross-reference table

The following cross-reference table refers to the main headings of the 2019/980 delegated regulation supplementing the 2017/1129 regulation (Annex I and Annex II) implementing the directive known as 'Prospectus' and to the pages of the Universal Registration Document 2024 D.25-0044.

| Sections of Annex I of the 2019/980 delegated regulation | | Pages in the 2024 Universal Registration Document filed with the AMF on 19 Feb 2025 | Pages in this amendment to the Universal Registration Document |
|---|---|---|---|
| **1** | **Persons responsible, third party information, experts' reports and competent authority approval** | | |
| 1.1 & 1.2 | Persons responsible | page 375 | page 62 |
| 1.3 | Experts' reports | N/A | N/A |
| 1.4 | Third party information | N/A | N/A |
| 1.5 | Competent authority approval | N/A | N/A |
| **2** | **Statutory auditors** | page 376 | page 63 |
| **3** | **Risk factors** | pages 170 to 181 | pages 13 to 24 |
| **4** | **Information about the issuer** | page 371 | N/A |
| **5** | **Business overview** | | |
| 5.1 | Principal activities | pages 5 to 20 and 331 to 332 | pages 4 to 12 |
| 5.2 | Principal markets | pages 5 to 20 and 331 to 332 | pages 4 to 12 |
| 5.3 | Important events | pages 261 to 262 and 331 to 332 | page 47 |
| 5.4 | Strategy and objectives | pages 5 to 12 | pages 4 to 7 |
| 5.5 | Potential dependence | N/A | N/A |
| 5.6 | Founding elements of any statement by the issuer concerning its position | page 5 | page 4 |
| 5.7 | Investments | pages 321 to 322, 366 to 369, 380 to 381 | N/A |
| **6** | **Organisational structure** | | |
| 6.1 | Brief description of the group | pages 4 to 21, 357 to 358 and 366 to 369 | N/A |
| 6.2 | Issuer's relationship with other group entities | pages 366 to 368 | N/A |
| **7** | **Operating and financial review** | | |
| 7.1 | Financial condition | pages 241, 243, 329 to 330 | pages 39 and 41 |
| 7.2 | Operating results | pages 13 to 20, 241 and 329 | pages 7 to 12 and 39 |
| **8** | **Capital resources** | | |
| 8.1 | Issuer's capital resources | pages 244 and 348 | page 42 |
| 8.2 | Sources and amounts of the issuer's cash flows | page 246 | page 45 |
| 8.3 | Borrowing requirements and funding structure | pages 164, 211 to 213, 215 to 216 | pages 13 and 33 to 34 |
| 8.4 | Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect the issuer's operations | N/A | N/A |
| 8.5 | Sources of funds needed | N/A | N/A |
| **9** | **Regulatory environment** | pages 12, 224 | page 6 to 7 |
| **10** | **Trend information** | pages 5 to 8 | pages 4 to 5 |
| **11** | **Profit forecasts or estimates** | N/A | N/A |
| **12** | **Administrative, management and supervisory bodies and senior management** | | |
| 12.1 | Administrative and management bodies | pages 23 to 30 | N/A |
| 12.2 | Administrative and management bodies conflicts of interests | page 40 | N/A |
| **13** | **Remuneration and benefits** | | |
| 13.1 | Amount of remuneration paid and benefits in kind granted | pages 40 to 51, 279 to 284 | N/A |
| 13.2 | Total amounts set aside or accrued by the issuer or its subsidiaries to provide for pension, retirement or similar benefits | pages 40 to 51, 279 to 284, 349 | N/A |
| **14** | **Board practices** | | |
| 14.1 | Date of expiration of the current term of office | pages 23 to 30 | N/A |
| 14.2 | Information about members of the administrative, management or supervisory bodies' service contracts | N/A | N/A |
| 14.3 | Information about the issuer's audit committee and remuneration committee | pages 34 to 35, 37 to 38 | N/A |
| 14.4 | Corporate governance regime | page 22 | N/A |
| 14.5 | Potential material impacts on the corporate governance | N/A | N/A |
| **15** | **Employees** | | |
| 15.1 | Number of employees | page 279 | page 12 |
| 15.2 | Shareholdings and stock options | pages 43 to 44 | N/A |
| 15.3 | Arrangements involving the employees in the capital of the issuer | N/A | N/A |
| **16** | **Major shareholders** | | |
| 16.1 | Shareholders holding more than 5 per cent of the share capital or voting rights | pages 371 to 374 | N/A |
| 16.2 | Different voting rights | page 372 | N/A |
| 16.3 | Control of the issuer | pages 23 to 24, 376 | page 63 |
| 16.4 | Arrangements, known to the issuer, which may at a subsequent date result in a change in control of the issuer | N/A | N/A |

