

HSBC Continental Europe

Pillar 3 Disclosures at 30 June 2025

Contents

2	Introduction
2	Regulatory framework for disclosures
2	Pillar 3 disclosures
2	Key regulatory developments
3	Significant events
9	Linkage to the Universal Registration Document 2024 and Interim Financial Report 2025
12	Capital and Leverage
12	Capital management
13	Overview of regulatory capital framework
15	Leverage ratio
17	Credit risk
17	Overview
17	Non-performing and forborne exposures
34	Counterparty credit risk
34	Overview
36	Market Risk
37	Non-Financial risk
37	Overview
38	Liquidity and funding
41	Interest rate risk in the banking book
43	ESG Risks
43	Qualitative information on environmental risk
54	Qualitative information on social risk
62	Qualitative information on Governance risk
64	Scope of ESG reporting

Appendices

101	I	Capital buffers
104	II	Abbreviations

Tables

Page	Table	Table heading
4	1	Key metrics template ('KM1')
5	2	Overview of risk weighted exposure amounts ('OV1')
6	3	Comparison of modelled and standardised risk weighted exposure amounts at risk level ('CMS1')
6	4	Comparison of modelled and standardised risk weighted exposure amounts for credit risk at asset class level ('CMS2')
7	5	RWA flow statements of credit risk exposures under the IRB approach ('CR8')
8	6	RWA flow statements of CCR exposures under IMM ('CCR7')
8	7	RWA flow statements of credit valuation adjustment risk under the Standardised Approach (SA) ('CVA4')
8	8	RWA flow statements of market risk exposures under the IMA ('MR2-B')
10	9	Reconciliation of regulatory own funds to balance sheet in the audited financial statements ('CC2')
13	10	Composition of regulatory own funds ('CC1')
15	11	Summary reconciliation of accounting assets and leverage ratio exposures ('LRSum')
15	12	Leverage ratio common disclosure ('LRCom')
16	13	Split of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) ('LRSpl')
17	14	Credit quality of forborne exposures ('CQ1')
18	15	Quality of non-performing exposures by geography ('CQ4')
19	16	Credit quality of loans and advances to non-financial corporations by industry ('CQ5')
19	17	Collateral obtained by taking possession and execution processes ('CQ7')
20	18	Performing and non-performing exposures and related provisions ('CR1')
22	19	Changes in the stock of non-performing loans and advances ('CR2')
22	20	Maturity of exposures ('CR1-A')
22	21	Specialised lending and equity exposures under the simple risk-weighted approach ('CR10')

23	22	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques ('CR3')
24	23	Standardised approach – Credit risk exposure and CRM effects ('CR4')
25	24	Standardised approach – Exposures by asset classes and risk weights ('CR5')
30	25	IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques ('CR7')
31	26	IRB approach – Disclosure of the extent of the use of CRM techniques ('CR7-A')
32	27	IRB approach – Credit risk exposures by exposure class and probability of default ('PD') range ('CR6')
34	28	Analysis of CCR exposure by approach ('CCR1')
34	29	Standardised approach – CCR exposures by regulatory exposure class and risk weights ('CCR3')
35	30	IRB approach – CCR exposures by exposure class and PD scale ('CCR4')
35	31	Composition of collateral for CCR exposures ('CCR5')
35	32	Exposures to CCPs ('CCR8')
36	33	Market risk under the standardised approach ('MR1')
36	34	Market risk under the Internal Model Approach ('IMA') ('MR2-A')
37	35	Business Indicator, components and subcomponents ('OR2')
37	36	Operational risk own funds requirements and risk exposure amounts ('OR3')
38	37	Quantitative information on LCR ('LIQ1')
39	38	Net Stable Funding Ratio ('LIQ2')
42	39	Interest rate risks of non-trading book activities ('IRBB1')
67	40	Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity
74	41	Template 2: Banking book – Indicators of potential climate change transition risk: loans collateralised by immovable property – energy efficiency of the collateral
76	42	Template 3: Banking book – indicators of potential climate change transition risk: alignment metrics
77	43	Template 4: Banking book – indicators of potential climate change transition risk: exposures to top 20 carbon-intensive firms
80	44	Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk
87	45	Template 6: Summary of key performance indicators ('KPIs') on the Taxonomy – aligned exposures
88	46	Template 7: Mitigating actions: Assets for the calculation of Green Asset Ratio ('GAR')
94	47	Template 8: GAR (%)
99	48	Template 10: Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852
101	49	Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer ('CCyB1')
103	50	Amount of institution specific countercyclical capital buffer ('CCyB2')

Certain defined terms

The abbreviations '€m' and '€bn' represent millions and billions (thousands of millions) of Euros, respectively. The abbreviation 'USD' is used for US dollars.

Introduction

Regulatory framework for disclosures

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

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

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

Pillar 3 disclosures

Purpose

The information contained in this document is for HSBC Continental Europe. It should be read in conjunction with HSBC Continental Europe's Universal Registration Document 2024 and Interim Financial Report 2025.

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

Comparatives and references

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

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

Unless stated otherwise, throughout this document 31 December 2024 numbers reflect the position on a CRR2 basis, except for the operational risk tables. In alignment with the ECB guidance and requirements, we have shaded cells where no information is required to be disclosed.

Key regulatory developments

Basel III 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 European Commission ('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, the CRD6 introduces significant changes to the prudential framework for banks. This includes new regulatory requirements for environmental, social and governance ('ESG') and crypto-asset 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 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

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

The European Systemic Risk Board has announced the absence of contributions to the Single Resolution Fund in 2025, since 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 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.

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

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.

Significant events

Business disposals and changes of control

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 reclassify 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 reclassified 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.

Issuances and repayments

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

In May 2025, HSBC Continental Europe redeemed a Tier 2 promissory note loan (Schuldscheindarlehen), which was issued by the Germany branch, of EUR 10m. In June 2025, HSBC Continental Europe redeemed two further Tier 2 promissory note loans (Schuldscheindarlehen), both issued by the Germany branch, of EUR 10m and EUR 5m, respectively.

The table below sets out the key regulatory metrics covering our available capital (including buffer requirements and ratios), RWAs, Leverage ratio, LCR and NSFR. Accordingly, the current period numbers are the same on both the transitional and end-point basis. The calculation for LCR is the average of the preceding 12 months for each quarter and NSFR is the average of the preceding four quarters.

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

Table 1: Key metrics template ('KM1')

		(CRR3 amended)				
		CRR3	CRR3	CRR2	CRR2	CRR2
		30 Jun 2025	31 Mar 2025	31 Dec 2024	30 Sep 2024	30 Jun 2024
		€m	€m	€m	€m	€m
Available own funds (amounts)						
1	Common Equity Tier 1 ('CET1') capital	10,461	10,532	11,916	9,625	9,266
2	Tier 1 capital	11,903	11,975	13,359	11,061	10,703
3	Total capital	13,383	13,462	14,848	12,311	12,104
Risk-weighted exposure amounts						
4	Total risk exposure amount	67,610	67,312	63,297	63,826	61,276
4a	Total risk exposure pre-floor	67,610	67,312	—	—	—
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	15.5	15.6	18.8	15.1	15.1
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	15.5	15.6	—	—	—
6	Tier 1 ratio (%)	17.6	17.8	21.1	17.3	17.5
6b	Tier 1 ratio considering unfloored TREA (%)	17.6	17.8	—	—	—
7	Total capital ratio (%)	19.8	20.0	23.5	19.3	19.8
7b	Total capital ratio considering unfloored TREA (%)	19.8	20.0	—	—	—
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount) (%)						
EU-7d	Additional own funds requirements to address risks other than the risk of excessive leverage	2.8	2.8	3.0	3.0	3.0
EU-7e	– of which: to be made up of CET1 capital (percentage points)	1.5	1.5	1.7	1.7	1.7
EU-7f	– of which: to be made up of Tier 1 capital (percentage points)	2.1	2.1	2.3	2.3	2.3
EU-7g	Total SREP own funds requirements	10.8	10.8	11.0	11.0	11.0
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount) (%)						
8	Capital conservation buffer	2.5	2.5	2.5	2.5	2.5
EU-8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State	—	—	—	—	—
9	Institution specific countercyclical capital buffer	0.9	0.8	0.9	0.9	0.9
EU-9a	Systemic risk buffer	0.0	0.0	0.0	0.0	0.0
10	Global Systemically Important Institution buffer	—	—	—	—	—
EU-10a	Other Systemically Important Institution buffer	0.3	0.3	0.3	0.3	0.3
11	Combined buffer requirement	3.6	3.6	3.7	3.6	3.6
EU-11a	Overall capital requirements	14.4	14.4	14.7	14.6	14.6
12	CET1 available after meeting the total SREP own funds requirements	9.0	9.2	12.5	8.3	8.8
Leverage ratio						
13	Total exposure measure	249,202	241,607	245,648	237,808	251,268
14	Leverage ratio (%)	4.8	5.0	5.4	4.7	4.3
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure) (%)						
EU-14a	Additional own funds requirements to address the risk of excessive leverage	—	—	—	—	—
EU-14b	– of which: to be made up of CET1 capital (percentage points)	—	—	—	—	—
EU-14c	Total SREP leverage ratio requirements	3.0	3.0	3.0	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure) (%)						
EU-14d	Leverage ratio buffer requirement	—	—	—	—	—
EU-14e	Overall leverage ratio requirement	3.0	3.0	3.0	3.0	3.0
Liquidity Coverage Ratio						
15	Total high-quality liquid assets ('HQLA') (Weighted value -average)	79,803	77,094	75,513	76,113	76,475
EU-16a	Cash outflows – Total weighted value	85,980	84,169	82,826	81,751	81,040
EU-16b	Cash inflows – Total weighted value	30,675	31,277	32,299	31,995	31,891
16	Total net cash outflows (adjusted value)	55,305	52,892	50,527	49,756	49,148
17	Liquidity coverage ratio (%)	144	146	150	153	156
Net Stable Funding Ratio						
18	Total available stable funding	83,525	84,370	86,928	82,067	84,027
19	Total required stable funding	57,798	60,153	63,448	57,630	61,774
20	NSFR ratio (%)	145	140	137	142	136

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Risk-weighted assets

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

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

(CRR3 amended)

		CRR3		CRR3		CRR2	
		30 Jun 2025		31 Mar 2025		31 Dec 2024	
		Total risk exposure amounts ('TREA') €m	Total own funds requirements ¹ €m	Total risk exposure amounts ('TREA') €m	Total own funds requirements ¹ €m	Total risk exposure amounts ('TREA') €m	Total own funds requirements ¹ €m
1	Credit risk (excluding CCR)²	49,759	3,981	48,117	3,849	44,358	3,548
2	– of which the standardised approach	18,072	1,445	17,037	1,363	12,007	960
3	– of which the Foundation IRB ('F-IRB') approach	23,721	1,897	23,438	1,875	8,453	676
4	– of which slotting approach	664	53	354	28	495	40
EU-4a	– of which equities under the simple risk weighted approach	762	61	749	60	667	53
5	– of which the Advanced IRB ('A-IRB') approach	3,451	276	3,887	311	16,743	1,339
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	2,659	213	2,652	212	2,854	228
	Other credit risk (excluding CCR) ³	430	36	—	—	3,139	252
6	Counterparty credit risk – CCR	4,479	360	5,162	414	6,815	545
7	– of which the standardised approach	1,407	113	2,016	161	2,257	181
8	– of which internal model method ('IMM')	2,270	182	2,357	189	2,212	177
EU-8a	– of which exposures to a CCP	195	16	182	15	188	15
EU-8b	– credit valuation adjustment ('CVA') ⁴	—	—	—	—	628	50
9	– of which other CCR ³	607	49	607	49	1,529	122
10	Credit valuation adjustments risk – CVA risk⁴	1,080	86	955	76	—	—
EU-10a	– of which the standardised approach ('SA')	430	34	411	33	—	—
EU-10b	– of which the basic approach (F-BA and R-BA)	650	52	544	43	—	—
15	Settlement risk	—	—	1	—	1	—
16	Securitisation exposures in the non-trading book (after the cap)	1,690	135	1,639	131	1,650	132
17	– of which SEC-IRBA approach	1,046	84	1,022	82	992	80
18	– of which SEC-ERBA (including IAA)	342	27	364	29	404	32
19	– of which SEC-SA approach	302	24	253	20	254	20
20	Position, foreign exchange and commodities risks (Market risk)⁵	3,579	287	4,415	353	3,786	302
21	– standardised approach	135	11	126	10	168	13
22	– internal model approach	3,444	276	4,289	343	3,618	289
EU-22a	Large exposures	—	—	—	—	—	—
24	Operational risk	7,023	562	7,023	562	6,688	522
26	Output floor applied (%)	50	—	50	—	—	—
27	Floor adjustment (before application of transitional cap)	—	—	—	—	—	—
28	Floor adjustment (after application of transitional cap)	—	—	—	—	—	—
29	Total	67,610	5,411	67,312	5,385	63,297	5,049

1 'Total own funds requirements', here and in all tables where the term is used, represents the Pillar 1 capital charge at 8 per cent of RWAs.

2 'Credit Risk', here and in all tables where the term is used, excludes counterparty credit risk.

3 The rows entitled "Other credit risk (excluding CCR)" and "of which other CCR" report capital requirements relating to these risk types that do not map to other rows in this table.

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

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

The table below presents by risk type the standardised RWAs output floor compared with the total actual RWAs, reflecting where we have used approved models or the standardised approach.

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

	RWAs for modelled approaches that banks have supervisory approval to use	RWAs for portfolios where standardised approaches are used	Total actual RWAs (a + b)	RWAs calculated using full standardised approach	RWAs that is the base of the output floor
	€m	€m	€m	€m	€m
At 30 Jun 2025					
1 Credit risk (excluding counterparty credit risk)	27,836	21,493	49,329	63,003	57,373
2 Counterparty credit risk	2,673	1,614	4,287	9,510	6,528
3 Credit valuation adjustment		1,080	1,080	1,080	1,080
4 Securitisation exposures in the banking book	1,046	644	1,690	5,567	2,595
5 Market risk	3,444	135	3,579	2,668	2,668
6 Operational risk		7,023	7,023	7,023	7,023
7 Other risk weighted exposure amounts	622	—	622	—	—
8 Total	35,621	31,989	67,610	88,851	77,267

At 31 Mar 2025

1 Credit risk (excluding counterparty credit risk)	27,679	20,438	48,117	61,742	56,324
2 Counterparty credit risk	3,435	1,634	5,069	11,556	8,193
3 Credit valuation adjustment		955	955	955	955
4 Securitisation exposures in the banking book	1,022	617	1,639	5,485	2,573
5 Market risk	4,289	126	4,415	2,868	2,868
6 Operational risk		7,023	7,023	7,023	7,023
7 Other risk weighted exposure amounts	94	—	94	—	—
8 Total	36,519	30,793	67,312	89,629	77,936

The output floor is based on a static view of the balance sheet as at the reporting date. Currently there is no impact from the application of the output floor for both the phase-in period and the fully phased in approaches.

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

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

	Risk weighted amounts (RWAs)				
	RWAs for modelled approaches that institutions have supervisory approval to use	RWAs for column (a) if re-computed using the standardised approach	Total actual RWAs	RWAs calculated using full standardised approach	RWAs that is the base of the output floor
	€m	€m	€m	€m	€m
At 30 Jun 2025					
1 Central governments and central banks	692	123	1380	811	811
EU-1a Regional governments or local authorities	—	—	—	—	—
EU-1b Public sector entities	—	—	—	—	—
EU-1c Categorised as Multilateral Development Banks in SA	—	—	72	72	72
EU-1d Categorised as International organisations in SA	—	—	—	—	—
2 Institutions	453	499	2,336	2,382	2,382
3 Equity	—	—	3,336	3,336	3,336
5 Corporates	24,714	32,014	34,211	47,141	41,511
5.1 – of which: F-IRB is applied	22,046	30,235	22,046	35,669	30,235
5.2 – of which: A-IRB is applied	2,668	1,780	2,668	1,975	1,780
EU-5a – of which: Corporates – General ¹	24,392	31,966	24,392	37,597	31,966
EU-5b – of which: Corporates – Specialised lending	322	48	754	480	480
6 Retail	—	—	983	983	983
EU-7a Categorised as secured by immovable properties and ADC exposures in SA	1,643	2,575	5,481	6,413	6,413
EU-7b Collective investment undertakings ('CIU')	—	—	105	105	105
EU-7c Categorised as exposures in default in SA	268	555	557	845	845
EU-7d Categorised as subordinated debt exposures in SA	9	17	44	52	52
EU-7e Categorised as covered bonds in SA	57	96	65	104	104
EU-7f Categorised as claims on institutions and corporates with a short-term credit assessment in SA	—	—	—	—	—
8 Other non-credit obligation assets	—	—	760	760	760
9 Total	27,836	35,879	49,330	63,004	57,374

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

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

(CRR3 new)

		Risk weighted amounts (RWAs)				
		RWAs for modelled approaches that institutions have supervisory approval to use	RWAs for column (a) if re-computed using the standardised approach	Total actual RWAs	RWAs calculated using full standardised approach	RWAs that is the base of the output floor
At 31 Mar 2025		€m	€m	€m	€m	€m
1	Central governments and central banks	194	3	752	562	562
EU-1a	Regional governments or local authorities	—	—	—	—	—
EU-1b	Public sector entities	—	—	60	60	60
EU-1c	Categorised as Multilateral Development Banks in SA	—	—	31	31	31
EU-1d	Categorised as International organisations in SA	—	—	—	—	—
2	Institutions	388	482	2,291	2,385	2,385
3	Equity	—	—	3,316	3,316	3,316
5	Corporates	25,241	32,368	34,075	46,610	41,201
5.1	– of which: F-IRB is applied	22,342	29,725	22,342	34,747	29,725
5.2	– of which: A-IRB is applied	2,899	2,617	2,899	3,004	2,617
EU-5a	– of which: Corporates – General ¹	25,130	32,212	25,131	37,620	32,212
EU-5b	– of which: Corporates – Specialised lending	111	156	462	507	507
6	Retail	—	—	1,119	1,119	1,119
EU-7a	Categorised as secured by immovable properties and ADC exposures in SA	1,500	2,333	5,006	5,848	5,839
EU-7b	Collective investment undertakings ('CIU')	—	—	85	85	85
EU-7c	Categorised as exposures in default in SA	279	579	537	837	837
EU-7d	Categorised as subordinated debt exposures in SA	10	20	56	66	66
EU-7e	Categorised as covered bonds in SA	67	97	75	105	105
EU-7f	Categorised as claims on institutions and corporates with a short-term credit assessment in SA	—	—	—	—	—
8	Other non-credit obligation assets	—	4	714	718	718
9	Total	27,679	35,886	48,117	61,742	56,324

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

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

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

		Quarter ended			
		CRR3	CRR3	CRR2	CRR2
		30 Jun 2025	31 Mar 2025	31 Dec 2024	30 Sep 2024
		€m	€m	€m	€m
1	Opening RWAs at start of quarter	27,679	25,692	26,850	27,627
2	Asset size	2	325	171	(915)
3	Asset quality	(52)	307	(89)	278
4	Model updates	628	1,248	—	—
5	Methodology and policy	(334)	269	—	—
6	Acquisitions and disposals	—	—	(78)	(140)
7	Foreign exchange movements	(87)	(162)	—	—
8	Other	—	—	(1,162)	—
9	Closing RWAs at end of quarter	27,836	27,679	25,692	26,850

The table below shows the drivers of the quarterly movements of counterparty credit risk RWAs under the internal model method approach. RWAs have been calculated on the new CRR3 methodology and comparatives have not been restated.

Table 6: RWA flow statements of CCR exposures under IMM ('CRR7')

	CRR3 30 Jun 2025 €m	Quarter ended		
		CRR3 31 Mar 2025 €m	CRR2 31 Dec 2024 €m	CRR2 30 Sep 2024 €m
1 Opening RWAs at start of quarter	2,357	2,212	1,809	2,358
2 Asset size	(227)	(432)	419	(531)
3 Asset quality	78	48	2	(33)
5 Methodology and policy (IMM only)	—	505	—	—
7 Foreign exchange movements	62	24	(18)	15
9 Closing RWAs at end of quarter	2,270	2,357	2,212	1,809

The table below provides quarterly movements in our RWAs for CVA risk, under the standardised approach. RWAs have been calculated on the new CRR3 methodology and comparatives have not been restated.

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

(CRR3 new)

		Risk weighted exposure amount €m
1	Risk weighted exposure amount as at 31 Mar 2025	411
2	Risk weighted exposure amount as at 30 Jun 2025	430

The majority of HSBC Continental Europe SA-CVA RWA arises from the counterparty credit spread delta sensitivity. The total SA CVA RWA amounts to EUR 430 million as of end of June 2025 compared with EUR 411 million as of end of March 2025.

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

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

		VaR	SVaR	IRC	CRM	Other	Total RWAs	Total own funds requirements
		€m	€m	€m	€m	€m	€m	€m
1	RWAs at 1 Apr 2025	544	1,670	929	—	1,146	4,289	342
1a	Regulatory adjustment	(398)	(1,277)	—	—	—	(1,675)	(134)
1b	RWAs at the previous quarter-end (end of the day)	146	393	929	—	1,146	2,614	208
2	Movement in risk levels	(1)	(33)	(155)	—	117	(72)	(6)
7	Other	—	—	—	—	(504)	(504)	(39)
8a	RWAs at the end of the disclosure period (end of the day)	145	360	774	—	759	2,038	163
8b	Regulatory adjustment	429	875	102	—	—	1,406	113
8	RWAs at 30 Jun 2025	574	1,235	876	—	759	3,444	276
1	RWAs at 1 Jan 2025	565	1,748	814	—	491	3,618	289
1a	Regulatory adjustment	(423)	(1,371)	(215)	—	—	(2,009)	(161)
1b	RWAs at the previous quarter-end (end of the day)	142	377	599	—	491	1,609	128
2	Movement in risk levels	4	16	330	—	(1)	349	28
7	Other	—	—	—	—	656	656	52
8a	RWAs at the end of the disclosure period (end of the day)	146	393	929	—	1,146	2,614	208
8b	Regulatory adjustment	398	1,277	—	—	—	1,675	134
8	RWAs at 31 Mar 2025	544	1,670	929	—	1,146	4,289	342

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

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

		VaR €m	SVaR €m	IRC €m	CRM €m	Other €m	Total RWAs €m	Total own funds requirements €m
1	RWAs at 1 Oct 2024	613	1,474	799	—	855	3,741	299
1a	Regulatory adjustment	(421)	(976)	—	—	—	(1,397)	(112)
1b	RWAs at the previous quarter-end (end of the day)	192	498	799	—	855	2,344	187
2	Movement in risk levels	(50)	(121)	(200)	—	(190)	(561)	(45)
7	Other	—	—	—	—	(174)	(174)	(14)
8a	RWAs at the end of the disclosure period (end of the day)	142	377	599	—	491	1,609	128
8b	Regulatory adjustment	423	1,371	215	—	—	2,009	161
8	RWAs at 31 Dec 2024	565	1,748	814	—	491	3,618	289
1	RWAs at 1 Jul 2024	961	2,466	769	—	837	5,033	403
1a	Regulatory adjustment	(750)	(1,993)	(213)	—	—	(2,956)	(236)
1b	RWAs at the previous quarter-end (end of the day)	211	473	556	—	837	2,077	166
2	Movement in risk levels	(19)	25	243	—	(36)	213	17
7	Other	—	—	—	—	54	54	4
8a	RWAs at the end of the disclosure period (end of the day)	192	498	799	—	855	2,344	187
8b	Regulatory adjustment	421	976	—	—	—	1,397	112
8	RWAs at 30 Sep 2024	613	1,474	799	—	855	3,741	299

Linkage to the Universal Registration Document 2024 and Interim Financial Report 2025

Basis of consolidation

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

The following table provides a reconciliation of the financial accounting balance sheet to the regulatory scope of consolidation.

Subsidiaries engaged in insurance activities are excluded from the regulatory consolidation by excluding their assets and liabilities, leaving HSBC Continental Europe's investment in these insurance subsidiaries to be recorded at net asset value and deducted from CET1 (subject to thresholds).

The table below presents the reconciliation between the Group's financial balance sheet and the regulatory scope of consolidation. The regulatory balance sheet value cannot be directly reconciled to other tables showing exposure under the regulatory scope of consolidation as the basis of measurement used in the calculation of RVVAs differs. Table 9 illustrates the key differences in the basis of measurement.

Table 9: Reconciliation of regulatory own funds to balance sheet in the audited financial statements ('CC2')

Ref †	Accounting balance sheet €m	De-consolidation of insurance and other reclassifications €m	Equity accounting for insurance subsidiaries €m	Regulatory balance sheet €m
Assets				
Cash and balances at central banks	43,004	—	—	43,004
Items in the course of collection from other banks	118	—	—	118
Trading assets	29,093	—	—	29,093
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss	1,640	(787)	—	853
Financial assets designated at fair value	—	—	—	—
Derivatives	42,764	1	—	42,765
Loans and advances to banks	5,181	(3)	(11)	5,167
Loans and advances to customers	46,123	—	11	46,134
– of which: impairment allowances on IRB portfolios	352	—	—	352
– of which: impairment allowances on standardised portfolios	207	—	—	207
Reverse repurchase agreements – non-trading	32,267	50	—	32,317
Financial investments	23,236	326	—	23,562
– of which: lending eligible as Tier 2 to Group FSEs outside the regulatory scope of consolidation	—	420	—	420
Capital invested in insurance and other entities	—	543	469	1,012
Assets held for sale	32,160	(23,739)	48	8,469
Prepayments, accrued income and other assets	23,098	47	—	23,145
– of which: defined benefit retirement scheme assets	72	—	—	72
Current tax assets	641	(13)	—	628
Interests in associates and joint ventures	—	—	—	—
Goodwill and intangible assets	313	—	—	313
Deferred tax assets	654	—	—	654
Total assets at 30 Jun 2025	280,292	(23,575)	517	257,234
Liabilities and equity				
Deposits by banks	12,695	(2,101) ¹	—	10,594
Customer accounts	86,359	2,221 ¹	—	88,580
Repurchase agreements – non-trading	14,754	—	—	14,754
Items in the course of transmission to other banks	460	—	—	460
Trading liabilities	19,585	—	—	19,585
Financial liabilities designated at fair value	10,174	249	—	10,423
– of which: term subordinated debt included in tier 2 capital	—	—	—	—
Derivatives	39,864	10	—	39,874
Debt securities in issue	16,553	—	—	16,553
Accruals, deferred income and other liabilities	26,874	(26)	—	26,848
– of which: retirement benefit liabilities	63	—	—	63
Liabilities of disposal groups held for sale	35,867	(22,884)	—	12,983
Current tax liabilities	280	(6)	—	274
Liabilities under insurance contracts	520	(520)	—	—
Provisions	343	(1)	—	342
– of which: credit-related provisions on IRB portfolios	102	—	—	102
– of which: credit-related provisions on standardised portfolios	11	—	—	11
Deferred tax liabilities	3	—	—	3
Subordinated liabilities	1,900	—	—	1,900
– of which: term subordinated debt included in tier 2 capital	1,900	—	—	1,900
Total liabilities at 30 Jun 2025	266,231	(23,058)	—	243,173
Called up share capital	1,328	—	—	1,328
Share premium account	6,747	—	—	6,747
Other equity instruments	1,430	—	—	1,430
Other reserves	374	41	—	415
Retained earnings	3,987	(547)	517	3,957
Total shareholders' equity	13,866	(506)	517	13,877
Non-controlling interests	195	(10)	—	185
Total equity at 30 Jun 2025	14,061	(517)	517	14,061
Total liabilities and equity at 30 Jun 2025	280,292	(23,575)	517	257,234

1 Includes reclassification of EUR 2.1 billion deposits received from Caisse des dépôts et consignations (CDC) between 'Deposit by banks' and 'Customer accounts'.

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 9: Reconciliation of regulatory own funds to balance sheet in the audited financial statements ('CC2') (continued)

	Ref †	Accounting balance sheet €m	De-consolidation of insurance and other reclassifications €m	Equity accounting for insurance subsidiaries €m	Regulatory balance sheet €m
Assets					
Cash and balances at central banks		48,907	—	—	48,907
Items in the course of collection from other banks		184	—	—	184
Trading assets		22,853	—	—	22,853
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss		1,563	(766)	—	797
Financial assets designated at fair value		—	—	—	—
Derivatives		43,251	—	7	43,258
Loans and advances to banks		5,703	(2)	—	5,701
Loans and advances to customers		51,288	50	—	51,338
– of which: impairment allowances on IRB portfolios	i	345	—	—	345
– of which: impairment allowances on standardised portfolios		110	—	—	110
Reverse repurchase agreements – non-trading		25,764	—	—	25,764
Financial investments		20,740	325	—	21,065
– of which: lending eligible as Tier 2 to Group FSEs outside the regulatory scope of consolidation	n	—	420	—	420
Capital invested in insurance and other entities		—	542	463	1,005
Assets held for sale		25,477	(23,347)	—	2,130
Prepayments, accrued income and other assets		17,814	27	—	17,841
– of which: defined benefit retirement scheme assets	j	66	—	—	66
Current tax assets		595	(32)	—	563
Interests in associates and joint ventures		—	—	—	—
Goodwill and intangible assets	g	219	—	—	219
Deferred tax assets	h	650	—	—	650
Total assets at 31 Dec 2024		265,008	(23,203)	470	242,275
Liabilities and equity					
Deposits by banks		11,820	—	—	11,820
Customer accounts		97,065	124	—	97,189
Repurchase agreements – non-trading		12,344	—	—	12,344
Items in the course of transmission to other banks		367	—	—	367
Trading liabilities		16,480	—	—	16,480
Financial liabilities designated at fair value		9,906	261	—	10,167
– of which: term subordinated debt included in tier 2 capital	m	—	—	—	—
Derivatives		41,857	6	7	41,870
Debt securities in issue		15,257	—	—	15,257
Accruals, deferred income and other liabilities		17,481	(23)	—	17,458
– of which: retirement benefit liabilities		75	—	—	75
Liabilities of disposal groups held for sale		24,718	(22,571)	—	2,147
Current tax liabilities		236	(4)	—	232
Liabilities under insurance contracts		518	(518)	—	—
Provisions		184	(1)	—	183
– of which: credit-related provisions on IRB portfolios	i	95	—	—	95
– of which: credit-related provisions on standardised portfolios		14	—	—	14
Deferred tax liabilities	h	3	—	—	3
Subordinated liabilities	k	1,941	—	—	1,941
– of which: term subordinated debt included in tier 2 capital	m	1,925	—	—	1,925
Total liabilities at 31 Dec 2024		250,177	(22,726)	7	227,458
Called up share capital	a	1,328	—	—	1,328
Share premium account	a, b	6,747	—	—	6,747
Other equity instruments	k	1,430	—	—	1,430
Other reserves	d, h	1,574	34	—	1,608
Retained earnings	c, f	3,563	(511)	463	3,515
Total shareholders' equity		14,642	(477)	463	14,628
Non-controlling interests	e, l	189	—	—	189
Total equity at 31 Dec 2024		14,831	(477)	463	14,817
Total liabilities and equity at 31 Dec 2024		265,008	(23,203)	470	242,275

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

Capital and Leverage

Capital management

Approach and policy

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

HSBC Continental Europe manages its capital to ensure that it exceeds current and expected future requirements. Throughout the first half of 2025, HSBC Continental Europe has complied with the ECB's regulatory capital adequacy requirements. To achieve this, HSBC Continental Europe manages its capital within the context of an annual capital plan which is approved by the Board and which determines the appropriate amount and mix of capital.

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

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

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

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

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

Stress testing

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

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

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

Risks to capital

In addition to the stress testing framework, the main risks with associated potential impacts on HSBC Continental Europe's capital ratios are regularly reviewed. These risks are identified as possibly affecting its RWAs and/or capital position. They can either result from

expected regulatory and model changes, or from structural and activity related items. These risks are monitored regularly within the Asset & Liability Committee ('ALCO'), the Risk Committee and the Risk Management Meeting ('RMM'). Where relevant, scenario analyses are performed, assessing downside or upside scenarios against our capital management objectives, and mitigating actions are assigned as necessary.

- ▶ Further explanation of model risk can be found in the Risk section, particularly on pages 222 and 223, of HSBC Continental Europe's Universal Registration Document 2024.

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

Risk-weighted asset targets

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

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

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

Capital generation

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

Regulatory Requirements

The minimum capital requirement under Pillar 2 ('P2R') for HSBC Continental Europe on a consolidated basis has decreased from 3.0 per cent in 2024 to 2.75 per cent in 2025. Under CRD, at least 56.25 per cent of this must be held in the form of CET1 and 75 per cent in the form of Tier 1.

The average countercyclical capital buffer ('CCyB') stands at the level of 0.9 percent at the end of June 2025, which is unchanged compared to 2024. During 1H25, the French CCyB was 1 per cent, the Slovenian CCyB increased from 0.5 per cent to 1 per cent (from 1 Jan 2025), and the Latvian CCyB increased from 0.5 per cent to 1 per cent (from 18 June 2025) as previously announced by their respective authorities.

At the end of June 2025, HSBC Continental Europe is required to meet on a consolidated basis a minimum total capital ratio of at least 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 CRR, the 2.5 per cent for the Capital Conservation buffer ('CCB') in respect of article 129 of the 2013/36 Directive, the 0.9 per cent Countercyclical Capital buffer ('CCyB') mentioned above, the 0.25 per cent Other Systematically Important Institution buffer ('O-SII'), in force since 1 January 2022 as per the decision from the ACPR, and the 2.75 per cent Pillar 2 requirement mentioned above.

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

Overview of regulatory capital framework

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

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

Common Equity Tier 1 ('CET1')

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

Additional Tier 1 capital ('AT1')

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

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

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

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

Tier 2 capital ('T2')

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

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

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

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

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

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

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

Ref*	Ref †	At	
		CRR3	CRR2
		30 Jun 2025	31 Dec 2024
		€m	€m
Common equity tier 1 ('CET1') capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	8,075	8,075
	– of which: share premium account	6,747	6,747
2	Retained earnings	3,513	2,927
3	Accumulated other comprehensive income (and other reserves)	488	1,642
5	Minority interests (amount allowed in consolidated CET1)	69	103
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend ¹	—	568
6	Common equity tier 1 capital before regulatory adjustments	12,145	13,315
Common equity tier 1 capital: regulatory adjustments			
7	Additional value adjustments	(107)	(93)
8	Intangible assets (net of related deferred tax liability)	(313)	(219)
10	Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(434)	(433)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	(55)	(22)
12	Negative amounts resulting from the calculation of expected loss amounts	(126)	(139)
13	Any increase in equity that results from securitised assets (negative amount)	—	—
14	Gains or losses on liabilities at fair value resulting from changes in own credit standing	(124)	(75)
15	Defined-benefit pension fund assets (negative amount)	(72)	(66)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	—	—
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	(453)	(352)
28	Total regulatory adjustments to Common Equity Tier 1 ('CET1')	(1,684)	(1,399)
29	Common Equity Tier 1 ('CET1') capital	10,461	11,916
Additional tier 1 ('AT1') capital: instruments			
30	Capital instruments and the related share premium accounts	1,430	1,430

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

Ref*	Ref †	At	
		CRR3	CRR2
		30 Jun 2025	31 Dec 2024
		€m	€m
31	– of which: classified as equity under applicable accounting standards	1,430	1,430
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	12	13
36	Additional tier 1 capital before regulatory adjustments	1,442	1,443
	Additional tier 1 capital: regulatory adjustments		
43	Total regulatory adjustments to Additional Tier 1 ('AT1') capital	—	—
44	Additional Tier 1 (AT1) capital	1,442	1,443
45	Tier 1 capital (T1 = CET1 + AT1)	11,903	13,359
	Tier 2 ('T2') capital: instruments		
46	Capital instruments and the related share premium accounts	1,900	1,908
51	Tier 2 capital before regulatory adjustments	1,900	1,908
	Tier 2 capital: regulatory adjustments		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	(420)	(420)
57	Total regulatory adjustments to tier 2 capital	(420)	(420)
58	Tier 2 capital	1,480	1,488
59	Total capital (TC = T1 + T2)	13,383	14,848
60	Total risk exposure amount	67,610	63,297
	Capital ratios and buffers		
61	Common equity tier 1 (%)	15.5	18.8
62	Tier 1 (%)	17.6	21.1
63	Total capital (%)	19.8	23.5
64	Institution CET1 overall capital requirement (%)	9.7	9.8
65	– of which: capital conservation buffer requirement (%)	2.5	2.5
66	– of which countercyclical buffer requirement (%)	0.9	0.9
67	– of which systemic risk buffer requirement (%)	0.0	0.0
EU-67a	– of which Global Systemically Important Institution ('G-SII') or Other Systemically Important Institution ('O-SII') buffer requirement	0.3	0.3
EU-67b	– of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.6	1.7
68	Common equity tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	9.0	12.5
	Amounts below the threshold for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	449	146
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	1,063	1,142
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38(3) CRR are met)	273	242

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

† The references (a) – (n) identify balance sheet components in Table 9: Reconciliation of regulatory own funds to balance sheet in the audited financial statements which is used in the calculation of regulatory capital. This table shows how they contribute to the regulatory capital calculation. Their contribution may differ from their accounting value in Table 6 as a result of adjustment or analysis to apply regulatory definitions of capital.

1 HSBC Continental Europe's profits for the six months ending 30 June 2025 have not been verified and are therefore not included in its CET1 capital.

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 360m has not been verified for inclusion in CET1.

Issuances and redemptions of own funds instruments are described in "Significant events" section on page 3 and in Note 1 'Significant events during the year' of HSBC Continental Europe's Interim Financial Report 2025.

► A detailed breakdown of HSBC Continental Europe's CET1 capital, AT1 capital and Tier 2 capital is provided in its Regulatory Capital Instruments 31 December 2024, which is available on HSBC's website <https://www.hsbc.com/investors/fixed-income-investors/regulatory-debt-main-features?page=1&take=20>.

Leverage ratio

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

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

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

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

► HSBC Continental Europe's approach to risk appetite is described on page 165 of HSBC Continental Europe's Universal Registration Document 2024.

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

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

		At	
		CRR3	CRR2
		30 Jun 2025	31 Dec 2024
		€m	€m
1	Total assets as per published financial statements	280,292	265,008
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(23,059)	(22,733)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	(8,048)	(387)
8	Adjustment for derivative financial instruments	(25,944)	(18,590)
9	Adjustment for securities financing transactions ('SFTs')	3,078	2,503
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	38,853	37,594
12	Other adjustments	(15,970)	(17,747)
13	Total exposure measure	249,202	245,648

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

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

		At	
		CRR3	CRR2
		30 Jun 2025	31 Dec 2024
		€m	€m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	171,268	169,481
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(10,524)	(11,932)
6	(Asset amounts deducted in determining Tier 1 capital)	(1,614)	(1,395)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	159,130	156,154
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	3,729	8,340
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	15,500	18,140
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	(2,322)	(1,890)
11	Adjusted effective notional amount of written credit derivatives	6,922	2,443
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(6,877)	(2,364)
13	Total derivatives exposures	16,952	24,669
Securities financing transaction ('SFT') exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	80,263	72,842
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(45,055)	(45,243)
16	Counterparty credit risk exposure for SFT assets	188	719
18	Total securities financing transaction exposures	35,396	28,318
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	93,962	95,231
20	(Adjustments for conversion to credit equivalent amounts)	(55,109)	(57,638)
22	Off-balance sheet exposures	38,853	37,593
Excluded exposures			
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	(1,129)	(1,086)
EU-22m	(Total exempted exposures)	(1,129)	(1,086)
Capital and total exposure measure			
23	Tier 1 capital	11,903	13,359
24	Total exposure measure	249,202	245,648

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

		At	
		CRR3	CRR2
		30 Jun 2025	31 Dec 2024
		€m	€m
Leverage ratio			
25	Leverage ratio (%)	4.8	5.4
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.8	5.4
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	4.8	5.4
26	Regulatory minimum leverage ratio requirement (%)	3.0	3.0
EU-27a	Overall leverage ratio requirement (%)	3.0	3.0
Choice on transitional arrangements for the definition of the capital measure		Fully phased in	Fully phased in
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	43,038	33,416
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	35,208	27,599
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	257,032	251,465
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	257,032	251,465
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4.6	5.3
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4.6	5.3

The table below provides a breakdown of on-balance sheet exposures excluding derivatives, SFTs and exempted exposures by asset class. This table has been calculated on the new CRR 3 methodology and comparatives have not been restated.

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

		At	
		CRR3	CRR2
		30 Jun 2025	31 Dec 2024
		€m	€m
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	159,660	156,463
EU-2	Trading book exposures	36,461	21,435
EU-3	Banking book exposures, of which:	123,199	135,028
EU-4	Covered bonds	902	783
EU-5	Exposures treated as sovereigns	70,455	74,532
EU-7	Institutions	2,177	2,444
EU-8	Secured by mortgages of immovable properties	3,236	3,246
EU-9	Retail exposures	6,268	6,795
EU-10	Corporate	36,703	35,371
EU-11	Exposures in default	1,357	1,433
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	2,101	10,424

Credit risk

Overview

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

The tables below set out details of HSBC Continental Europe's credit risk exposures by exposure class and approach. Further explanation of HSBC Continental Europe's approach to managing credit risk (including detail of past due and impaired exposure, and its approach to credit risk impairment) can be found on pages 181 to 207 of its Universal Registration Document 2024.

Non-performing and forborne exposures

Tables 14 to 18 are presented in accordance with the EBA's 'Final guidelines on disclosure of non-performing and forborne exposures'.

The EBA defines non-performing exposures as exposures with material amounts that are more than 90 days past due or exposures where the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of collateral, regardless of the existence of any past due amounts or number days past due. Any debtors that are in default for regulatory purposes or impaired under the applicable accounting framework are always considered as non-performing exposures. The Universal Registration Document 2024 does not define non-performing exposures, however, the definition of credit impaired (stage 3) is aligned to the EBA's definition of non-performing exposures.

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

Table 14: Credit quality of forborne exposures ('CQ1')

	Gross carrying amount/ nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing €m	Total €m	of which: defaulted €m	of which: impaired €m	On performing forborne exposures €m	On non- performing forborne exposures €m	Total €m	of which: forborne non- performing exposure €m
At 30 Jun 2025								
Cash balances at central banks and other demand deposits	—	—	—	—	—	—	—	—
Loans and advances	1,288	899	899	899	(11)	(189)	609	114
Central banks	—	—	—	—	—	—	—	—
General governments	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—
Other financial corporations	21	4	4	4	—	—	3	1
Non-financial corporations	1,242	879	879	879	(11)	(188)	568	99
Households	25	16	16	16	—	(1)	38	14
Debt Securities	—	—	—	—	—	—	—	—
Loan commitments given	210	21	21	21	(2)	—	—	—
Total (CRR3)	1,497	920	920	920	(13)	(189)	609	114

Forborne exposures are defined by the EBA as exposures where the bank has made concessions toward a debtor that is experiencing or about to experience financial difficulties in meeting its financial commitments. In the Universal Registration Document 2024, forborne exposures are reported as 'renegotiated loans'. This term is aligned to the EBA definition of forborne exposure except in its treatment of 'cures'.

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

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

In the Universal Registration Document 2024, renegotiated loans retain this classification until maturity or de-recognition.