| Sections of Annex I of the 2019/980 delegated regulation | | Pages in the 2024 Universal Registration Document filed with the AMF on 19 Feb 2025 | Pages in this amendment to the Universal Registration Document |
|---|---|---|---|
| **17** | **Related party transactions** | pages 52 to 54, 318 to 320, 321 to 322, 357 to 358 | page 60 |
| **18** | **Financial information concerning the issuer's assets and liabilities, financial position and profits and losses** | | |
| 18.1 | Historical financial information | pages 20, 240 to 322, 328 to 358, 378 | N/A |
| 18.2 | Interim and other financial information | N/A | pages 46 to 60 |
| 18.3 | Auditing of historical annual financial information | pages 323 to 327, 359 to 363 | N/A |
| 18.4 | Pro forma financial information | N/A | N/A |
| 18.5 | Dividend policy | pages 287 and 374 | page 48 |
| 18.6 | Legal and arbitration proceedings | pages 223 to 224, 317, 355 to 356 | pages 56 to 57 |
| 18.7 | Significant change in the issuer's financial position | pages 19, 320 and 356 | pages 60 |
| **19** | **Additional information** | | |
| 19.1 | Share capital | pages 315, 348 and 373 | N/A |
| 19.2 | Memorandum and Articles of Association | pages 371 and 373 | N/A |
| **20** | **Material contracts** | page 373 | N/A |
| **21** | **Documents available** | page 371 | N/A |

| Sections of Annex II of the 2019/980 delegated regulation | | Pages in the 2024 Universal Registration Document filed with the AMF on 19 Feb 2025 | Pages in this amendment to the Universal Registration Document |
|---|---|---|---|
| **1** | **Information to be disclosed about the issuer** | page 2 | page 2 |

The following elements are included by reference:

– the consolidated financial statements for the year ended 31 December 2023 and the Statutory Auditors' report on those consolidated financial statements, presented on pages 188 to 274 and 275 to 280 of the reference document D.24-0076 filed with the AMF on 1 March 2024; the information can be found here: https://www.hsbc.com/-/files/hsbc/investors/hsbc-results/2023/annual/pdfs/hsbc-continental-europe/240301-registration-document-and-annual-financial-report-2023-english-zip.zip.

– the consolidated financial statements for the year ended 31 December 2024 and the Statutory Auditors' report on those consolidated financial statements, presented on pages 240 to 322 and 323 to 327 of the Universal Registration Document D.25-0044 filed with the AMF on 19 February 2025; the information can be found here: https://www.hsbc.com/-/files/hsbc/investors/hsbc-results/2024/annual/pdfs/hsbc-continental-europe/250219-registration-document-and-annual-financial-report-2024-english-zip.zip.

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

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

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38, avenue Kléber
75116 Paris
France

| **Management report** | |
|---|---|
| Main events occurring during the first six months of 2025 | pages 3 and 7 to 12 |
| Main risks and uncertainties | pages 13 to 37 |
| Principal related party transactions | page 60 |
| **Condensed consolidated financial statements** | pages 38 to 60 |
| **Report of the Statutory Auditors on the interim financial information at 30 June 2025** | page 61 |
| **Statement by person responsible** | page 62 |

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