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

Table 14: Credit quality of forborne exposures ('CQ1') (continued)

	Gross carrying amount/ nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Collateral received and financial guarantees received on forborne exposures		
		Non-performing forborne			On performing forborne exposures	On non- performing forborne exposures		of which: forborne non- performing exposure
	Performing	Total	of which: defaulted	of which: impaired			Total	
	€m	€m	€m	€m	€m	€m	€m	€m
At 31 Dec 2024								
Cash balances at central banks and other demand deposits	—	—	—	—	—	—	—	—
Loans and advances	1,418	1,056	1,056	1,056	(32)	(189)	766	131
Central banks	—	—	—	—	—	—	—	—
General governments	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—
Other financial corporations	5	4	4	4	—	—	3	1
Non-financial corporations	1,352	1,030	1,030	1,030	(30)	(186)	688	110
Households	61	22	22	22	(2)	(3)	75	20
Debt Securities	—	—	—	—	—	—	—	—
Loan commitments given	—	77	77	77	—	—	—	—
Total (CRR2)	1,418	1,132	1,132	1,132	(32)	(189)	766	131

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

Table 15: Quality of non-performing exposures by geography ('CQ4')

		Gross carrying/nominal amount of which non-performing		Accumulated impairment	Provisions on off balance- sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non- performing exposures
		€m	of which: defaulted €m			
At 30 Jun 2025		€m	€m	€m	€m	€m
010	On-balance-sheet exposures	113,830	1,407	(506)		—
020	France	36,329	580	(229)		—
030	Germany	12,023	331	(147)		—
040	United Kingdom	10,445	25	(5)		—
050	United States	9,033	26	(2)		—
060	Luxembourg	6,154	42	(21)		—
070	Other countries	39,845	403	(102)		—
080	Off-balance-sheet exposures	152,292	281		(69)	
090	France	35,957	155		(39)	
100	Germany	31,177	81		(14)	
110	Italy	19,141	11		(2)	
120	Spain	13,352	16		(5)	
130	United Kingdom	7,829	—		—	
140	Other countries	44,835	18		(9)	
150	Total (CRR3)	266,122	1,688	(506)	(69)	—

At 31 Dec 2024						
010	On-balance-sheet exposures	102,225	1,613	(487)		—
020	France	35,457	788	(245)		—
030	Germany	11,644	309	(130)		—
040	United States	7,694	29	(3)		—
050	Spain	6,025	20	(5)		—
060	Luxembourg	5,702	22	(7)		—
070	Other countries	35,703	445	(97)		—
080	Off-balance-sheet exposures	129,684	339		(70)	
090	France	34,558	131		(33)	
100	Germany	25,653	113		(14)	
110	Italy	15,329	58		(6)	
120	Netherlands	10,081	—		(1)	
130	Spain	7,981	18		(8)	
140	Other countries	36,082	19		(8)	
150	Total (CRR2)	231,909	1,952	(487)	(70)	—

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

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

Table 16: Credit quality of loans and advances to non-financial corporations by industry ('CQ5')

		Gross carrying amount of which: non-performing		Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non- performing exposures
		€m	of which: defaulted €m		
At 30 Jun 2025				€m	€m
010	Agriculture, forestry and fishing	113	19	(5)	—
020	Mining and quarrying	352	191	—	—
030	Manufacturing	7,803	127	(70)	—
040	Electricity, gas, steam and air conditioning supply	959	46	(10)	—
050	Water supply	124	—	(1)	—
060	Construction	398	80	(12)	—
070	Wholesale and retail trade	3,808	186	(100)	—
080	Transport and storage	2,441	11	(11)	—
090	Accommodation and food service activities	325	15	(8)	—
100	Information and communication	1,351	15	(8)	—
110	Financial and insurance activities	37	—	(1)	—
120	Real estate activities	4,183	200	(54)	—
130	Professional, scientific and technical activities	5,386	226	(99)	—
140	Administrative and support service activities	4,728	163	(74)	—
150	Public administration and defence, compulsory social security	3	—	—	—
160	Education	16	—	—	—
170	Human health services and social work activities	85	5	(3)	—
180	Arts, entertainment and recreation	146	2	(1)	—
190	Other services	1,306	—	(1)	—
200	Total (CRR3)	33,563	1,288	(460)	—

At 31 Dec 2024					
010	Agriculture, forestry and fishing	88	20	(5)	—
020	Mining and quarrying	449	246	—	—
030	Manufacturing	7,367	188	(84)	—
040	Electricity, gas, steam and air conditioning supply	979	16	(4)	—
050	Water supply	175	—	—	—
060	Construction	482	83	(9)	—
070	Wholesale and retail trade	3,607	170	(92)	—
080	Transport and storage	2,127	69	(19)	—
090	Accommodation and food service activities	450	18	(8)	—
100	Information and communication	1,066	15	(6)	—
110	Financial and insurance activities	45	—	(1)	—
120	Real estate activities	4,248	146	(38)	—
130	Professional, scientific and technical activities	5,861	316	(87)	—
140	Administrative and support service activities	4,965	201	(73)	—
150	Public administration and defence, compulsory social security	4	—	—	—
160	Education	17	1	—	—
170	Human health services and social work activities	64	5	(3)	—
180	Arts, entertainment and recreation	193	2	(1)	—
190	Other services	991	—	(3)	—
200	Total (CRR2)	33,178	1,496	(433)	—

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

Table 17: Collateral obtained by taking possession and execution processes ('CQ7')

	CRR3		CRR2	
	At 30 Jun 2025		At 31 Dec 2024	
	Collateral obtained by taking possession		Collateral obtained by taking possession	
	Value at initial recognition €m	Accumulated negative changes €m	Value at initial recognition €m	Accumulated negative changes €m
Property, plant and equipment ('PP&E')	—	—	—	—
Other than PP&E	3	(1)	3	(1)
– Residential immovable property	1	0	1	0
– Commercial Immovable property	2	0	2	0
– Other	—	—	—	—
Total	3	(1)	3	(1)

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

Table 18: Performing and non-performing exposures and related provisions ('CR1')

	Gross carrying amount/nominal amount												Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Collaterals and financial guarantees received	
	Performing exposures						Non-performing exposures						Accumulated partial write-off €m	On performing exposures €m	On non-performing exposures €m		
	of which: stage 1			of which: stage 2			of which: stage 1			of which: stage 2							
	Total	of which: stage 1	of which: stage 2	Total	of which: stage 2	of which: stage 3	Total	of which: stage 1	of which: stage 2	Total	of which: stage 2	of which: stage 3					
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m					
At 30 Jun 2025																	
Cash balances at central banks and other demand deposits	47,282	47,261	21	1	—	1	—	—	—	(1)	—	(1)	—	—	—		
Loans and advances	89,241	84,784	3,859	1,407	—	1,407	(135)	(47)	(88)	(370)	—	(370)	(11)	56,972	428		
Central banks	692	692	—	—	—	—	—	—	—	—	—	—	—	503	—		
General governments	678	646	32	—	—	—	—	—	—	—	—	—	—	190	—		
Credit institutions	26,703	26,285	21	—	—	—	—	—	—	—	—	—	—	19,032	—		
Other financial corporations	25,507	25,075	231	38	—	38	(7)	(5)	(2)	(5)	—	(5)	—	16,464	1		
Non-financial corporations	32,275	28,844	3,431	1,288	—	1,288	(120)	(37)	(83)	(340)	—	(340)	(11)	17,661	373		
– of which: SMEs	675	549	126	75	—	75	(8)	(3)	(5)	(28)	—	(28)	(11)	486	43		
Households	3,386	3,242	144	81	—	81	(8)	(5)	(3)	(25)	—	(25)	—	3,122	54		
Debt securities	23,182	23,114	53	—	—	—	—	(1)	—	—	—	—	—	3,536	—		
Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
General governments	18,385	18,385	—	—	—	—	—	—	—	—	—	—	—	2,906	—		
Credit institutions	3,969	3,921	47	—	—	—	—	—	—	—	—	—	—	611	—		
Other financial corporations	584	584	—	—	—	—	—	—	—	—	—	—	—	19	—		
Non-financial corporations	244	223	6	—	—	—	—	—	—	—	—	—	—	—	—		
Off-balance-sheet exposures	152,011	126,297	2,457	281	—	184	(34)	(13)	(15)	(35)	—	(14)	—	713	2		
Central banks	108	108	—	—	—	—	—	—	—	—	—	—	—	—	—		
General governments	2,049	1,828	12	—	—	—	—	—	—	—	—	—	—	—	—		
Credit institutions	60,257	57,930	10	—	—	—	—	—	—	—	—	—	—	—	—		
Other financial corporations	16,298	15,032	99	3	—	—	(4)	(2)	—	—	—	—	—	71	—		
Non-financial corporations	72,717	51,058	2,329	278	—	184	(30)	(11)	(15)	(35)	—	(14)	—	642	2		
Households	582	341	7	—	—	—	—	—	—	—	—	—	—	—	—		
Total (CRR3)	311,716	281,456	6,390	1,689	—	1,592	(170)	(61)	(103)	(406)	—	(385)	(11)	61,221	430		

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 18: Performing and non-performing exposures and related provisions ('CR1') (continued)

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

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

Table 18 above provides information on the gross carrying amount of exposures and related impairment with further detail on the IFRS 9 stage, accumulated partial write off and collateral. The IFRS 9 stages have the following characteristics:

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

The table below shows changes in gross carrying amount of on-balance sheet non-performing loans and advances during the 6 months to June 2025. Outflow due to other situations¹ include foreign exchange movements, repayments and assets held for sale in default.

Table 19: Changes in the stock of non-performing loans and advances ('CR2')

	CRR3 30 Jun 2025	CRR2 31 Dec 2024
	Gross carrying amount €m	Gross carrying amount €m
Initial stock of non-performing loans and advances	1,613	1,659
Inflows to non-performing portfolios	375	931
Outflows from non-performing portfolios	581	977
– of which – due to write-offs	36	212
– of which – due to other situations	544	765
Final stock of non-performing loans and advances	1,407	1,613

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

Table 20: Maturity of exposures ('CR1-A')

	Net exposure value					Total €m
	On demand €m	<= 1 year €m	> 1 year <= 5 years €m	> 5 years €m	No stated maturity €m	
Loans and advances	990	33,175	25,594	6,423	23,960	90,142
Debt securities	37	4,456	12,381	6,309	—	23,183
Total at 30 June 2025 (CRR3)	1,027	37,631	37,975	12,732	23,960	113,325
Loans and advances	775	28,424	24,689	10,650	16,555	81,093
Debt securities	141	3,482	11,258	5,765	—	20,646
Total at 31 Dec 2024 (CRR2)	916	31,906	35,947	16,415	16,555	101,739

The table below sets out the specialised lending exposures by revised CRR3 regulatory slotting categories split by remaining maturity and the RWAs have been calculated on the new CRR3 methodology and comparatives have not been restated.

Table 21: Specialised lending and equity exposures under the simple risk-weighted approach ('CR10') (CRR3 amended)

		Specialized lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)					
		On-balancesheet exposure €m	Off-balancesheet exposure €m	Risk weight %	Exposure value €m	Risk weighted exposure amount ¹ €m	Expected loss amount €m
Category 1	Less than 2.5 years	230	17	50	237	180	—
	Equal to or more than 2.5 years	259	—	70	259	292	1
Category 2	Less than 2.5 years	47	—	70	47	67	—
	Equal to or more than 2.5 years	—	—	90	—	—	—
Category 3	Less than 2.5 years	—	—	115	—	—	—
	Equal to or more than 2.5 years	—	—	115	—	—	—
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	100	—	—	100	—	50
	Equal to or more than 2.5 years	—	—	—	—	—	—
Total at 30 Jun 2025 (CRR3)	Less than 2.5 years	377	17		384	247	50
	Equal to or more than 2.5 years	259	—		259	292	1
Category 1	Less than 2.5 years	265	21	50	286	161	—
	Equal to or more than 2.5 years	58	12	70	70	49	—
Category 2	Less than 2.5 years	46	2	70	47	33	—
	Equal to or more than 2.5 years	—	—	90	—	—	—
Category 3	Less than 2.5 years	25	—	115	25	29	1
	Equal to or more than 2.5 years	—	—	115	—	—	—
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	75	—	—	75	—	38
	Equal to or more than 2.5 years	—	—	—	—	—	—
Total at 31 Dec 2024 (CRR2)	Less than 2.5 years	411	23		433	223	39
	Equal to or more than 2.5 years	58	12		70	49	—

1 Specialized Lending exposure is required to be floored by standardized RWA. This impact is incorporated in the RWA number.

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 21: Specialised lending and equity exposures under the simple risk-weighted approach ('CR10') (continued) (CRR3 amended)

Regulatory categories	Remaining maturity	Specialized lending: Project finance (Slotting approach)					
		On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount ¹	Expected loss amount
		€m	€m	%	€m	€m	€m
Category 1	Less than 2.5 years	11	—	50	11	18	—
	Equal to or more than 2.5 years	51	4	70	53	51	—
Category 2	Less than 2.5 years	15	—	70	15	10	—
	Equal to or more than 2.5 years	51	—	90	51	46	—
Category 3	Less than 2.5 years	—	—	115	—	—	—
	Equal to or more than 2.5 years	—	—	115	—	—	—
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	—	—	—	—	—	—
Total at 30 Jun 2025 (CRR3)	Less than 2.5 years	26	—	—	26	28	—
	Equal to or more than 2.5 years	102	4	—	104	97	—
Category 1	Less than 2.5 years	40	—	50	40	28	—
	Equal to or more than 2.5 years	165	25	70	181	126	1
Category 2	Less than 2.5 years	20	—	70	20	14	—
	Equal to or more than 2.5 years	61	—	90	61	55	—
Category 3	Less than 2.5 years	—	—	115	—	—	—
	Equal to or more than 2.5 years	—	—	115	—	—	—
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	—	—	—	—	—	—
Total at 31 Dec 2024 (CRR2)	Less than 2.5 years	60	—	—	60	42	—
	Equal to or more than 2.5 years	226	25	—	242	181	1

1 Specialized Lending exposure are required to be floored by standardized RWA. This impact is incorporated in the RWA number.

Regulatory Categories	Equity exposures under Articles 133 (3) to (6) and 495a(3) CRR					
	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
	€m	€m	%	€m	€m	€m
Equity exposures to central bank	16	—	—	16	—	—
Equity exposures	1,334	—	250	1,334	3,336	—
Total at 30 Jun 2025 (CRR3)	1,350	—		1,350	3,336	—
Exchange-traded equity exposures	—	—	290	—	—	—
Private equity exposures ¹	—	—	190	—	—	—
Equity exposures ¹	180	4	370	180	667	4
Total at 31 Dec 2024 (CRR2)	180	4	—	0	667	4

1 The private equity portfolio is not sufficiently diversified and is therefore risk-weighted at 370 per cent in accordance with article 155 of the CRR.

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

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

	Secured carrying amount				
	Unsecured carrying amount	Total	of which:	of which:	of which: secured by credit derivatives
			secured by collateral	secured by financial guarantees	
	€m	€m	€m	€m	€m
Loans and advances	80,024	57,401	45,813	11,588	—
Debt securities	19,645	3,536	—	3,536	—
Total at 30 Jun 2025 (CRR3)	99,669	60,937	45,813	15,124	—
– of which: NPE	609	428	250	178	—
– of which: defaulted	609	428	250	178	—
Loans and advances	75,979	57,804	39,988	17,816	—
Debt securities	17,348	3,297	—	3,297	—
Total at 31 Dec 2024 (CRR2)	93,327	61,101	39,988	21,113	—
– of which: NPE	816	436	252	184	—
– of which: defaulted	816	436	252	184	—

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

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

Exposure classes		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density
		€m	€m	€m	€m	€m	%
1	Central governments or central banks	53,063	656	54,921	660	687	1
2	Non-central government public sector entities	7,031	1,184	7,167	413	—	—
EU-2a	– Regional governments or local authorities	1,850	—	2,000	4	—	—
EU-2b	– Public sector entities	5,181	1,184	5,167	409	—	—
3	Multilateral development banks	2,400	—	2,591	—	72	3
EU-3a	International organisations	3,005	—	3,005	—	—	—
4	Institutions	1,110	970	6,051	625	1,883	28
5	Covered bonds	38	—	38	—	8	20
6	Corporates	9,929	13,665	9,073	2,690	9,496	81
6.1	– of which: Specialised Lending	346	244	346	101	432	97
7	Subordinated debt exposures and equity	1,373	—	1,373	—	3,371	245
EU-7a	– Subordinated debt exposures	23	—	23	—	35	150
EU-7b	– Equity	1,350	—	1,350	—	3,336	247
8	Retail	6,455	541	878	67	983	104
9	Secured by mortgages on immovable property and ADC exposures	4,902	684	4,841	133	3,838	77
9.1	– Secured by mortgages on residential immovable property – non IPRE	3,056	18	2,997	—	1,374	46
9.2	– Secured by mortgages on residential immovable property – IPRE	815	225	816	41	1,257	147
9.3	– Secured by mortgages on commercial immovable property – non IPRE	468	302	466	44	384	75
9.4	– Secured by mortgages on commercial immovable property – IPRE	497	107	496	35	705	133
9.5	– Acquisition, Development and Construction ('ADC')	66	32	66	13	118	150
10	Exposures in default	225	44	202	16	290	133
EU-10a	Claims on institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
EU-10b	Collective investment undertakings ('CIU')	28	4	28	3	105	330
EU-10c	Other items	901	—	901	—	760	84
12	Total at 30 Jun 2025 (CRR3)	90,460	17,748	91,069	4,607	21,493	22
1	Central governments or central banks	57,787	195	59,126	478	611	1
2	Regional government or local authorities	1,871	3	1,964	13	1	—
3	Public sector entities	5,942	720	5,824	253	—	—
4	Multilateral development banks	2,574	—	2,574	—	—	—
5	International organisations	3,429	—	3,429	—	—	—
6	Institutions	961	1,262	7,326	366	1,665	22
7	Corporates	10,477	8,558	8,299	1,209	7,281	77
8	Retail	6,379	864	465	54	381	74
9	Secured by mortgages on immovable property	3,238	86	3,238	16	1,230	38
10	Exposures in default	137	46	120	14	165	123
11	Exposures associated with particularly high risk	6	27	6	13	28	150
12	Covered bonds	42	—	42	—	4	10
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14	Collective investment undertakings	—	—	—	—	—	—
15	Equity	—	—	—	—	—	100
16	Other items	1,021	—	1,021	—	641	63
17	Total at 31 Dec 2024 (CRR2)	93,864	11,761	93,434	2,416	12,007	13

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

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

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

(CRR3 amended)

Exposure classes	Risk weight																										Total €m	of which unrated €m
	0% €m	2% €m	4% €m	10% €m	20% €m	30% €m	35% €m	40% €m	45% €m	50% €m	60% €m	70% €m	75% €m	80% €m	90% €m	100% €m	105% €m	110% €m	130% €m	150% €m	250% €m	370% €m	400% €m	1250% €m	Others €m			
At 30 Jun 2025																												
1	Central governments or central banks	55,304	—	—	—	—	—	—	—	—	—	—	—	—	—	4	—	—	—	—	273	—	—	—	—	—	55,581	51
2	Non-central government public sector entities	7,580	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7,580	—
EU 2a	– Regional governments or local authorities	2,004	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,004	—
EU 2b	– Public sector entities	5,576	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5,576	—
3	Multilateral development banks	2,447	—	—	—	—	—	—	—	—	144	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,591	144
EU 3a	International organisations	3,005	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,005	—
4	Institutions	—	327	—	—	5,537	260	—	5	—	65	—	—	62	—	—	38	—	—	—	382	—	—	—	—	—	6,676	799
5	Covered bonds	—	—	—	—	38	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	38	—
6	Corporates	—	—	—	—	1,608	—	460	—	—	1,299	—	—	239	—	—	7,748	—	—	258	151	—	—	—	—	—	11,763	7,884
6.1	– of which: Specialised Lending	—	—	—	—	—	—	—	—	—	—	—	—	—	—	189	—	—	258	—	—	—	—	—	—	—	447	446
7	Subordinated debt exposures and equity	16	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	23	1,334	—	—	—	—	—	1,373	—
EU- 7a	– Subordinated debt exposures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	23	—	—	—	—	—	—	23	—
EU- 7b	– Equity	16	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,334	—	—	—	—	—	1,350	—
8	Retail exposures	—	—	—	—	—	—	—	—	—	—	—	278	—	—	667	—	—	—	—	—	—	—	—	—	—	945	—
9	Secured by mortgages on immovable property and ADC exposures	—	—	—	—	1,551	59	3	—	—	—	173	—	1,474	—	2	259	—	127	—	1,318	—	—	—	—	8	4,974	259
9.1	– Secured by mortgages on residential immovable property – non IPRE	—	—	—	—	1,551	50	—	—	—	—	—	1,394	—	—	2	—	—	—	—	—	—	—	—	—	—	2,997	2

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

(CRR3 amended)

Exposure classes	Risk weight																								Total €m	of which unrated €m	
	0% €m	2% €m	4% €m	10% €m	20% €m	30% €m	35% €m	40% €m	45% €m	50% €m	60% €m	70% €m	75% €m	80% €m	90% €m	100% €m	105% €m	110% €m	130% €m	150% €m	250% €m	370% €m	400% €m	1250% €m			Others €m
9.1.1 – no loan splitting applied	–	–	–	–	–	–	–	–	–	–	–	–	1,102	–	–	2	–	–	–	–	–	–	–	–	–	1,104	2
9.1.2 – loan splitting applied (secured)	–	–	–	–	600	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	600	–
9.1.3 – loan splitting applied (unsecured)	–	–	–	–	951	50	–	–	–	–	–	–	292	–	–	–	–	–	–	–	–	–	–	–	–	1,293	–
9.2 – Secured by mortgages on residential immovable property – IPRE	–	–	–	–	–	9	3	–	–	–	–	–	–	–	–	–	–	–	–	845	–	–	–	–	–	857	–
9.3 – Secured by mortgages on commercial immovable property – non IPRE	–	–	–	–	–	–	–	–	–	–	173	–	80	–	–	257	–	–	–	–	–	–	–	–	–	510	257
9.3.1 – no loan splitting applied	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	182	–	–	–	–	–	–	–	–	–	182	182
9.3.2 – loan splitting applied (secured)	–	–	–	–	–	–	–	–	–	–	31	–	–	–	–	–	–	–	–	–	–	–	–	–	–	31	–
9.3.3 – loan splitting applied (unsecured)	–	–	–	–	–	–	–	–	–	–	142	–	80	–	–	75	–	–	–	–	–	–	–	–	–	297	75
9.4 – Secured by mortgages on commercial immovable property – IPRE	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2	–	–	127	–	394	–	–	–	–	8	531	–
9.5 – Acquisition, Development and Construction ('ADC')	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	79	–	–	–	–	–	79	–
10 Exposures in default	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	74	–	–	–	144	–	–	–	–	–	218	–
EU-10a Claims on institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

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

(CRR3 amended)

Exposure classes		Risk weight																								Total €m	of which unrated €m	
		0% €m	2% €m	4% €m	10% €m	20% €m	30% €m	35% €m	40% €m	45% €m	50% €m	60% €m	70% €m	75% €m	80% €m	90% €m	100% €m	105% €m	110% €m	130% €m	150% €m	250% €m	370% €m	400% €m	1250% €m			Others €m
EU-10b	Collective investment undertakings ('CIU')	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	27	—	—	3	1	31	—
EU-10c	Other items	47	—	—	—	118	—	—	—	—	—	—	—	—	—	—	736	—	—	—	—	—	—	—	—	—	901	—
EU-11c	Total at 30 Jun 2025 (CRR3)	68,399	327	—	—	8,852	319	463	5	—	1,508	173	—	2,053	—	2	9,526	—	127	258	2,018	1,634	—	—	3	9	95,676	9,137
At Dec 2024																												
1	Central governments or central banks	59,348	—	—	—	10	—	—	—	—	—	—	—	—	—	—	4	—	—	—	—	242	—	—	—	—	59,604	343
2	Non-central government public sector entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
EU-2a	– Regional governments or local authorities	1,970	—	—	—	7	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,977	—
EU-2b	– Public sector entities	6,077	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6,077	—
3	Multilateral development banks	2,574	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,574	—
EU-3a	International organisations	3,429	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,429	—
4	Institutions	—	54	—	—	7,251	—	—	—	—	344	—	—	—	—	—	42	—	—	—	—	—	—	—	—	—	7,691	70
5	Covered bonds	—	—	—	42	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	42	42
6	Corporates	—	—	—	—	1,433	—	467	—	—	1,400	—	—	—	—	—	6,207	—	—	—	1	—	—	—	—	—	9,508	6,009
6.1	– of which: Specialised Lending	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Subordinated debt exposures and equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
EU-7a	– Subordinated debt exposures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

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

(CRR3 amended)

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

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

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

Table 24: Standardised approach – Exposures by asset classes and risk weights ('CR5') (continued)																											(CRR3 amended)	
Exposure classes		Risk weight																									Total	of which unrated
		0%	2%	4%	10%	20%	30%	35%	40%	45%	50%	60%	70%	75%	80%	90%	100%	105%	110%	130%	150%	250%	370%	400%	1250%	Others		
		€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	
9.4	– Secured by mortgages on commercial immovable property – IPRE	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
9.5	– Acquisition, Development and Construction ('ADC')	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
10	Exposures in default	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	72	—	—	—	62	—	—	—	—	—	134	
EU-10a	Claims on institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
EU-10b	Collective investment under takings ('CIU')	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
EU-10c	Other items ²	56	—	—	—	406	—	—	—	—	—	—	—	—	—	—	559	—	—	—	19	—	—	—	—	—	1,040	
EU-11c	Total at 31 Dec 2024 (CRR2)	73,454	54	—	42	9,107	—	3,007	—	—	2,456	—	—	518	—	—	6,886	—	—	—	82	242	—	—	—	—	95,848	
																											10,632	

1 Comparatives do not include ADC exposures.

2 Comparatives include exposures associated with particularly high risk.

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

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

(CRR3 amended)

		CRR3		CRR2	
		At 30 Jun 2025		At 31 Dec 2024¹	
		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount	Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
		€m	€m	€m	€m
1	Central governments and central banks – F-IRB	607	607	5	5
EU-1a	Regional governments and local authorities – F-IRB	—	—	—	—
EU-1b	Public sector entities – F-IRB	—	—	—	—
2	Central governments and central banks – A-IRB	—	—	356	356
EU-2a	Regional governments and local authorities A-IRB	—	—	—	—
EU-2b	Public sector entities A-IRB	—	—	—	—
3	Insitutions – F-IRB	507	507	142	142
4	Insitutions – A-IRB	—	—	575	575
5	Corporates – F-IRB	22,767	22,607	8,306	8,306
EU-5a	– Corporates – General	22,767	22,607	—	—
EU-5b	– Corporates – Specialised lending	—	—	—	—
EU-5c	– Corporates – Purchased receivables	—	—	—	—
6	Corporate – A-IRB	4,115	4,115	15,716	15,589
EU-6a	– Corporates – General	3,451	3,451	—	—
EU-6b	– Corporates – Specialised lending	664	664	—	—
EU-6c	– Corporates – Purchased Receivables	—	—	—	—
EU-8a	Retail – A-IRB	—	—	224	224
9	– Retail – Qualifying revolving (QRRE)	—	—	—	—
10	– Retail – Secured by residential immovable property	—	—	78	78
EU-10a	– Retail – Purchased receivables	—	—	—	—
EU-10b	– Retail – Other retail exposures	—	—	—	—
17	Exposures under F-IRB	23,881	23,721	8,453	8,453
18	Exposures under A-IRB	4,115	4,115	16,871	16,744
19	Total Exposures	27,996	27,836	25,324	25,197

1 Comparatives do not include corporate slotting exposures.

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

The table below discloses percentage of exposures secured by various CRM techniques and, the impact of the substitution effects of the CRM methods, separately for each exposure class as amended in CRR 3, within AIRB and FIRB approaches.

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

(CRR3 amended)

		Credit risk Mitigation techniques												Credit risk Mitigation methods in the calculation of RWAs	
		Funded credit Protection ('FCP')											Unfunded credit Protection ('UFCP')		
		Part of exposures covered by Other eligible collaterals (%)						Part of exposures covered by Other funded credit protection (%)					RWA with substitution effects (both reduction and substitution effects)		
		Total exposures €m	Part of exposures covered by Financial Collaterals (%)	Total (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Total (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)			Part of exposures covered by Credit Derivatives (%)
A-IRB															
1	Central governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2	Regional governments and local authorities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3	Public sector entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5	Corporates	4,533	1	12	12	—	—	—	—	—	—	—	—	4,115	4,115
5.1	– Corporates – General	3,760	1	14	14	—	—	—	—	—	—	—	—	3,451	3,451
5.2	– Corporates – Specialised lending	773	—	—	—	—	—	—	—	—	—	—	—	664	664
5.3	– Corporates – Purchased Receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6.1	– Retail – Qualifying revolving	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6.2	– Retail – secured by residential immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6.3	– Retail – Purchased Receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6.4	– Retail – Other retail exposures	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Total at 30 Jun 2025 (CRR3)	4,533	1	12	12	—	—	—	—	—	—	—	—	4,115	4,115
F-IRB															
1	Central governments and central banks	5,008	—	—	—	—	—	—	—	—	—	—	—	580	607
2	Regional governments and local authorities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3	Public sector entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4	Institutions	2,271	—	—	—	—	—	—	—	—	—	—	—	507	507
5	Corporates	44,709	3	1	1	—	—	—	—	—	—	—	—	22,634	22,601
5.1	– Corporates – General	44,709	3	1	1	—	—	—	—	—	—	—	—	22,634	22,601
5.2	– Corporates – Specialised lending	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5.3	– Corporates – Purchased Receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	Total at 30 Jun 2025 (CRR3)	51,988	3	1	1	—	—	—	—	—	—	—	—	23,721	23,715

The table below discloses the detailed key parameters used for the calculation of capital requirements of credit risk exposure under the IRB approach, broken down by amended CRR3 exposure class and PD range. The risk parameters within this table do not reflect the

application of post-model adjustments ('PMAs'). The table excludes securitisation positions and non-credit obligation assets. Slotting exposures are disclosed in table 21, specialised lending and equity exposures under the simple risk-weight approach (CR10).

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

PD scale	On-balance sheet exposures €m	Off-balance sheet exposures pre CCF €m	Exposure weighted average CCF %	Exposure post CCF and post CRM €m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years) ¹ years	Risk weighted exposure amount after supporting factors €m	Density of risk weighted exposure amount %	Expected loss amount €m	Value adjustments and provisions €m
AIRB – Corporates – General												
0.00 to <0.15	308	216	39.1	393	0.1	496	37.6	2.9	86	22	—	—
– 0.00 to <0.10	293	202	39.1	372	0.1	97	37.9	2.9	81	22	—	—
– 0.10 to <0.15	15	14	39.5	21	0.1	399	31.1	2.9	5	23	—	—
0.15 to <0.25	417	385	46.2	595	0.2	956	41.5	1.9	236	40	1	(1)
0.25 to <0.50	197	56	34.4	217	0.4	1,191	34.8	1.6	76	35	—	(1)
0.50 to <0.75	298	203	37.6	374	0.6	1,008	37.4	3.2	247	66	1	(1)
0.75 to <2.50	1,017	534	38.7	1,174	1.4	3,317	39.9	2.9	1,138	97	7	(24)
– 0.75 to <1.75	825	476	38.9	960	1.2	2,817	39.2	2.8	881	92	5	(22)
– 1.75 to <2.5	192	58	37.5	214	2.2	500	43.1	3.0	257	120	2	(2)
2.50 to <10.00	367	240	36.6	455	4.6	1,332	40.1	2.7	606	133	9	(12)
– 2.5 to <5	190	140	36.0	241	3.3	807	38.7	2.5	278	115	3	(4)
– 5 to <10	177	100	37.5	214	6.1	525	41.6	2.9	328	153	6	(8)
10.00 to <100.00	264	145	32.7	311	14.6	1,763	47.1	3.1	705	226	22	(14)
– 10 to <20	232	142	32.8	278	11.5	1,684	48.1	3.2	635	228	17	(12)
– 30.00 to <100.00	32	3	27.9	33	40.1	79	39.4	2.2	70	212	5	(2)
100.00 (Default)	177	39	31.5	189	100.0	1,033	40.0	2.6	357	188	56	(70)
Sub-total (CRR3)	3,045	1,818	39.2	3,708	7.5	11,096	40.0	2.7	3,451	93	96	(123)
Wholesale AIRB – Total at 30 Jun 2025 (CRR3)												
	3,045	1,818	39.2	3,708	7.5	11,096	40.0	2.7	3,451	93	96	(123)
FIRB – Central governments and central banks												
0.00 to <0.15	4,953	259	20.0	5,215	—	14	44.8	3.5	604	12	—	—
– 0.00 to <0.10	4,953	50	20.0	5,174	—	10	44.8	3.5	588	11	—	—
– 0.10 to <0.15	—	209	20.0	41	0.1	4	45.0	—	16	40	—	—
0.75 to <2.50	3	—	100.0	3	0.9	4	45.0	1.0	3	101	—	—
– 0.75 to <1.75	3	—	—	3	0.9	2	45.0	1.0	3	100	—	—
– 1.75 to <2.5	—	—	100.0	—	2.3	2	45.0	4.1	—	139	—	—
10.00 to <100.00	—	—	—	—	13.0	1	45.0	1.0	—	195	—	—
– 10 to <20	—	—	—	—	13.0	1	45.0	1.0	—	195	—	—
Sub-total (CRR3)	4,956	259	20.0	5,218	—	19	44.8	3.5	607	12	—	—
FIRB – Public sector entities												
0.00 to <0.15	—	—	40.0	—	0.1	3	45.0	1.0	—	22	—	—
– 0.10 to <0.15	—	—	40.0	—	0.1	3	45.0	1.0	—	22	—	—
Sub-total (CRR3)	—	—	40.0	—	0.1	3	45.0	1.0	—	22	—	—
FIRB – Institutions												
0.00 to <0.15	1,738	945	30.4	1,659	0.1	207	29.1	1.8	324	19	—	—
– 0.00 to <0.10	1,687	752	29.3	1,541	0.1	142	27.8	1.8	284	18	—	—
– 0.10 to <0.15	51	193	34.6	118	0.1	65	45.0	1.4	40	33	—	—
0.15 to <0.25	81	63	40.3	106	0.2	9	19.3	2.2	26	24	—	—
0.25 to <0.50	1	1	30.9	3	0.4	8	45.0	0.8	1	57	—	—
0.50 to <0.75	1	94	20.0	20	0.6	5	45.0	2.1	17	88	—	—
0.75 to <2.50	77	203	16.4	110	1.3	32	44.8	2.4	123	112	1	—
– 0.75 to <1.75	77	147	7.4	88	1.1	30	44.7	1.9	90	103	1	—
– 1.75 to <2.5	—	56	40.0	22	2.2	2	45.0	4.7	33	147	—	—
2.50 to <10.00	—	20	21.1	4	7.9	1	45.0	5.0	10	242	—	—
– 2.5 to <5	—	—	—	—	—	—	—	—	—	—	—	—
– 5 to <10	—	20	21.1	4	7.9	1	45.0	5.0	10	242	—	—
10.00 to <100.00	3	2	40.0	3	10.0	1	45.0	1.0	6	176	—	—
– 10 to <20	3	2	40.0	3	10.0	1	45.0	1.0	6	176	—	—
Sub-total (CRR3)	1,901	1,328	27.8	1,905	0.2	263	29.7	1.9	507	27	1	—

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

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

PD scale	On-balance sheet exposures €m	Off-balance-sheet exposures pre CCF €m	Exposure weighted average CCF %	Exposure post CCF and post CRM €m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years) ¹ years	Risk weighted exposure amount after supporting factors €m	Density of risk weighted exposure amount %	Expected loss amount €m	Value adjustments and provisions €m
FIRB – Corporates – General												
0.00 to <0.15	5,529	32,227	37.4	19,360	0.1	1,160	40.0	2.4	5,266	27	9	(5)
– 0.00 to <0.10	2,988	22,967	37.5	11,941	0.1	777	40.8	2.5	2,757	23	3	(2)
– 0.10 to <0.15	2,541	9,260	37.3	7,419	0.1	383	38.6	2.3	2,509	34	6	(3)
0.15 to <0.25	4,146	7,742	34.9	5,993	0.2	401	42.0	2.0	2,600	43	7	(2)
0.25 to <0.50	1,463	6,794	30.8	3,435	0.4	356	40.5	2.4	2,082	61	6	(4)
0.50 to <0.75	1,890	3,972	37.3	2,658	0.6	356	40.1	2.0	1,875	71	7	(3)
0.75 to <2.50	5,661	9,935	29.8	6,671	1.6	2,318	39.2	2.3	6,538	98	48	(45)
– 0.75 to <1.75	3,542	5,409	29.1	4,267	1.3	1,518	38.5	2.2	3,834	90	24	(17)
– 1.75 to <2.5	2,119	4,526	30.7	2,404	2.2	800	40.5	2.6	2,704	112	24	(28)
2.50 to <10.00	1,816	3,744	31.0	2,150	5.0	606	39.6	2.4	2,956	138	46	(17)
– 2.5 to <5	995	2,035	28.2	1,129	3.7	401	40.4	2.0	1,403	124	19	(5)
– 5 to <10	821	1,709	33.9	1,021	6.5	205	38.7	2.8	1,553	152	27	(12)
10.00 to <100.00	584	640	31.7	693	19.4	635	40.0	1.9	1,290	186	59	(30)
– 10 to <20	505	617	32.3	610	13.8	619	40.0	1.8	1,158	190	35	(18)
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	—
– 30.00 to <100.00	79	23	18.0	83	61.3	16	40.0	2.5	132	160	24	(12)
100.00 (Default)	731	140	46.1	548	100.0	77	39.8	1.9	—	—	218	(185)
Sub-total (CRR3)	21,820	65,194	35.0	41,508	2.3	5,909	40.2	2.3	22,607	54	400	(291)
FIRB – Total at 30 Jun 2025 (CRR3)	28,677	66,781	34.8	48,631	2.0	6,194	40.2	2.4	23,721	49	401	(291)

1 Q2 2025 RWAs are based on effective maturities.

Counterparty credit risk

Overview

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

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

► Further explanation of HSBC Continental Europe's approach to managing counterparty credit risk can be found on page 207 of HSBC Continental Europe's Universal Registration Document 2024.

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

Table 28: Analysis of CCR exposure by approach ('CCR1')

	Replacement cost ('RC')	Potential future exposure ('PFE')	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWAs
	€m	€m	€m		€m	€m	€m	€m
EU – Original Exposure Method (for derivatives)	—	—	—	—	—	—	—	—
EU – Simplified SA-CCR (for derivatives)	—	—	—	—	—	—	—	—
SA-CCR (for derivatives)	1,940	1,977	—	1.4	5,485	5,485	5,485	1,433
IMM (for derivatives and SFTs)	—	—	4,502	1.4	6,303	6,303	6,303	2,270
– of which:								
securities financing transactions netting sets	—	—	—	—	—	—	—	—
derivatives and long settlement transactions netting sets	—	—	4,502	—	6,303	6,303	6,303	2,270
Financial collateral comprehensive method (for SFTs)	—	—	—	—	2,124	2,153	2,153	419
Total at 30 Jun 2025					13,912	13,941	13,941	4,122

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

Table 29: Standardised approach – CCR exposures by regulatory exposure class and risk weights ('CCR3')

		Risk weight											Total exposure value
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	€m
Exposure classes		€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
1	Central governments or central banks	1,603	—	—	—	18	6	—	—	—	—	—	1,627
2	Regional government or local authorities	—	—	—	—	87	—	—	—	—	—	—	87
3	Public sector entities	—	—	—	—	26	—	—	—	—	—	—	26
4	Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—
5	International organisations	11	—	—	—	—	—	—	—	—	—	—	11
6	Institutions	—	1,453	—	—	258	1	—	—	—	—	490	2,202
7	Corporates	—	—	—	—	6	2,028	—	4	171	1	—	2,210
11	Total exposure value 30 June 2025 (CRR3)	1,614	1,453	—	—	395	2,035	—	4	171	1	490	6,163
1	Central governments or central banks	2,835	—	—	—	6	—	—	—	15	—	—	2,856
2	Regional government or local authorities	307	—	—	—	—	—	—	—	6	—	—	313
3	Public sector entities	254	—	—	—	90	—	—	—	—	—	—	344
4	Multilateral development banks	4	—	—	—	—	—	—	—	—	—	—	4
5	International organisations	31	—	—	—	—	—	—	—	—	—	—	31
6	Institutions	—	1,928	—	—	798	119	—	—	—	—	—	2,845
7	Corporates	—	—	—	—	—	2,972	—	—	121	—	—	3,093
11	Total exposure value 31 December 2024 (CRR2)	3,431	1,928	—	—	894	3,091	—	—	142	—	—	9,486

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

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

Table 30: IRB approach – CCR exposures by exposure class and PD scale ('CCR4')

	Exposure value €m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	RWA €m	Density of risk weighted exposure amounts %
30 Jun 2025							
PD scale							
FIRB – Corporates							
0.00 to <0.15	3,671	0.07	1,835	43.2	1.0	572	15.6
0.15 to <0.25	330	0.22	144	41.9	1.0	108	32.9
0.25 to <0.50	216	0.37	103	40.9	1.0	94	43.3
0.50 to <0.75	135	0.63	113	42.2	1.0	86	63.7
0.75 to <2.50	1,053	1.84	599	41.7	1.0	967	91.9
2.50 to <10.00	228	4.46	160	41.9	1.0	296	129.6
10.00 to <100.00	13	16.80	27	42.0	1.0	26	194.5
100.00 (Default)	9	100.00	7	40.0	1.0	—	—
Sub-total (CRR3)	5,655	0.80	2,988	42.7	1.0	2,149	38.0
FIRB – Institutions							
0.00 to <0.15	1,850	0.07	152	45.0	1.0	318	17.2
0.15 to <0.25	83	0.22	19	45.0	1.0	34	40.5
0.25 to <0.50	24	0.37	8	45.0	1.0	13	54.1
0.50 to <0.75	—	0.63	1	45.0	0.0	—	47.3
0.75 to <2.50	165	1.73	50	45.0	1.0	158	95.9
2.50 to <10.00	—	3.25	2	45.0	0.0	1	120.4
10.00 to <100.00	—	—	0	—	0.0	—	—
100.00 (Default)	—	—	0	—	0.0	—	—
Sub-total (CRR3)	2,122	0.21	232	45.0	1.0	524	24.7
FIRB – Total at 30 Jun 2025 (CRR3)	7,777	0.64	3,220	43.3	1.0	2,673	34.4
Total (all portfolios) at 30 Jun 2025 (CRR3)	7,777	0.64	3,220	43.3	1.0	2,673	34.4

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

Table 31: Composition of collateral for CCR exposures ('CCR5')

Collateral type	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Un-segregated	Segregated	Un-segregated	Segregated	Un-segregated	Segregated	Un-segregated
	€m	€m	€m	€m	€m	€m	€m	€m
1 Cash – domestic currency	—	25,604	222	17,824	—	51	—	—
2 Cash – other currencies	—	5,347	—	3,027	—	5	—	—
3 Domestic sovereign debt	25	1,862	—	339	—	17,806	—	18,962
4 Other sovereign debt	1,419	11,437	598	563	—	71,648	—	58,881
5 Government agency debt	—	—	—	—	—	—	—	—
6 Corporate bonds	76	12,093	173	—	—	6,541	—	1,405
7 Equity securities	—	7,130	—	—	—	744	—	653
8 Other collateral	—	880	—	—	—	549	—	—
9 Total at 30 Jun 2025	1,520	64,353	993	21,753	—	97,344	—	79,901

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

Table 32: Exposures to CCPs ('CCR8')

	30 June 2025	
	Exposure value €m	RWA €m
Exposures to QCCPs (total)		195
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which:	245	5
(i) OTC derivatives	47	1
(ii) Exchange-traded derivatives	57	1
(iii) SFTs	141	3
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin	—	
Non-segregated initial margin	1,207	24
Prefunded default fund contributions		166

Market risk

Overview

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

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

- Further explanation of HSBC Continental Europe's approach to managing market risk can be found on page 208 of HSBC Continental Europe's Universal Registration Document 2024.

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

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

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

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

Table 33: Market risk under the standardised approach ('MR1')

	30 Jun 2025		31 Dec 2024	
	RWAs €m	Capital required €m	RWAs €m	Capital required €m
Outright products				
1 Interest rate risk (general and specific) ¹	—	—	—	—
3 Foreign exchange risk	135	11	168	13
9 Total	135	11	168	13

1 HSBC Continental Europe does not have specific risk positions related to securitisation at 31 December 2024 and 30 June 2025.

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

Table 34: Market risk under the Internal Model Approach ('IMA') ('MR2-A')

	30 Jun 2025		31 Dec 2024	
	RWAs €m	Capital required €m	RWAs €m	Capital required €m
1 VaR (higher of values a and b)	574	46	565	45
(a) Previous day's VaR ('VaRt-1')	145	12	142	11
(b) Multiplication factor (mc) x average of previous 60 working days ('VaRavg')	574	46	565	45
2 Stressed VaR (higher of values a and b)	1,235	99	1,748	140
(a) Latest available SVaR ('SVaRt-1')	360	29	377	30
(b) Multiplication factor (ms) x average of previous 60 working days ('sVaRavg')	1,235	99	1,748	140
3 Incremental risk charge (higher of values a and b)	876	70	814	65
(a) Most recent IRC value	774	62	599	48
(b) Average IRC value	876	70	814	65
5 Other	759	61	491	39
6 Total	3,444	276	3,618	289

Non-Financial Risk

Overview

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

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

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

HSBC Continental Europe classifies losses using the following taxonomy, comprising seven level 1 risk categories: Financial

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

- Further explanation of HSBC Continental Europe's approach to managing operational risk can be found on page 218 of HSBC Continental Europe's Universal Registration Document 2024.

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

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

Table 35: Business Indicator, components and subcomponents ('OR2')

		(CRR3 new)			
		CRR3	CRR3	CRR3	CRR3
		2024	2023	2022	Average value
		€m	€m	€m	€m
BI and its subcomponents					
1	Interest, lease and dividend component ('ILDC')				1,399
EU-1	ILDC related to the individual institution/consolidated Group (excluding entities considered by Article 314(3))				1,399
1a	Interest and lease income	8,832	5,743	2,373	5,649
1b	Interest and lease expense	7,490	3,936	1,446	4,291
1c	Total assets/Asset component ¹	171,692	171,663	156,356	166,570
1d	Dividend income/ dividend component	43	26	49	40
2	Services component ('SC')				1,882
2a	Fee and commission income	1,790	1,731	1,810	1,777
2b	Fee and commission expense	564	487	513	521
2c	Other operating income	94	88	133	105
2d	Other operating expense	42	(2)	104	48
3	Financial component ('FC')				665
3a	Net profit or loss applicable to trading book ('TB')	651	513	670	611
3b	Net profit or loss applicable to banking book ('BB')	41	16	103	54
EU-3c	Approach followed to determine the TB/BB boundary (PBA or accounting approach)				Accounting Approach
4	Business Indicator ('BI')				3,945
5	Business indicator component ('BIC')				562
Disclosure on the BI:					
6a	BI gross of excluded divested activities	3,668			
6b	Reduction in BI due to excluded divested activities	(278)			
EU-6c	Impact in BI of mergers/acquisitions	—			

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

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

Table 36: Operational risk own funds requirements and risk exposure amounts ('OR3')

		(CRR3 new)
		Amount
		€m
1	Business Indicator Component ('BIC')	562
EU-1	Alternative Standardised Approach ('ASA') Own Funds Requirements (OROF) under Article 314(4)	—
3	Minimum Required Operational Risk Own Funds Requirements ('OROF')	562
4	Operational Risk Exposure Amounts ('REA')	7,023

The EBA has kept ILM as 1 for 2025.

Liquidity and funding

Liquidity management across the group

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

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

Strategies and processes in the management of liquidity risk

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

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

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

Table 37: Quantitative information on LCR ('LIQ1')

	Quarter ended							
	CRR3		CRR3		CRR2		CRR2	
	30 Jun 2025		31 Mar 2025		31 Dec 2024		30 Sep 2024	
	Total unweighted value €m	Total weighted value €m	Total unweighted value €m	Total weighted value €m	Total unweighted value €m	Total weighted value €m	Total unweighted value €m	Total weighted value €m
Number of data points used in the calculation of averages	12		12		12		12	
High-quality liquid asset								
Total high-quality liquid assets ('HQLA')		79,803		77,094		75,513		76,113
Cash – Outflows								
Retail deposits and small business funding	8,592	871	8,646	866	8,811	881	12,501	1,156
– of which:								
stable deposits	4,159	208	4,226	211	4,290	215	6,709	335
less stable deposits	4,433	663	4,420	655	4,521	666	5,792	821
Unsecured wholesale funding	95,995	44,729	93,893	43,102	91,707	41,380	89,567	39,387
– Operational deposits (all counterparties) and deposits in networks of cooperative banks	31,741	7,857	31,776	7,867	32,125	7,956	32,352	8,015
– Non-operational deposits (all counterparties)	63,533	36,151	61,373	34,491	58,704	32,546	56,311	30,468
– Unsecured debt	721	721	744	744	878	878	904	904
Secured wholesale funding	—	817	—	1,048	—	1,140	—	1,307
Additional requirements	64,405	17,281	63,889	16,683	64,596	16,459	67,353	16,615
– Outflows related to derivative exposures and other collateral requirements	5,331	4,997	4,568	4,289	4,314	4,031	4,297	3,998
– Outflows related to loss of funding on debt products	—	—	—	—	—	—	—	—
– Credit and liquidity facilities	59,074	12,284	59,321	12,394	60,282	12,428	63,056	12,617
Other contractual funding obligations	28,777	20,529	28,705	20,768	28,485	21,393	28,521	21,990
Other contingent funding obligations	35,049	1,753	34,040	1,702	31,453	1,573	25,681	1,296
Total cash outflows	—	85,980	—	84,169	—	82,826	—	81,751

Structure and organisation of the liquidity risk management function

The Treasury team is responsible for the application of the LFRF within HSBC Continental Europe.

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

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

Management of liquidity and funding risk

Liquidity coverage ratio ('LCR')

The LCR metric was designed to promote the short-term resilience of a bank's liquidity profile. It aims to ensure that a bank has an adequate stock of unencumbered high-quality liquid assets ('HQLA') that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30 calendar days liquidity stress scenario. In accordance with Regulation EU 2019/876 of the European Parliament ('CRR3'), the table below presents the average of the previous twelve month-end balances for each reporting date. As such, the LCR values reported below do not represent the point-in-time ratios at the end of the period.

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 37: Quantitative information on LCR ('LIQ1') (continued)

	Quarter ended							
	CRR3		CRR3		CRR2		CRR2	
	30 Jun 2025		31 Mar 2025		31 Dec 2024		30 Sep 2024	
	Total unweighted value €m	Total weighted value €m	Total unweighted value €m	Total weighted value €m	Total unweighted value €m	Total weighted value €m	Total unweighted value €m	Total weighted value €m
Cash – Inflows	—	—						
Secured lending transactions (including reverse repos)	66,752	1,303	58,904	1,101	54,720	1,259	50,754	1,436
Inflows from fully performing exposures	5,484	4,625	6,110	5,200	6,853	5,903	7,093	6,094
Other cash inflows	33,440	24,747	33,305	24,976	33,166	25,137	32,283	24,465
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		—		—		—		—
(Excess inflows from a related specialised credit institution)		—		—		—		—
Total cash inflows	105,676	30,675	98,319	31,277	94,739	32,299	90,130	31,995
Fully exempt inflows	—	—	—	—	—	—	—	—
Inflows subject to 90% cap	—	—	—	—	—	—	—	—
Inflows subject to 75% cap	105,676	30,675	98,319	31,277	94,739	32,299	90,130	31,995
Total adjusted value								
Liquidity buffer		79,803		77,094		75,513		76,113
Total net cash outflows		55,305		52,892		50,527		49,756
Liquidity coverage ratio %¹		144		146		150		153

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

Net Stable Funding Ratio

The NSFR requires institutions to maintain sufficient stable funding in relation to required stable funding. It is designed to give a picture of the bank's long-term funding profile (that is, funding with a term of

over one year) and is therefore used as a complement to the LCR. HSBC Continental Europe's NSFR was 145 per cent as at 30 June 2025. The table below shows the NSFR as at period-end.

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

Table 38: Net Stable Funding Ratio ('LIQ2')

	Unweighted value by residual maturity				Weighted value €m
	No maturity €m	< 6 months €m	6 months to < 1yr €m	≥ 1yr €m	
At 30 Jun 2025					
Available stable funding ('ASF') Items					
Capital items and instruments	13,517	—	—	1,900	15,417
Own funds	13,517	—	—	1,900	15,417
Retail deposits		8,743	—	—	7,838
Stable deposits		4,071	—	—	3,868
Less stable deposits		4,672	—	—	3,970
Wholesale funding		122,778	5,938	16,479	60,201
Operational deposits		30,880	—	—	15,440
Other wholesale funding		91,898	5,938	16,479	44,761
Interdependent liabilities		—	—	—	—
Other liabilities	2,723	32,189	—	69	69
NSFR derivative liabilities	2,723				
All other liabilities and capital instruments not included in the above categories		32,189	—	69	69
Total available stable funding ('ASF')					83,525
Required stable funding ('RSF') Items		—	—	—	—
Total high-quality liquid assets ('HQLA')					4,097
Assets encumbered for more than 12m in cover pool		—	—	—	—
Deposits held at other financial institutions for operational purposes		—	—	—	—
Performing loans and securities:		49,822	5,645	38,969	43,152
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		25,476	521	—	668
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		11,260	1,271	7,007	8,516
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs,		10,611	3,359	19,586	28,962

Table 38: Net Stable Funding Ratio ('LIQ2') (continued)

	Unweighted value by residual maturity				Weighted value €m
	No maturity €m	< 6 months €m	6 months to < 1yr €m	≥ 1yr €m	
– of which:					
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		134	68	3,979	3,621
Performing residential mortgages		325	241	7,198	—
– of which:					
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		33	35	1,385	—
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		2,150	253	5,178	5,006
Interdependent assets		—	—	—	—
Other assets:	—	25,552	—	3,473	5,127
Physical traded commodities				4	3
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		—	—	—	375
NSFR derivative assets		—	—	—	—
NSFR derivative liabilities before deduction of variation margin posted		13,180	—	—	659
All other assets not included in the above categories		12,372	—	3,469	4,090
Off-balance sheet items		24,095	3,877	65,905	5,421
Total RSF (CRR3)					57,798
Net Stable Funding Ratio (%)					145

At 31 Mar 2025

Available stable funding ('ASF') Items					
Capital items and instruments	13,424	—	—	1,907	15,331
Own funds	13,424	—	—	1,907	15,331
Other capital instruments	—	—	—	—	—
Retail deposits		8,596	—	—	7,725
Stable deposits		4,113	—	—	3,907
Less stable deposits		4,483	—	—	3,818
Wholesale funding		119,295	2,433	20,439	61,228
Operational deposits		27,349	—	—	13,674
Other wholesale funding		91,946	2,433	20,439	47,554
Interdependent liabilities		—	—	—	—
Other liabilities	1,499	33,567	—	85	85
NSFR derivative liabilities	1,499				
All other liabilities and capital instruments not included in the above categories		33,567	—	85	85
Total available stable funding ('ASF')					84,369
Required stable funding ('RSF') Items					
Total high-quality liquid assets ('HQLA')					3,433
Assets encumbered for more than 12m in cover pool		—	—	—	—
Deposits held at other financial institutions for operational purposes		—	—	—	—
Performing loans and securities:		49,615	6,317	43,580	45,058
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		32,024	1,243	—	1,173
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		9,180	1,906	6,353	8,004
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		6,477	2,825	24,403	30,928
– of which:					
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		91	80	4,045	3,668
Performing residential mortgages		330	236	7,464	—
– of which:					
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		33	36	1,414	—
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		1,604	107	5,360	4,953
Interdependent assets		—	—	—	—
Other assets:	—	25,849	—	4,469	6,274
Physical traded commodities				3	3
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		63	—	—	972
NSFR derivative assets		—	—	—	—
NSFR derivative liabilities before deduction of variation margin posted		15,575	—	—	779
All other assets not included in the above categories		10,212	—	4,466	4,521
Off-balance sheet items		22,691	4,849	66,062	5,389
Total RSF (CRR2)					60,153
Net Stable Funding Ratio (%)					140

Internal Liquidity Metric ('ILM')

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

Liquid assets

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

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

Overall adequacy of liquidity risk management

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

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

The two key objectives of the ILAA are to:

- demonstrate that all material liquidity and funding risks are captured within the internal framework; and
- validate the risk tolerance/appetite set at HSBC Continental Europe's level by demonstrating that reverse stress testing scenarios are acceptably remote; and vulnerabilities have been assessed through the use of severe stress scenarios.

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

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

Liquidity stress testing

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

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

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

HSBC Group's business strategy and overall liquidity risk profile

The key aspects of the LFRF are:

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

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

► Further details on our Liquidity and funding risk may be found on page 215 of HSBC Continental Europe's Universal Registration Document 2024.

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 or held in order to hedge positions held with 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.

Interest rate shock and stress scenarios applied

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

The EVE sensitivities are based on the EBA Standard Outlier Test ('SOT') +/-200bps and the 6 Supervisory Outlier Tests: Parallel Up, Parallel Down, Steepener, Flattener, Short rates shock up and Short rates shock down.

Key modelling and parametric assumptions used in calculating sensitivities include:

- for EVE sensitivities, commercial margins and other spread components have been excluded from the interest cash flow calculations and all balance sheet items are discounted at the risk free rates back to the reporting date; and
- for BNII sensitivities, a constant balance sheet is assumed, and we include commercial margins. All forecasted market rates are based on implied forward rates from the spot curves at each quarter-end; all interest rate shocks are parallel shocks; pass-on assumptions are applied for managed rate products; customer pricing includes flooring where there are contractual obligations, and customer optionality including prepayment and early redemption risk is included where present. The impact of flooring is limited in the current rate environment.

The table below discloses our changes in interest rate risk in the banking book for economic value of equity and banking net interest income, calculated under the supervisory shock scenarios defined in the EBA.

Table 39: Interest rate risks of non-trading book activities ('IRRBB1')

	CRR3	CRR2	CRR3	CRR2
	EVE sensitivity		BNII sensitivity	
	30 Jun 2025	31 Dec 2024	30 Jun 2025	31 Dec 2024
	€m	€m	€m	€m
Parallel shock up	(797)	(414)	201	348
Parallel shock down	320	189	(257)	(371)
Steepener shock	(13)	67		
Flattener shock	(153)	(151)		
Short rates shock up	(371)	(254)		
Short rates shock down	195	268		

As at 30 June 2025, the most adverse BNII sensitivity scenario over the next 12 months is the parallel shock down, resulting in a decrease in projected BNII of EUR (257) million.

As at 30 June 2025, the maximum decline in EVE was in the parallel shock up at EUR (797) million. This translates to 6.7% of tier 1 capital.

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

Non-maturing deposits ('NMD') are deposits that have no explicit maturity and no explicit repricing date, thus behavioural assumptions are applied. Behavioural assumptions are reviewed and challenged at least on an annual basis. The repricing maturity of non maturity deposits is assessed using both:

- a historical analysis at product level to confirm the stable part of deposits in respect of past interest rate environment; and
- business expectations of customer behaviour with respect to stressed scenarios.

As at 30 June 2025, repricing maturities for non-maturity deposits from retail and non-financial whole sale counterparties were:

in months	Average repricing maturity	Longest repricing maturity
Core part	41	84
Full amount	14	84

HSBC Continental Europe is exposed to a change of Eurozone interest rates curve on banking operations and structural elements of the balance sheet. Out of the set of Interest rates scenarios that are run, the two most adverse ones are a decrease of 200 basis points with respect to Banking Net Interest Income and an increase of 200 basis points with respect to Economic Value of Equity.

ESG risks

Qualitative information on environmental risk

Strategy and Business processes

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

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

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

The HSBC Group ambition is to become a net zero bank by 2050 through reducing its own emissions and supporting customers to diversify, decarbonise, and realise the economic opportunities of the transition.

In January 2024, the HSBC Group published its first net zero transition plan, covering HSBC Holdings plc and its subsidiaries, including HSBC Continental Europe. The Group is aiming to publish the updated net zero transition plan in the second half of 2025.

The HSBC Group recognises that, to achieve its net zero ambition, it needs to be transparent on the opportunities, challenges, related risks and progress it makes. To deliver on this ambition, it requires enhanced processes and controls, and new sources of data. The HSBC Group continues to invest in climate resources and skills, and to develop its business management process to integrate climate impacts. Until systems, processes, controls and governance are enhanced, certain aspects of the HSBC Group's reporting will rely on manual sourcing and categorisation of data. Reporting is evolving to keep pace with market developments.

As the HSBC Group nears the mid-point towards its 2030 targets, it is taking stock of its progress so far. At the current pace of decarbonisation, a combination of different factors outside the HSBC Group's control such as technological advancements, diversification of the energy mix, market demand for climate solutions, evolving customer preferences and government leadership and effective policy has led to the transition being slower than envisaged by recent Paris-aligned net zero scenarios. Against this background, the HSBC Group has begun a review of its interim financed emissions targets and associated policies as part of the annual review of its net zero transition plan. This analysis is complex and presents considerable data and methodology challenges, which are expected to take time to complete.

HSBC Continental Europe's approach to sustainability is aligned to the HSBC Group strategy, taking into account local regulatory requirements.

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

Become a net zero bank

The HSBC Group has made progress towards achieving the ambition of becoming a net zero bank by 2050 – including updating several of its sustainability risk policies, setting 2030 targets for financed emissions in a range of high-emitting sectors, and becoming net zero in own operations, travel and supply chain by 2050.

HSBC Continental Europe is aligned to the HSBC Group strategy to become a net zero bank, taking into account local regulatory requirements.

The HSBC Group's sustainability risk policies comprise its core net zero-aligned policies – thermal coal phase-out and energy – and its broader sustainability risk policies covering: agricultural commodities, forestry, mining and metals, and World Heritage Sites and Ramsar-designated wetlands. It also applies the Equator Principles when financing relevant projects.

Thermal coal phase-out policy

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

- phasing out the financing of thermal coal-fired power and thermal coal mining by 2030 in markets in the EU and the Organisation for Economic Co-operation and Development ('OECD'), and by 2040 in other markets; and
- supporting the HSBC Group's clients, including emerging economy clients, to meet growing energy demand whilst transitioning energy systems from coal towards a clean energy future.

As of 30 June 2025, the HSBC Continental Europe's total exposure to fossil fuel sectors (coal, oil, and gas extraction) is EUR 468 million.

Energy Policy

The Energy Policy outlines the HSBC Group's ambition to support and finance the energy transition. This policy covers oil and gas (including conventional and unconventional oil and gas, methane emissions, and activities in environmentally and socially critical areas), hydrogen, power generation, nuclear, renewables and hydropower, biomass energy and energy from waste. The policy seeks to achieve three inter-related objectives:

- driving global greenhouse gas emissions reductions, both to achieve a net zero in the HSBC Group's portfolio and to support the transition to a net zero global energy future;
- enabling a resilient and orderly energy transition, helping to build energy security in the long term; and
- supporting a just and affordable transition, recognising the local realities in all the communities served.

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

Financed emissions

The HSBC Group aims to reduce its financed emissions to net zero by 2050. Financed emissions link the financing provided to customers and their activities in the real economy and provide an indication of the greenhouse gas emissions associated with those activities. They form part of the scope 3 emissions, that include emissions associated with the use of a company's products and services. HSBC Continental Europe assesses and discloses financed emissions in its portfolio.

► For more information, refer to 'GHG Financed Emissions' on page 65.

Net zero in own operations

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

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

Support customers on their transition to net zero

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

In the first half of 2025 HSBC Continental Europe provided and facilitated USD 17.8 billion of sustainable finance and investments (as defined in the HSBC Group's Sustainable Finance and Investment Data Dictionary 2024), bringing HSBC Continental Europe's cumulative amount since 2020 to USD 142.7 billion, which represents 32 per cent of the HSBC Group's total progress to date.

Corporate and Institutional Banking ('CIB')

Across the broader financing portfolio, the HSBC Group is focused on engaging with customers on their transition plans, offering products and services to enable their progress, and financing the infrastructure and technology needed for a net zero global economy.

HSBC Continental Europe's strategy for CIB reflects the overarching objective to support clients in their transition to net zero by:

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

financing or on the advisory side natural resources investment banking and ESG solutions. Dedicated teams provide ESG support with an ESG taskforce in each market.

HSBC Continental Europe intentionally has not set any quantitative targets or limits which, at this time, would call into question individual customer relationships due only to higher environmental risks/low climate scores. For those clients where a low climate score implies a negative credit outlook and therefore increased concern on a client's ability to meet their financial obligations, HSBC Continental Europe has implemented an additional quarterly 'pockets of climate and environmental risk' credit risk review process. Furthermore, for a number of high transition risk sectors, HSBC Continental Europe has developed and implemented a new climate risk measure, based on the exposure weighted average climate score for the sector. The measure ensures that the average sector exposure to lower scoring/higher risk clients does not increase beyond an agreed risk appetite threshold. Monitored quarterly by Corporate and Institutional Banking Portfolio Management, any breach of risk appetite requires corrective action to bring the exposure weighted average score back within risk appetite and an agreed timeframe.

International Wealth and Premier Banking ('IWPB') strategy

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

Key initiatives for HSBC's Asset Management business include:

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

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

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

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

Objectives, targets and limits to assess and address environmental risk

To assess and address environmental risks, HSBC Continental Europe has set climate and nature risk indicators across businesses and functions to monitor the exposure to such risks. These are reported quarterly.

The Risk Appetite Statement ('RAS') of HSBC Continental Europe includes climate and nature metrics to monitor the exposure to such risks across the corporate lending portfolio, with limits and thresholds. The RAS is reported to the Risk Management Meeting on a quarterly basis. These metrics aim to balance HSBC Continental Europe's strategy to support clients in their transition while ensuring that the overall risk profile of the portfolio does not deteriorate.

In addition to the RAS, HSBC Continental Europe carries out a qualitative and quantitative Double Materiality Assessment ('DMA') to identify and assess its climate and nature-related Impacts, Risks and Opportunities ('IROs'). This helps it to effectively understand where it has the most significant impacts and risks on climate change and nature, both directly and indirectly, and how such risks may impact its operations, financial performance, stability and reputation. HSBC Continental Europe uses three distinct timeframes for its DMA: short term to 2025, medium term from 2026 to 2035, and long term from 2036 to 2050.

EU Taxonomy-aligned activities

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

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

The composition of the Bank's banking book is a key driver of the Green Asset Ratio ('GAR'). With NFRD/CSRD counterparties only making up a fraction of the overall book, most exposures are outside the scope of eligibility assessment under the EU Taxonomy framework. Furthermore, for those exposures where the use of proceeds is known to be applied to eligible activities, such as green bonds and property-related lending, data limitations result in limited ability to comprehensively assess against the alignment criteria. As data capabilities and market data availability improves, it is expected that reporting and strategy will evolve.

► For further details, refer to page 85 – EU Taxonomy economic performance indicators.

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

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

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

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

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

In 2025, HSBC Continental Europe is updating annual TPA for the customers in scope of the thermal coal phase out policy and energy

policy; comprising those customers that make the most material contribution to its financed emissions in the oil and gas, and power and utilities sectors. HSBC Continental Europe will also be reviewing TPA for those customers that make the most material contribution to its financed emissions in the automotive, aviation, cement, and iron, steel and aluminium sectors. The HSBC Group is also currently reviewing the TPA process globally to improve efficiency by leveraging automation for the scoring of the TPAs, which would allow its sustainability specialists to increase their focus on identifying opportunities to help clients improve their transition plans and supporting their transition.

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

A dedicated section on nature topics has been added to the TEQ to capture information and data related to nature-related risks. This allows for the calculation of a nature score in addition to the climate score for HSBC Continental Europe key wholesale customers.

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

Governance

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

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

It also describes:

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

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

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

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

Responsibilities of the management body

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

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

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

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

The standard induction programme for new Board members includes ESG sessions and regular ESG training sessions are provided to all Board members.

The Board of Directors of HSBC Continental Europe, its Risk Committee and its Audit Committee regularly receive updates on sustainability-related matters. In the first half of 2025, the Board reviewed the HSBC Continental Europe sustainability strategy and was updated on ESG-related topics. The Risk Committee regularly heard about sustainability risks. The Audit Committee regularly discussed sustainability-related regulatory disclosures. The Chief Executive Officer and the Deputy Chief Executive Officers, supported by the Executive Committee, worked on HSBC Continental Europe's ESG strategy and its operational plan for sustainable finance, while receiving regular updates from the members of the Executive Committee on sustainability-related matters.

Integration of environmental factors within business lines and internal control functions

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

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

Measures to manage environmental risk

Significant improvements have been made during the last few years to further embed climate-related and environmental risks within governance.

The governance framework has been strengthened to ensure that all upcoming sustainable finance regulations and obligations are understood and implemented whilst supporting the implementation of the net zero and business strategy. The ESG and Climate Governance Framework builds on existing governance structures with the addition of dedicated committees at executive level and working groups.

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

Role of committees and lines of reporting

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

At the management level, sustainability matters are governed mainly through: the Sustainability Execution Group ('SEG') and the Climate and ESG Risk Oversight Forum ('CESGROF').

Risk Committee

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

Sustainability Execution Group ('SEG')

The SEG, chaired by the HSBC Continental Europe CEO and co-chaired by the Head of ESG Execution, sets out a sustainability strategy in line with the HSBC Group and regulatory expectations, supervises the implementation of ESG regulations, addresses any shortcoming including risks/issues escalated by the Climate and ESG Risks Oversight Forum ('CESGROF') and the various Sustainability/Climate Specific forums that report to it. The SEG reports to the Executive Committee and the Risk Management Meeting and, on a regional basis to the HSBC Bank plc SEG.

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Board	The Board sets strategic direction, including for ESG, upon management's recommendation and oversees its execution
	— Risk Committee advises and supports the Board in the oversight of risk-related matters and enterprise risks
	— Audit Committee advises and supports the Board regarding matters relating to financial and sustainability reporting and the effectiveness of internal control systems
General Management	The Chief Executive Officer is responsible for the management of the business as well as setting and implementing HSBC Continental Europe's strategy, including on ESG
	— Executive Committee is responsible, together with the CEO, for the development and implementation of the ESG Strategy
	— SEG provides oversight of ESG transformation and sets strategic direction
	— Risk Management Meeting supports the CRO on enterprise-wide management of all risks, including key policies and frameworks for Nature-related risk management
Sustainability/Climate Specific Forums	— Disclosure Steerco approves the financial and non-financial disclosures, including those related to ESG
	— Sustainable Finance Forums assess and approve products and transactions
	— Some businesses/functions have specific sustainability/climate forums e.g. ESG Data, Net Zero Own Operations, etc.
	— CESGROF oversees all activities relating to ESG risk management, including physical and transition risks

Climate and ESG Risk Oversight Forum ('CESGROF')

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

Alignment of remuneration policy

The HSBC Group's approach to remuneration promotes sound and effective risk management to support its business objectives and the delivery of its strategy, the purpose being to align risk, performance, and reward.

With regards to environmental-related risks, they are now embedded in the HSBC Group's, and subsequently HSBC Continental Europe's, remuneration policy and practices. At a Global level, sustainability-related risks, among which environmental risks, are factored when determining variable pay pools taking into consideration performance against the risk appetite.

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

At the HSBC Group level, climate and sustainable finance targets (namely carbon reduction in own operations and sustainable finance and investment) are included in the long-term incentive ('LTI') scorecard of Executive Directors, the performance against these being assessed at the end of the three-year performance period. Enhancing the identification and management of climate risk is also part of scorecards for the Group Heads of Business and regional CEOs, the Group Chief Risk and Compliance Officer and the Group Head of Internal Audit.

At HSBC Continental Europe level, most HSBC Continental Europe Executive Committee members have climate risk objectives in their annual incentive scorecards. Objectives are usually linked to the climate ambition of the Bank, developing sustainable finance, and supporting clients in their transition to net zero. In many cases these objectives have been cascaded down to their teams. To assess performance against these objectives, HSBC Continental Europe monitors a set of key performance and risk indicators, covering HSBC Continental Europe as a whole or specific to business lines and functions. Such indicators include themes related to emissions, consumption, waste, sustainable finance and investment, training, and proportion of loans and risk-weighted assets aligned to customers in high transition risk sectors.

More widely, in 2025 all staff across HSBC Continental Europe were assigned an objective to complete at least two of eleven climate-

related training modules on nature and biodiversity. These modules improve collective awareness and understanding of climate risks.

In addition, for HSBC Continental Europe in France, the new profit-sharing agreement, signed in 2024, included for the third year an environmental dimension through four climate-related objectives, namely the reduction of energy consumption, water consumption, paper purchases, and waste. The aim is to recognise and promote sustainable use of resources by employees; the initiative being fully consistent with the net zero ambition. Each of the four objectives is accompanied by a specific profit-sharing financial pool implemented on a progressive basis according to the level of achievement of each objective.

Risk management

This section describes:

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

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

HSBC Continental Europe manages climate and nature-related risks across its businesses and is incorporating environmental considerations within its traditional risk types in line with the HSBC Group-wide risk management framework and three lines of defence model, which sets out how risks are identified, assessed and managed. The climate and nature-related risk approaches aim to effectively manage the material climate and nature-related risks that could impact HSBC Continental Europe's operations, financial performance, financial stability and reputation. They are informed by the evolving expectations of the regulatory banking environment.

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

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

The table below provides an overview of the climate and nature risk drivers and thematic issues considered within the HSBC Group climate risk approach and HSBC Continental Europe's approach to manage nature risk.

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

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

The physical impacts of climate change, biodiversity loss and ecosystem services degradation, in addition to the transition to a net zero economy, can create significant financial risks for companies, investors, and the financial system. HSBC Continental Europe may be affected by climate and nature-related risks, either directly or indirectly, through its relationships with customers, which could result in both financial and non-financial impacts.

The climate and nature risk annual materiality assessment helps HSBC Continental Europe understand how climate and nature-related risks may impact across the HSBC Group's risk taxonomy. The assessment considers short-term (up to 2026), medium-term (2027 – 2035) and long-term (2036 – 2050) periods.

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

Climate risk drivers	Credit risk	Traded risk	Strategic risk including Reputational risk ¹	Regulatory compliance risk ¹	Resilience risk	Other financial and non-financial risk types
Physical risk	◆	◆			◆	◆
Transition risk	◆	◆	◆	◆	◆	◆

◆ Material impact on Taxonomy Risk Type

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

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

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

Definitions, methodologies and standards

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

Approach to managing climate risk

Climate change poses different risks to the stability of the financial system and these risks are collectively referred to as 'climate risk'.

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

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

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

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

- net zero alignment risk, which arises from the risk of the HSBC Group failing to meet its net zero ambition or failing to meet external expectations related to net zero; and
- the risk of greenwashing, which arises from the act of knowingly or unknowingly making inaccurate, unclear, misleading or unsubstantiated claims regarding sustainability to stakeholders of the HSBC Group.

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

Approach to managing nature risk

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

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

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

In 2024, HSBC Continental Europe made progress in addressing nature-related risk by implementing its nature-related risk management approach alongside the existing climate risk approach.

HSBC Continental Europe identified and assessed the materiality of climate and nature-related risks across its activities and risks.

An Internal Nature Scenario Analysis ('INSA') was performed in the last quarter of 2024, expanding on the existing climate scenarios with nature variables sourced from available third-party frameworks and publications. In 2025, the INSA will be extended to allow an assessment of the nature risk exposure across HSBC Continental Europe's portfolio. Additionally, the development of nature-related metrics is progressing to ensure the monitoring of nature-related risk in line with the strategy defined.

The management of environmental risk is also supported by:

- the HSBC Group sustainability risk policies that impose restrictions on certain financing activities that may have material negative impacts on climate change and nature; and
- embedding climate and nature into decision-making and customer engagement.

The environmental risk management framework is also considering international standards and frameworks, including the Sustainability Accounting Standards Board ('SASB'), Global Reporting Initiative ('GRI'), Taskforce on Climate-related Financial Disclosures ('TCFD'), Taskforce on Nature-related Financial Disclosures ('TNFD') and United Nations Environment Programme- Finance Initiative ('UNEP-FI'). Impact Radar was reviewed to identify any additional sector-specific topics that may be relevant across HSBC Continental Europe's value

chain. This was further supplemented with reviews of CDP (formerly Carbon Disclosure Project) disclosures and ESG ratings.

Approaches to manage climate and nature-related risks evolve based on data and methodology improvements as well as future alignment with updated industry guidance for environmental-related risk methodologies.

Since the beginning of the year, climate and nature-related risks continue to be considered across the organisation through risk policy and guideline updates, further development of risk metrics to help monitor and manage exposures, ongoing assessments of climate and nature risks in HSBC Continental Europe risk taxonomy and review of a number of climate and nature models to enhance the HSBC Continental Europe internal climate and nature scenario analysis capabilities.

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

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

Climate and nature-related risk identification and assessment

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

Key tools implemented in HSBC Continental Europe include:

- the Bank's annual materiality assessment which helps to identify and assess the most material climate and nature risk impacts;
- risk rating methodologies which set out how the Bank identifies, assesses and manages its risks;
- negative news screening to identify any environmental thematic issues possibly leading to a climate risk within the Bank's customer portfolios, including net zero alignment risk and risk of greenwashing;
- horizon scanning to identify potential opportunities and threats (regulatory development and stakeholder sentiment) in the risk environment and to identify policies and controls that need development to ensure resilience to the future risk environment;
- stress testing and scenario analysis to identify and size the range of climate risks over multiple time horizons. A first nature scenario analysis was performed in 2024, focused on building up nature-related risk knowledge and developing a foundational modelling approach that can be built upon in future years, as wider industry guidance and practice evolves;
- TEQ responses to understand corporate clients' climate and nature strategies and risks;
- corporate customers' transition plans to assess their compatibility with the HSBC Group's net zero ambition and integrate the output into HSBC Continental Europe's client engagement strategy to support HSBC Continental Europe customers' transition;
- tools (including ESG scoring tool) and metrics (including the wholesale risk appetite metrics, financed emissions and market risk stress loss indicators) to monitor and manage risk exposures; and
- Internal Capital Adequacy Assessment/Internal Liquidity Adequacy Assessment Process to identify and measure climate risk impacts on capital and liquidity.

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

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

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

Climate scenario analysis focuses on the impacts on HSBC Continental Europe's customers across a range of potential climate scenarios. The 2024 scenarios were internally created using external publicly available scenarios as a reference, including those produced by the Network for Greening the Financial System ('NGFS'), the Intergovernmental Panel on Climate Change ('IPCC') and the International Energy Agency. Using these external scenarios as a template, the scenarios were adapted by incorporating the unique climate risks and vulnerabilities to which the Bank and its customers across different business sectors and regions are exposed to within the context of evolving policies and emerging climate risks. The scenarios vary by severity to analyse how climate risks could impact the Bank's portfolios.

The internal climate scenario analysis uses models to assess how transition and physical risks may impact HSBC Continental Europe's portfolios under different scenarios. The models for the Bank's wholesale portfolios are focused on transition risk factors and incorporate a range of climate-specific metrics that could have an impact on customers, including expected production volumes, revenue, costs and capital expenditure. For the commercial real estate portfolio, the Bank's models are focused on physical risk factors, including property locations, perils and insurance coverage when assessing the overall credit risk impact to the portfolio. Beyond credit risk, the analysis also covers other risks HSBC Continental Europe may face as a result of climate change, including treasury risk, pension risk, insurance risk and non-financial risk.

In 2024, HSBC Continental Europe conducted a nature scenario analysis exercise focused on the wholesale lending portfolio and the impact of nature events on a limited range of counterparties in key sectors exposed to nature risk up to 2050. Modelling covered 25 per cent of the highest risk climate sectors and has identified limited financial impacts from nature risk for HSBC Continental Europe. Due to the limited industry development and availability of external data, nature scenario analysis remains nascent and further work to expand and enhance the analysis will be conducted in future years.

Regarding market risk, a nature internal scenario analysis was performed for all trading books and covers banking books as well in two scenarios: Nature Destruction (physical risk) and Nature Positive (transition risk).

HSBC Continental Europe applies, where relevant, the HSBC Group's sustainability risk policies, which form part of the HSBC Group's broader risk management framework and are important mechanisms for managing risks, including delivering the HSBC Group's net zero ambition. They focus on mitigating reputational, credit, legal and other risks related to the Bank's customers' environmental and social impacts and impose restrictions on certain financing activities that may have material negative impacts on nature. The HSBC Group's forestry and agricultural commodities policies focus specifically on the upstream impacts of key agricultural commodities including palm oil, timber, soy and cattle. The HSBC Group also requires palm oil customers to obtain certification under the Roundtable on Sustainable Palm Oil. The HSBC Group's sustainability risk policies also impose certain restrictions, for example through its World Heritage and Ramsar Wetlands policy, on financing activities in environmentally and socially critical areas. Given the interconnectedness between climate and nature, the HSBC Group's net zero-aligned sustainability risk policies, the thermal coal phase-out policy and the energy policy, are also important mechanisms for helping to manage climate-related risks.

In CIB banking, HSBC Continental Europe seeks to actively engage with its clients on their climate strategies and risks. In 2025, it pursued this strategic dialogue with its higher transition risk and/or largest corporate customers through the completion of the TEQ performed annually. This questionnaire contains specific, climate-

focused questions to support HSBC Continental Europe in understanding the level of climate risk in each client's business and their transition strategy. CIB uses the data collected to engage with their clients and identify additional business opportunities that could support their transition to net zero. Alongside climate-related existing questions, nature-related questions were included in H2 2024 into HSBC Continental Europe's client transition engagement questionnaire to cover topics including pollution, water and marine resources, biodiversity and ecosystems, resource use and circular economy.

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

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

The environmental risk identification and assessment have been strengthened in 2024 with the implementation of the CSRD and the performance of the DMA. HSBC Continental Europe carried out its first double materiality assessment and has identified and assessed the sustainability-related IROs, which are material to the Bank from an impact and financial perspective. The assessment included how the Bank affects climate change and nature through its financing and lending activities as well as how climate change and nature may represent a risk for HSBC Continental Europe's business.

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

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

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

► For more details, refer to the HSBC Continental Europe Registration Document and Annual Financial Report – Section 'Climate and environmental risk management' page 226 – 'www.hsbc.com/investors/results-and-announcements/all-reporting/subsidiaries?page=1&take=20'.

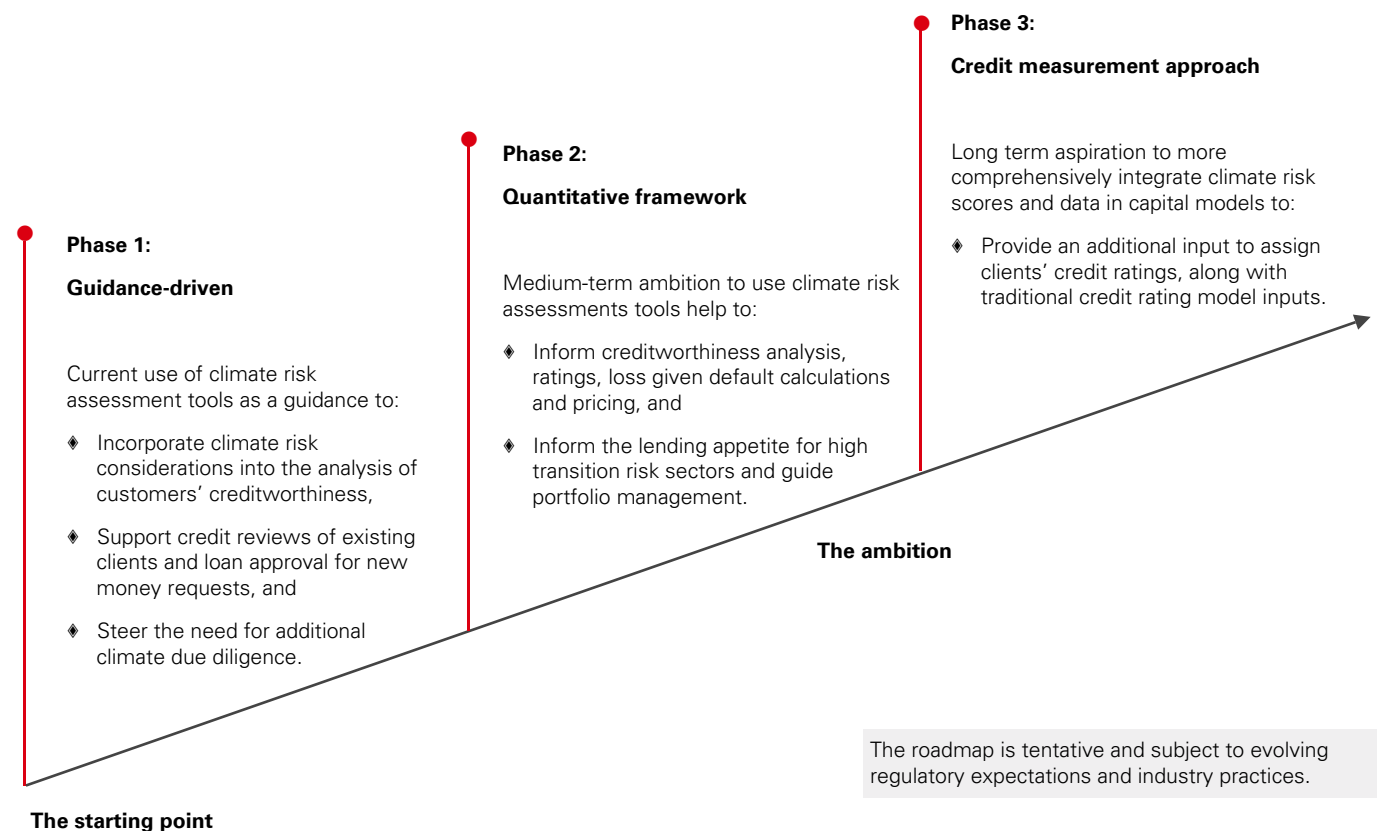
Climate and nature risk management

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

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

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

HSBC roadmap to embed climate risk in wholesale credit processes



Activities, commitments and exposures contributing to mitigate environmental risks

HSBC Continental Europe's action plan to achieve its objectives consists of embedding net zero by supporting its customers in high-emitting sectors notably through the provision of transition solutions.

In CIB, HSBC Continental Europe seeks to engage with its clients on their climate strategies and risks. This strategic discussion is supported by the completion of the TEQ which is reviewed annually. The climate-focused questions support HSBC Continental Europe in understanding the level of climate risk associated with its customers' business and transition strategy. The introduction in the TEQ of specific nature-related questions in the last quarter of 2024 brought into the discussion the consideration of specific nature-related topics such as pollution, water and marine resources, biodiversity and ecosystems, resource use and circular economy. The data collected support further engagements with the clients and the identification of any additional business opportunities that could support clients in their transition to net zero.

In addition, HSBC Continental Europe applies, where relevant, the HSBC Group sustainability risks policies to its corporate clients to mitigate adverse environmental impacts within specific sectors. These policies include core net-zero policies (thermal coal phase-out and energy) and broader sustainability risk policies, which cover agricultural commodities, forestry, mining and metals, and World Heritage Sites and Ramsar-designated wetlands. The HSBC Group's thermal coal phase-out policy aims to support thermal coal phase-out, aligned to science-based timeframes, while the HSBC Group's energy policy focuses on its ambition to financing the energy transition, which assists HSBC Continental Europe in mitigating its material impacts on climate change.

HSBC Continental Europe aims to continuously evolve its metrics and refine its methodology to align to regulatory changes, disclosure rules, and industry best practices. Currently, HSBC Continental Europe reports against climate and financed emissions related metrics, developed to monitor and manage its exposures, informed by standards including the Greenhouse Gas Protocol, the Partnership

for Carbon Accounting Financials ('PCAF'), the World Economic Forum ('WEF'), and the SASB. By aligning its climate-related metrics to these reporting initiatives, HSBC Continental Europe contributes to develop a supportive environment for achieving net zero and mitigates the environmental risks resulting from reputational concerns as a result of climate action or inaction. The HSBC Group is a founding funder of the Just Transition Finance Lab, hosted at the LSE's Grantham Research Institute, which aims to accelerate solutions to achieve progress on climate and wider environmental goals through a people centred approach. Since its launch in early 2024, the Lab has produced a range of outputs including: mapping just transition policies to a set of metrics, exploration of the role investors can play in facilitating a just transition in India, a case study of the coal-to-clean shift in Chile, and a detailed examination of the financial path to a just transition in the critical minerals sector.

Partnerships for systemic change

Throughout 2024, HSBC Continental Europe continued to engage in partnerships to support its customers on their transition journey. This includes a partnership with ESG ratings provider EcoVadis in France, to help wholesale banking clients to understand and have plans to reduce their scope 3 emissions through scoring.

In Europe, CIB has been expanding its partnership and developing the ESG Directory, a list of third party ESG service providers that have been vetted by HSBC Continental Europe to help customers to navigate the complex and evolving sustainability landscape so they can meet their goals, wherever they are on their transition journey. The ESG Directory focuses on key areas where customers require support, such as setting strategy, disclosing against regulatory frameworks, assessing supply chains, assessing physical risk and second party opinion and energy efficiency.

The HSBC Group continues to strengthen its partnerships for systemic change on nature across the public and private sectors, notably through the Climate Solutions Partnership with the World

Resources Institute ('WRI') and the World Wide Fund for Nature ('WWF').

HSBC Continental Europe is also involved in several partnerships which focus on scaling nature-based solutions. These partnerships, funded through the Bank's philanthropic spending, help drive action and develop industry practice across the public and private sector. In 2025, HSBC Continental Europe is partnering with:

- ONF – Agir pour la Forêt fund, on multiple biodiversity conservation programmes aiming to raise awareness on Nature-Based Solutions among the Bank's employees through volunteering fieldwork; and on a project to support a research programme around forest resilience and testing new trees species able to develop under warmer and drier climate; and
- Earthworm Foundation, on the 'Living Soils', programme dedicated to regenerative agriculture and intended to promote agricultural practices that respect the earth and contribute to carbon capture.

Tools for identification, measurement and management of environmental risks

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

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

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

Examples of recent policy and control enhancements include:

- updates of credit risk policies to assess and manage climate and nature risks;
- development of climate risk guidelines for relationship managers to further embed climate risk considerations into credit risk assessments; and
- guidance to enhance the integration of climate risk within Risk and Control Assessments ('RCAs') for Non-Financial Risk Types, and the documentation of climate risk in HELIOS, the HSBC operational risk management tool.

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

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

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

In 2024, the approach was enhanced with the consideration of nature scenarios in addition to the climate ones. The outcome of this annual exercise also supported the identification of material climate and nature-related risks as part of the Bank's double materiality assessment.

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

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

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

HSBC Continental Europe developed an approach to allocate dedicated capital to climate risk in the Internal Capital Adequacy Assessment Process ('ICAAP'). Climate impacts on credit risk and traded risk are considered in the Economic Capital calculation and it is based on the ICSA results for climate-adjusted Customer Risk Rating ('CRR') notch movements and Expected Credit Losses ('ECL'). In 2024, the ICSA covered risks in wholesale credit, real estate, operational risk, liquidity risk and traded risk. The ICSA methodology was extended in 2024 to cover additional operational risk areas, with an assessment of financial reporting and regulatory compliance risks (greenwashing assessment) in addition to resilience risks (physical risk assessment). A new short-term scenario was introduced combining severe climate events with macro-economic impacts. Wholesale credit risk, traded risk and liquidity risk were also stressed under nature risk drivers during 2024. The INSA covers selected high nature-risk sectors for a sample of companies, where data is currently available. The results of the internal scenario analysis performed for climate was included in the 2024 Year-End ICAAP. In 2025, the climate scenario analysis and modelling capabilities will be enhanced (e.g. short-term scenarios, integration into wider macroeconomic stresses, physical risk modelling). The nature scenario analysis will also be extended, by enhancing sectors and volume of corporate customers.

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

Liquidity risk assessment

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

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

HSBC Continental Europe has also built a scenario based-approach that considers losses and damages caused by severe environmental events due to biodiversity loss generating severe ecosystems impacts like drought and heat observed in recent years, following global warming.

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

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

Capital risk assessment

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

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

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

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

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

HSBC Continental Europe adheres to the HSBC Group Data Risk Policy in order to mitigate the risk of a data processing failure or any breach of these principles, on either the part of the Bank or a third party. The policy sets out key data processes and controls that all markets, lines of global business and functions, and legal entities must put in place to reduce the likelihood and impact of risk events, mitigate the risk of potential legal and financial repercussions and ultimately reinforce the trust that customers, employees, and other stakeholders place in HSBC Continental Europe.

ESG Data Utility

The HSBC Group is investing to develop wider ESG data and analytics capabilities. The HSBC Group is building an ESG Data Utility to provide a centralised, trusted source of reusable data assets that can be provisioned across businesses, functions and Centre of Excellence to support sustainability initiatives. The ESG Data Utility will build data assets, dashboards, analytics and applications to deliver key requirements. This includes financed emissions, climate scenario analysis and stress tests, sustainable finance disclosures, policy implementation, climate and wider ESG risk management, and frontline business enablement (for example, customer transition assessments and ESG scores) as well as portfolio decision making and optimisation. HSBC Continental Europe leverages the ESG Data Utility to help streamline and support its sustainability related data needs, from regulatory reporting through to business use cases.

An evolving approach

The HSBC Group aims to evolve its metrics and refine its methodology in line with regulatory changes, disclosure rules and industry practice and standards.

Where appropriate, the HSBC Group is working with data providers and scientific organisations to gather data and use forward-looking scenarios to improve analysis. The HSBC Group also depends on

climate-related data from customers and vendors, including emissions data, targets and transition plans. Currently this is a major challenge as data is incomplete, given limited disclosures, and can be inconsistent.

The methodology and data to assess financed emissions and set targets continues to evolve. The HSBC Group plans to continue to engage with regulators, greenhouse gas accounting and disclosure standard setters and industry bodies to help shape the approach to measuring financed emissions and managing portfolio alignment to net zero.

Metrics, taxonomies and practices for sustainable finance are continuing to emerge and evolve across the jurisdictions in which HSBC Continental Europe is operating. As HSBC Continental Europe considers evolving industry standards and as regulatory guidance evolves, methodologies, disclosures and targets may need to change. Nature is perhaps the most nascent area where requirements for how risk is assessed and managed will evolve.

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

Climate risk forms part of HSBC Continental Europe's Risk Appetite Statement ('RAS') and supports it in contributing the HSBC Group's net zero ambition in an effective and sustainable manner.

The RAS is set in line with the Global Risk Appetite Framework. As part of the 2025 update, the HSBC Continental Europe RAS has been reviewed to reflect several improvements including the introduction of a new hierarchy for metrics and indicators with dedicated Board metrics and Key Risk Indicators ('KRIs') for senior management.

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

- a combination of climate qualitative statements which defines the targeted appetite and the risks outside appetite or tolerance;
- climate KRIs, which are important for monitoring climate risk, and can also be used as a tool to further refine metrics before rolling them out as formal RAS metrics; and
- climate Risk Indicators ('RIs') which provide additional context to the risk appetite. These are approved by the relevant Risk Steward and are reported to the HSBC Continental Europe SEG.

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

These metrics and the climate RIs are reported quarterly to the SEG and on a bi-annual basis to HSBC Continental Europe Risk Management Meeting and Risk Committee.

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

HSBC Continental Europe also engages with clients in high emissions sectors, such as thermal coal mining, oil and gas, and power and utilities, and expects them to formulate and publish transition plans that are consistent with the HSBC Group's ambitions and targets. HSBC Continental Europe aims to undertake a review of the transition plans of its customers that are the most material to its portfolios and financed emissions targets. These reviews are conducted by the specialists from the Sustainability Centre of Excellence with input from relationship managers.

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

senior representatives from across relevant business lines and functions. This process is designed to provide insights specific to each customer and their circumstances.

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

HSBC Continental Europe seeks to manage climate risk across all its businesses in line with the HSBC Group-wide risk management framework and is incorporating climate considerations within its traditional risk types. In 2024, HSBC Continental Europe updated its qualitative assessment of how climate and nature-related risks (including net zero alignment risk and the risk of greenwashing) may impact all financial and non-financial risk types defined in HSBC taxonomy. Based on this assessment, HSBC Continental Europe carried out its first DMA to comply with the CSRD requirements, aiming at identifying material climate and nature-related impacts, risks and opportunities. HSBC Continental Europe may face the following risks resulting from climate and/or nature events:

- transition to a low carbon economy can materialise as an increased credit risk for HSBC Continental Europe. Climate-related regulatory, policy or technological developments may impact corporate customers' business models, resulting in financial difficulty for customers;
- physical risk with extreme weather events may disrupt customers or cause damage to their assets. For instance, for commercial real estate, properties may be impacted by adverse weather events, potentially affecting both property values and borrowers' ability to meet their financial commitments;
- liquidity risk may increase because climate and nature risks drivers may impact HSBC Continental Europe liquidity risk directly through its ability to raise funds or liquidate assets, or indirectly through customers' demands for liquidity. For instance, in the event of greenwashing or reputation concerns, clients could withdraw deposits, which could increase the liquidity risk;
- market risk may increase if the risks associated with climate and nature are not accurately reflected within HSBC Continental Europe trading book assets. Trading losses may result from increases in market volatility and widening spreads due to macro and micro economic impact of transition and physical risk. For instance, stock options of firms located in regions sensitive to physical events, such as hurricanes or floods, may experience an increase in price volatility;
- operational risk coming from physical risk faced on HSBC Continental Europe's own operations and premises may increase, owing to the increased frequency and severity of weather events and chronic shifts in weather patterns, which could affect its ability to conduct day-to-day operations. For instance, if physical hazards disrupt transportation facilities and telecommunications infrastructure, the Bank's operational ability may be reduced;
- regulatory compliance risk may result from the increasing pace, breadth and depth of climate-related regulatory expectations requiring implementation in short timeframes. For instance, greenwashing related to products offered by financial institutions is the focus of several new global regulations and could result in increased risk from product governance, mis-selling and marketing practices; and
- conduct risks could develop in association with the increasing demand for 'green' products where there are differing and developing standards or taxonomies.

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

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

Qualitative information on social risk

Strategy and Business processes

This section describes how HSBC Continental Europe:

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

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

Social risks characteristics are provided in the section 'Definitions, methodologies and standards'

Social risk refers to the impact HSBC Continental Europe may have on its employees, customers and markets and communities within which it operates. A critical aspect of social risk is the Bank's focus on conduct risk.

In this regard, HSBC Continental Europe concentrates on five clear outcomes:

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

The key factors in creating the right environment to enable these outcomes to be achieved are:

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

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

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

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

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

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

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

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

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

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

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

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

Objectives, targets and limits to assess and address social risk

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

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

Regarding labour rights of its employees, HSBC Continental Europe is committed to upholding ethical standards and follows the HSBC Group-wide Modern Slavery Act and Human Trafficking Statement.

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

Since the HSBC Group achieved 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.

To contribute to the HSBC Group's ambition, HSBC Continental Europe equally has the same ambition for greater representation of women in senior leadership positions. As at June 2025, HSBC Continental Europe achieved 28.6 per cent representation of women in senior leadership roles.

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

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

- achieves regulatory compliance and good conduct outcomes throughout the customer lifecycle;

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

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

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

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

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

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

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

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

Governance

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

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

It also describes:

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

Responsibilities of the management body

For more information on the roles and responsibilities of the Board and General Management related to sustainability matters, refer to the HSBC Continental Europe Registration Document and Annual Financial Report – the Sustainability Report, section 'Governance of sustainability matters' – 'www.hsbc.com/investors/results-and-announcements/annual-report'.

Activities towards the community and society

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

Employee relationships and labour standards

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

Customer protection and product responsibility

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

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

Human rights

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

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

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

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

Measures to manage social factors and risks in internal governance arrangements

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

Social factors are managed in accordance with the three lines of defence model, as outlined in its risk management framework, policies and procedures.

The CESGROF, chaired by HSBC Continental Europe's Head of Enterprise Risk Management, is a local governance meeting that convenes quarterly and is established to provide senior oversight of all risk activities related to the management of climate and ESG risks across the entity, including social risks where appropriate.

The CESGROF is also responsible to assign and track mitigation or remediation actions as appropriate, as they relate to social matters discussed within the meeting. Any material social issues identified are escalated to the Risk Management Meeting and, if required, to the HSBC Continental Europe Risk Committee.

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

HSBC Continental Europe's Head of People presents an update on people risk to the HSBC Continental Europe Risk Committee twice per annum, and presents the people strategy to the HSBC Continental Europe Board of Directors annually. Remuneration topics are presented to the Remuneration Committee.

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

HSBC Continental Europe's quarterly Whistleblowing Oversight Committee reports on the effectiveness of the whistleblowing arrangements across HSBC Continental Europe, including in its

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

In CIB, the European Wholesale Sustainable Finance Forum ('SFF'), co-chaired by HSBC Continental Europe Head of Banking and HSBC Continental Europe Head of Investment, reviews transactions terms weekly to ensure compliance with HSBC's standards for qualification as sustainability-linked, green use of proceeds or social use of proceeds. Furthermore, the European ESG Bonds Committee reviews and assesses the labelling of debt capital markets ('DCM') transactions across wholesale banking, including appropriate labelling regarding social use of proceeds. Both Committees include senior first line of defence stakeholders with ESG expertise including Regulatory Compliance and regional representation from the relevant following teams: DCM Sustainable Bonds, senior management from DCM, and Reputational and Sustainability Risk; offering holistic review from a risk management and management body perspective. Where appropriate, the transaction or client is referred to the Regional Reputational Risk and Client Selection Committee ('RRCS').

From a human rights perspective, in 2021, the HSBC Group enhanced its governance on human rights by appointing key members of the HSBC Group Executive Committee to its Human Rights Steering Committee, with the HSBC Group Chief Risk and Compliance Officer as Chair. The Human Rights Steering Committee is overseen by the Group Executive Committee.

Regarding internal capacity being built, the HSBC Continental Europe's Board of Directors and General Management participated in training on social aspects of ESG in 2024, notably human rights and Just Transition.

In 2024, the HSBC Group provided practical guidance and training, where relevant, to colleagues across the HSBC Group on how to identify and manage human rights risk. The HSBC Group continued to develop its in-house capability with the launch of further online resources. In 2024, the HSBC Group issued human rights due diligence good practice guidance tailored to procurement and corresponding high-level guidance for staff who manage relationships with business customers.

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

Lines of reporting

A risk report is produced at least annually on the main risks associated with social factors identified under the French Duty of Care law as part of the CESGROF to ensure proper consideration of key risks identified.

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

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

Alignment of the remuneration policy

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

For instance, regarding HSBC Continental Europe France, a specific pool has been introduced to review and adjust any unjustified variances in remuneration. Furthermore, both the attrition rate and retention rate of the best performers are monitored per business line monthly and shared with HSBC Continental Europe's Executive Committee. Where the attrition rate for certain roles is high, HSBC Continental Europe can decide, if appropriate, to make compensation counter offers to potential leavers or take any appropriate mitigating actions.

In addition, at the HSBC Group level, and subsequently also for HSBC Continental Europe, there is an ambition to increase the representation of women in senior leadership roles and to improve the inclusion index score, as measured by the employee annual survey. This ambition is cascaded down in the organisation to Heads of Business and Heads of Function in order for each of them to contribute to this ambition. For most of HSBC Continental Europe's Executive Committee members, including Executive Directors, this ambition is included in the part of their annual incentive scorecard related to social themes. This includes non-financial social objectives to integrate sustainability into their performance evaluation. The scorecard criteria are: the Engagement Index Score, as measured by the annual Snapshot survey, the High performer voluntary attrition rate and the inclusion Index Score, as measured by the annual Snapshot survey.

Moreover, each people manager in HSBC Continental Europe is assigned an inclusion goal aimed at identifying and proactively implementing initiatives serving to improve inclusion in their team. For example, this goal may cover the representation of applications for a position to be filled, the completeness of training on inclusion, the improvement of the inclusion index, or participation in inclusion initiatives.

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

HSBC Continental Europe's approach to human rights is described in the above section 'Objectives, targets and limits to assess and address social risk'. Through the incentivisation compliance process, any breach has an impact on the individual's performance assessment and subsequently on their variable pay.

Risk management

This section describes:

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

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

Definitions, methodologies and standards

Social risks in banking may be understood as the risk of losses arising from any negative financial impact on the institution stemming from the implications of its business practices for society, including how their own employees, employees in their value chains and customers are treated.

HSBC Continental Europe refers to the list of social topics below, defined by the European Commission in its Social Taxonomy issued in February 2022, in the context of its social risk management:

- labour rights;
- social protection and inclusion;
- non-discrimination;
- the right to health care, housing, education (including professional training) and food;
- assistance in the event of unemployment or self-employment;
- consumer protection;
- peaceful and inclusive societies; and
- the fight against corruption and tax evasion.

Stakeholders affected by these social topics include:

- entity's own workforce;
- suppliers of goods and services;
- end-users or consumers; and
- affected communities.

A specific social risk management approach is not yet implemented within HSBC Continental Europe. Social factors related to employees, customers and communities' human rights (e.g. child labour, forced labour, non-discrimination, health and safety, freedom from association) are assessed in consideration of the CSRD requirement and the material ones are reported within the sustainability section. Social risks are considered across the existing risk taxonomy and in application of:

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

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

Social risk is not a standalone risk in the HSBC Group's risk taxonomy. Instead, some social factors are considered across the existing the HSBC Group's risk taxonomy covering matters relating to HSBC Continental Europe own workforce, consumer protection and suppliers. The reputational risk tool supports the assessment of social factors such as human rights abuse, social discrimination, freedom of association and collective bargaining, that may impact HSBC Continental Europe' counterparties. The 2024 double materiality assessment ('DMA') performed within HSBC Continental Europe, was concluded with the identification of material social-related topics

connected to non-compliance with employees' and customers' data protection laws. Policies and controls are in place to manage the risk identified, mitigate the risk of potential legal and financial repercussions and ultimately reinforce the trust that customers, employees, and remaining stakeholders place in HSBC Continental Europe.

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

The HSBC Group's risk management procedures have continued to evolve during 2024. This included the development of global guidance on human rights, which incorporates the salient human rights issues assessment and provides colleagues with clear principles and practical advice, including case studies, on how to identify, prevent, mitigate and account for how impacts on human rights are addressed. The Bank is developing a human rights due diligence operating procedure for procurement that describes the due diligence process undertaken to identify suppliers that have a high risk of human rights issues and the process to be followed to review and address the risk.

A review of HSBC Continental Europe businesses and functions' Risk and Control Assessment is performed once a year to ensure that social risks identified under the French Duty of Care law are duly considered. These risks include forced labour, fair conditions of work, health and safety, inclusion, right to privacy, cultural and land rights, right to dignity and justice and whistleblowing. The outcome is presented in the appropriate governance forum and material issues are escalated to the CESGROF for monitoring. The 2024 risk mapping exercise performed did not identify any material deficiencies in this perimeter.

Activities and commitments to mitigate social risk

In 2024, HSBC Continental Europe carried out its first DMA to comply with the CSRD requirements. Through its DMA, the Bank identified two material social-related risks, connected to privacy across its operations and value chain. Breaches of applicable privacy regulation, legislation or legal framework could lead to punitive action or financial penalty, as well as reputational risk.

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

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

The HSBC Group continues to focus in 2024 on human rights risk management practices relating to the goods and services it buys from third parties and in respect of its business customers.

Suppliers

The HSBC Group's Supplier Code of Conduct ('the Code') was refreshed in 2024. The Code sets out the HSBC Group's ambitions and areas of focus with respect to the environment, diversity and human rights, and outlines the minimum standards it expects of its suppliers in these areas. The HSBC Group continues to formalise adherence to the Code in its supplier contracts, which includes the right to audit and act if a breach is discovered. As at June 2025, for HSBC Continental Europe, 96.8 per cent of its contracted suppliers have signed the Code or have an accepted equivalent (compared with 90 per cent in 2023). The HSBC Group also issued human rights due diligence good practice guidance tailored to procurement and corresponding high-level guidance for staff who manage HSBC relationships with business customers.

HSBC's Global Procurement team is also developing a Human Rights Due Diligence Standard Operating Procedure that describes the due diligence process undertaken to identify suppliers that have a high risk of human rights issues and the process to be followed to review and mitigate the risk.

► Read more about the principles HSBC applies and HSBC supplier code of conduct: 'www.hsbc.com/who-we-are/esg-and-responsible-business/working-with-suppliers.'

Workforce

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

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

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

- employee investigations: closure accuracy and completeness checks; and
- performance and reward sanctions: accurate capture of performance and reward adjustments aligned to the conduct and consequence management guidelines.

To deliver upon HSBC Continental Europe's ambition to promote an inclusive workforce, HSBC Continental Europe contributes to the HSBC Group's ambition of having 35 per cent of senior leadership positions held by women by 2025. HSBC Continental Europe's Executive Committee closely monitors progress. In addition, HSBC Continental Europe's people managers, aligned to the HSBC Group's People Management Policy, are expected to foster a values-driven, inclusive workplace, supporting strategic objectives, and actively addressing employee feedback to improve performance and meet the needs of customers, colleagues and communities. HSBC Continental Europe is also required to periodically review its strategy and tailor local implementation efforts to the needs and priorities of its people and any jurisdictional requirements and aspirations, whilst also remaining consistent with the HSBC Group approach.

HSBC's Vulnerable Employees Policy outlines the necessary steps which need to be taken to maintain a safe work environment for those with impaired movement, hearing, or vision. Where a new or existing member of staff informs HSBC Continental Europe of a disability or a medical condition that may pose a risk to their health and/or safety in the workplace, people managers must arrange an assessment of the hazards to which they are exposed and determine a safe system of work for them. Also, all internal and external facing digital applications that are created or updated by HSBC Continental Europe must comply with the Group Accessibility Standards.

HSBC Continental Europe has also implemented several initiatives aimed at embedding an inclusive culture into all aspects of its operations. This includes (i) launch of an Inclusion Survey in France and Germany in 2025, (ii) training and capability building related to workplace bias, work discrimination, and inclusion, (iii) embedding its Employee Resource Groups and (iv) gender pay gap reporting.

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

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

Customers

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

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

Combating financial crime, such as money laundering, fraud, corruption and tax evasion also plays an important role in mitigating wider social risks. HSBC Continental Europe's financial crime policies aim to ensure that risks identified by the Bank are appropriately mitigated. The HSBC Group's financial crime risk framework also helps to mitigate the risk of being associated with adverse human rights impacts, by helping to identify and assess the financial crime risk posed by its customers, employees and third parties.

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

Investments

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

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

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

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

In 2024, HSBC Asset Management joined the Investor Initiative on Human Rights Data ('II-HRD'), a collaborative engagement initiative that aims to improve the depth and breadth of corporate human rights data available to investors and the transparency of human rights assessment criteria. This initiative seeks to address the industry-wide challenges commonly cited, including lack of transparent ESG ratings methodologies by commercial data providers and insufficient inclusion of human rights data.

Tools for identification and management of social risk

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

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

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

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

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

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

Screening of customer and third party to identify material negative news on different risks including but not limited to bribery and corruption, human rights violation, environmental crime, cybercrime and organised crimes.

To identify social risks with customers, HSBC Continental Europe uses its KYC and screening processes alongside its sustainability risk policies aligned with the HSBC Group e.g., for agricultural commodities, energy, forestry, mining and metals. These consider human rights issues such as forced labour, harmful or exploitative child labour and land rights. They also consider the rights of indigenous peoples such as 'free prior and informed consent', workers' rights, and the health and safety of communities. These policies mitigate the risk that the financial services provided by the Bank have an adverse impact on people. Each year, CIB carries out a review of the clients operating in the relevant sectors, and their transactions on an annual basis.

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

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

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

In relation to transactions at HSBC Continental Europe, limits to social risk are assessed on a case-by-case basis as part of established internal approval and escalation frameworks as part of the deal approval process, which can be escalated to the RRCSC if necessary.

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

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

In 2024, HSBC Continental Europe carried out its first DMA to comply with the CSRD. This assessment covered social topics covering the Bank's own workforce, workers in the value chain, affected communities and consumer and end users. HSBC Continental Europe has identified two material social-related risks connected to non-compliance with employees' and customers' data protection laws.

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

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

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

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

Qualitative information on governance risk

This section describes how HSBC Continental Europe:

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

Governance

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

HSBC Continental Europe has integrated counterparty governance into the risk framework and its governance through the following processes:

- Know Your Customer ('KYC') and Third party Due Diligence process;
- screening of customers and third parties to identify material negative news on different risks including but not limited to bribery and corruption, human rights violation, environmental crime, cybercrime and organised crimes;
- screening of customers and third parties to identify politically exposed people;
- screening of transaction, customer and third party against sanctions list;
- transaction monitoring;
- contractual safeguards; and
- Annual Credit Review process.

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

This financial crime framework is underpinned by a financial crime policy designed to enable adherence to applicable laws and regulations. Financial crime includes fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation.

This framework aims to protect customers, shareholders, staff, the communities in which HSBC Continental Europe operates, and the integrity of the financial system on which all market participants rely.

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

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

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

conflicts of interest, code of conduct, values and ethics, as well as the application of certain laws and regulations.

Additionally, as part of the Annual Credit Review process, a qualitative assessment of the client's management team is performed such as change in the key C-suite positions, succession planning and other key governance topics. This assessment is reviewed by the Credit team and incorporated in its analysis of the credit profile of the company.

The third parties (also known as non-customer relationships) are subject to due diligence and screening requirements. Third parties meeting specific criteria are assessed against a risk scoring methodology which indicates the level of due diligence that must be applied.

The HSBC Global Procurement team is developing a Human Rights Due Diligence Standard Operating Procedure that outlines the due diligence process undertaken to identify suppliers that have a high risk of human rights issues and the process to be followed to review and address the risk.

Where relevant, issues are escalated to the RRCSC. The RRCSC is a committee established to provide recommendations on matters arising from customers and non-customers (e.g. third parties), transactions and wider reputational risks. The RRCSC is responsible for:

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

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

At the HSBC Group level, the Group Chief Risk and Compliance Officer ('GRCO') provides the Group Reputational Risk Committee ('GRRC') with the mandate to oversee and manage reputational risk across the HSBC Group.

The GRRC considers matters arising from customers, transactions and third parties that either present a serious potential reputational risk to the Group or merit a Group-led decision to help enable a consistent risk management approach across the regions, global businesses and global functions.

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

HSBC Continental Europe has a framework that takes into account the role of the counterparties' highest governance body in non-financial reporting. The framework is designed to assess and rate the maturity and quality of its counterparties' management of environmental, social and governance factors that impact their business and operating environment.

The assessment of environmental factors is based on the TEQ, a tool developed with the HSBC Group to assess the maturity of the transition plans of wholesale customers in high risk sectors on climate and nature risk. HSBC Continental Europe leverages key information from the TEQ together with contextual client information

to review the transition plans, including the role of the client's highest governance body in the production of such transition plan and/or other sustainability reports.

For the assessment of social factors in the governance body of the counterparties, refer to 'Processes to identify, measure and monitor activities and exposures sensitive to social risk' above.

For the assessment of governance factors in the governance body of the counterparties, refer to the section below.

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

As part of the counterparty due diligence process, there may be adverse media or information, which could require further review and assessment of a counterparty's governance by HSBC Continental Europe specialised teams, such as Financial Crime or Reputational Risk. These in-depth governance assessments may include, reviewing codes of conduct, values and ethics, anti-bribery and corruption policies as well as risk management frameworks. The level of analysis will vary on a case-by-case basis, but it may include an assessment of the implication of the counterparty's management body, where relevant. Such assessments of the highest governance body are ad-hoc and are relatively rare.

Ethical considerations

As indicated in the section above, HSBC Continental Europe operates a robust onboarding process for customers and counterparties, which includes due diligence requirements. Where the Bank identifies activities that could cause material negative impacts, the Bank expects customers to demonstrate that they are identifying and mitigating risks responsibly, and the Bank will look to take required actions such as assessing a counterparty's governance and risk management frameworks.

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

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

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

Strategy and risk management

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

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

strategy, and whether there is a dedicated diversity, equality and inclusion team in their workplace.

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

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

In the case of counterparties (customers), HSBC Continental Europe conducts due diligence with respect to a customer's strategy and risk management, which is outlined in the above section 'HSBC Continental Europe's integration in its governance arrangements of the governance performance of the counterparty'.

Inclusiveness

As a leading global employer, the HSBC Group's aim is to build an HR policy that helps to develop staff members, while helping them to achieve their full potential for the HSBC Group. In this regard, HSBC Continental Europe, as part of the HSBC Group, values difference and believes that differences make the business stronger.

HSBC Continental Europe can support its clients on their social agenda with balance sheet related financing (social loans, other social qualified lending) and finance facilitation (social bonds). These products can embed sustainability performance targets around inclusivity and transparency. The HSBC Group's detailed approach around sustainable finance and investment classification can be found in HSBC Sustainable Finance and Investment Data Dictionary.

HSBC Continental Europe is supporting, through its philanthropic programme, ADIE, a non-profit association which enables economically vulnerable people, excluded from traditional bank financing, to set up their own business, and hence their own employment, thanks to microcredit.

The integration of counterparty inclusiveness will continue to evolve to align with industry practices and emerging standards.

Transparency

HSBC Continental Europe is committed to acting with integrity and conducting global activities in accordance with all applicable laws and regulations relating to financial crime risks, this includes considering the transparency of the counterparties with whom HSBC Continental Europe does business.

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

Management of conflict of interest

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

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

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

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

- identify all types of potential conflicts that could reasonably arise in the context of their activities;
- maintain a register of all identified potential conflicts. These include both individual business conflicts as well as those arising across businesses or legal entities. The HSBC Group tool is used for this purpose;
- prevent or manage conflicts on an ongoing basis;
- disclose conflicts where appropriate; and
- evidence all occurrences of conflicts that cannot be managed.

The integration of the counterparty's management of conflicts of interest will continue to evolve to align with emerging standards.

Internal communication on critical concerns

HSBC Continental Europe will assess internal communication of critical concerns and material risks of a counterparty on a case-by-case basis. This will be assessed primarily in relation to material risk incidents with either a counterparty or supplier. The objective is to understand how quickly information is escalated and how the resolution of critical incidents is managed. Where a counterparty or a supplier incident is communicated to HSBC Continental Europe and it may impact HSBC Continental Europe operations, such operational incidents and near-misses, irrespective of their financial impact, are recorded in the Continental Europe's risk management tool and are subject to relevant risk governance.

Risk management

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

Counterparty ethical considerations, strategy and risk management as well as transparency may be considered as part of HSBC Continental Europe's due diligence processes outlined in the above section 'HSBC Continental Europe's integration in its governance arrangements of the governance performance of the counterparty'.

The reputational risk of counterparties is considered by specific committees. For more information, refer to the above section 'HSBC Continental Europe's integration in the governance arrangements of the governance performance of its counterparties'.

In the context of the implementation of the CSRD, HSBC Continental Europe has conducted a DMA on sustainability matters.

The integration in HSBC Continental Europe risk management of the governance performance of counterparties will continue to evolve to align with industry practices and emerging standards.

Scope of ESG reporting

The information reported in Tables 40 to 48 below relates to the principal operating entities within HSBC Continental Europe's prudential scope of consolidation, including all HSBC branches and subsidiaries at 30 June 2025. Subsidiaries engaged in insurance activities are excluded from the prudential consolidation. These tables provide information on non-trading book exposures; assets held for trading or held for sale are excluded. At the time of publication of this report, the ECB has not yet endorsed the EBA's recommendations published as part of the no-action letter concerning the application of provisions related to Pillar 3 disclosures on ESG risks under the EBA Pillar 3 ITS.

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

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

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

Identification of companies excluded from Paris aligned benchmark

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

Exposure to companies excluded from Paris-aligned Benchmarks stands at EUR 1,244m (compared to EUR 1,432m at 31 December 2024).

The methodology and approach used to report exposures excluded from the Paris-aligned Benchmarks ('PAB') in template 1 follows the guidance set out in EBA Q&A 2023_6940 published in April 2024.

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

Approach to article 12.1

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

- (a)-(c) companies involved in any activities related to controversial weapons; companies involved in the cultivation and production of tobacco; companies that benchmark administrators find in violation of the United Nations Global Compact ('UNGC') principles or the Organisation for Economic Cooperation and Development "Guidelines for Multinational Enterprises";
- (d) companies that derive 1 per cent or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
- (e) companies that derive 10 per cent or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
- (f) companies that derive 50 per cent or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels; and
- (g) companies that derive 50 per cent or more of their revenues from electricity generation with a GHG intensity of more than 100g CO2e/kWh.

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

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

companies being identified with coal exposures by the business function has been used to assist with the reporting.

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

Approach to article 12.2

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

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

Data limitation

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

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

Identification of environmentally sustainable exposures (CCM)

HSBC Continental Europe is required to report the taxonomy-aligned exposures that are in accordance with EU Taxonomy Regulation 2020/852 and aligns with Table 46 Mitigating actions: Assets for the calculation of GAR (Template 7) for non-financial corporations.

GHG financed emissions

Background

HSBC Group announced its ambition to become a net zero bank in October 2020, including an aim to align its financed emissions to net zero by 2050. Since then, the Group has published initial financed emissions targets for 2030. In the Net Zero Transition Plan ('NZTP') published in January 2024, the Group committed to continually calibrate its approach to the latest scientific methodologies, climate-related policy measures and developments in the real world given that the sector portfolios reflect progress in the real economy in the regions where it operates.

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

Financed emissions link the financing provided to customers with their activities in the real economy to help provide an indication of the greenhouse gas emissions associated with those activities.

They form part of the HSBC Group's scope 3 emissions, which include emissions associated with the use of a company's products and services.

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

In 2025, the Group will continue to review the approach for regional regulatory reporting.

Coverage of the analysis – HSBC Group

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

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

Sector	Scope of emissions	Value chain in scope				Coverage of GHGs
Oil and gas	1,2 and 3	Upstream (e.g. extraction)	Midstream (e.g. transport)	Downstream (e.g. fuel use)	Integrated/diversified	All GHGs
Power and utilities ¹	1 and 2	Upstream (e.g. generation)	Midstream (e.g. transmission and distribution)	Diversified utilities-power generation		All GHGs
Cement	1 and 2	Upstream (e.g raw materials, extraction)	Midstream (e.g. clicker and cement manufacturing)	Downstream (e.g. construction)	All GHGs	
Iron, steel and aluminium	1 and 2	Upstream (e.g raw materials, extraction)	Midstream (e.g. ore to steel)	Downstream (e.g. construction)	All GHGs	
Aviation	1 for airlines, 3 for aircraft lessors	Upstream (e.g parts manufacturers)	Midstream (e.g. aircraft manufacturing)	Downstream (e.g. airlines and aircraft lessors)	All GHGs	
Automotive	1,2 and 3	Upstream (e.g. suppliers)	Midstream (e.g. motor vehicle manufacture)	Downstream (e.g. retail)	All GHGs	
Thermal coal mining	1,2 and 3	Upstream (e.g. extraction)	Midstream (e.g. processing)	Downstream (e.g. retail)	All GHGs	

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

To calculate annual on-balance sheet financed emissions, the Group uses drawn balances as at 31 December 2023 related to wholesale credit and lending, which include business loans and project finance. The Group has excluded products that were short-term by design, and typically less than 12 months in duration to reduce volatility, having considered the Partnership for Carbon Accounting Financials ('PCAF') guidance and subject matter expert opinions from the business.

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

PCAF provides guidance on estimating emissions using different data sources. Emissions can be estimated using data on production, revenue, or outstanding loan amounts in combination with emission factors specific to that data. The Group endeavours to use the best available dataset according to PCAF but at this stage, it has prioritised the use of vendor data to help ensure data consistency.

Recommendations are provided to financial institutions to score and disclose data quality, and to seek to improve data quality over time.

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

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

HSBC Continental Europe Financed Emissions

HSBC Continental Europe has expanded the sectoral and on-balance sheet exposure coverage for financed emissions measurement to comply with mandatory requirements from the Article 449a of CRR.

To calculate annual on-balance sheet financed emissions, HSBC Continental Europe used drawn balances as at 30 June 2025 related to wholesale loans and advances to customers (corporate loans) and financial assets that are not insurance related (corporate debt). HSBC Continental Europe also now utilises NACE codes at individual obligor level aligned to the approach to the sectoral classification for balance sheet exposure. Given there is limited data availability at an individual obligor level, HSBC Continental Europe has estimated the emissions figures based upon industry averages (derived based on data from Institutional Shareholder Services group of companies (ISS)) at NACE level aligned to PCAF data quality score 5.

The increase in financed emissions since year-end 2024 is primarily attributed to updates in the industry average data (ISS 2022 to ISS 2023).

Plans to enhance methods to estimate counterparties' emission

The methodologies and data used to assess financed emissions and set targets continue to evolve alongside changes to industry guidance, market practice and regulation.

HSBC Continental Europe understands the need to provide early transparency on climate disclosures but this needs to be balanced with the recognition that the existing data and reporting processes

require significant enhancements. Estimates were used when client-reported data is not available. As data improves, the estimates will be replaced with reported figures.

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

Data and methodology limitations

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

- The methodologies and data used to assess financed emissions continue to evolve alongside changes to industry guidance, market practice and regulation. The majority of clients do not yet report emissions data at the granular subsidiary level and the full scope of greenhouse gas emissions required in the analysis, in particular scope 3 emissions. In the absence of client-reported emissions at the required granularity covering all scopes of emissions, HSBC has estimated emissions using proxies based on industry averages. These industry averages may be defined at country, region or global based on the data availability to calculate emission factors and may not be country specific. Given financed emissions data is entirely reliant on the industry averages, this may fluctuate year on year as data availability and granularity improves;
- To calculate the industry averages for financed emissions, there is a reliance on external third-party vendor data set and given the multi-year lag noted for emissions availability, the Bank has used emissions data from 2023 with a regional deflator to bridge to the latest full year available;
- Financed emissions have been calculated at the obligor level where NACE code granularity exists using industry averages. For HSBC Continental Europe, financed emissions are calculated at the individual obligor level and this may therefore differ between the counterparty group sectors used for financed emission reporting at the HSBC Group level;
- Additionally, the financing activities are treated as general corporate purposes (i.e. unknown use of proceeds as defined by GHG Protocol) due to data availability and limitations;
- All parts of the value chain and all scopes of emissions have been taken into account for financed emissions, and this may result in double counting between sectors. Double counting occurs when GHG emissions are counted more than once in financed emissions analysis and cannot be avoided. The bank remains committed to transparency around the methodology and scope of analysis; and
- The methodology and approach to the scope of the financed emission calculations for HSBC Continental Europe reported in template 1 is not aligned with the HSBC Group methodology and emissions figures will differ. This is to ensure alignment with financial reporting requirements to expand coverage across a wider range of sectors for disclosure purposes rather than focusing on target setting, which is currently done at HSBC Group level.

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 40: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity

		Gross carrying amount (€m)								Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)		GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)		percentage of GHG emissions (column i) derived from company-specific reporting (%)		<= 5 years (€m)		> 5 year <= 10 years (€m)		> 10 year <= 20 years (€m)		> 20 years (€m)		Average weighted maturity (years)	
30 Jun 2025		of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818 of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures	of which: Stage 2 exposures	of which: non-performing exposures	of which: Scope 3 financed emissions																		
Sector/Subsector																									
1	Exposures towards sectors that highly contribute to climate change¹	21,716	1,189	160	2,324	1,023	(345)	(33)	(274)	20,794,474	18,873,662	0	19,305	1,914	463	34	2.2								
2	A – Agriculture, forestry and fishing	113	—	—	13	19	(5)	(1)	(4)	166,121	146,445	0	112	1	—	—	2.2								
3	B – Mining and quarrying	356	298	1	—	191	—	—	—	1,120,410	1,012,039	0	165	191	—	—	4.5								
4	B.05 – Mining of coal and lignite	—	—	—	—	—	—	—	—	—	—	0	—	—	—	—	—								
5	B.06 – Extraction of crude petroleum and natural gas	272	272	1	—	191	—	—	—	980,969	888,990	0	81	191	—	—	5.5								
6	B.07 – Mining of metal ores	44	—	—	—	—	—	—	—	19,379	13,210	0	44	—	—	—	2.2								
7	B.08 – Other mining and quarrying	40	26	—	—	—	—	—	—	120,062	109,839	0	40	—	—	—	0.7								
8	B.09 – Mining support service activities	—	—	—	—	—	—	—	—	—	—	0	—	—	—	—	—								
9	C – Manufacturing	8,718	312	45	624	265	(138)	(10)	(111)	8,936,674	8,165,578	0	8,470	219	10	19	1.5								
10	C.10 – Manufacture of food products	971	—	—	102	8	(5)	—	(5)	1,228,534	1,112,534	0	898	66	7	—	2.0								
11	C.11 – Manufacture of beverages	145	—	—	5	—	—	—	—	46,299	41,346	0	145	—	—	—	0.3								
12	C.12 – Manufacture of tobacco products	111	—	—	—	—	—	—	—	4,025	3,739	0	111	—	—	—	2.0								
13	C.13 – Manufacture of textiles	104	—	—	4	10	(4)	—	(4)	83,548	61,068	0	76	28	—	—	2.8								
14	C.14 – Manufacture of wearing apparel	8	—	—	2	3	(1)	—	(1)	2,237	2,021	0	8	—	—	—	0.7								
15	C.15 – Manufacture of leather and related products	67	—	—	—	—	—	—	—	13,264	12,208	0	67	—	—	—	2.9								
16	C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	125	—	—	1	—	—	—	—	73,544	56,074	0	121	4	—	—	2.4								
17	C.17 – Manufacture of paper and paper products	92	—	15	9	5	(1)	—	(1)	68,328	49,317	0	92	—	—	—	0.9								
18	C.18 – Printing and reproduction of recorded media	37	—	—	—	1	—	—	—	19,285	17,410	0	37	—	—	—	1.1								
19	C.19 – Manufacture of coke and refined petroleum products	23	23	—	—	—	—	—	—	186,576	167,779	0	23	—	—	—	4.2								
20	C.20 – Manufacture of chemicals and chemical products	742	—	1	54	1	(1)	—	—	1,145,157	980,623	0	739	—	—	3	1.6								

Table 40: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

30 Jun 2025	Gross carrying amount (€m)				Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)				GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)				percentage of GHG emissions (column i) derived from company-specific reporting (%)				Average weighted maturity (years)			
	of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures	of which: Stage 2 exposures	of which: non-performing exposures	of which: Stage 2 exposures	of which: non-performing exposures	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions
Sector/Subsector																				
21 C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations	900	—	—	62	—	(2)	(2)	—	109,550	103,412	0	868	28	—	4	2.1				
22 C.22 – Manufacture of rubber products	331	—	—	11	15	(3)	(1)	(1)	434,514	408,617	0	331	—	—	—	2.0				
23 C.23 – Manufacture of other non-metallic mineral products	246	—	—	21	1	(2)	(1)	—	309,121	188,627	0	245	—	1	—	2.1				
24 C.24 – Manufacture of basic metals	251	—	—	—	2	(1)	—	(1)	514,140	365,693	0	251	—	—	—	1.0				
25 C.25 – Manufacture of fabricated metal products, except machinery and equipment	401	—	—	17	32	(7)	—	(6)	339,801	325,609	0	363	38	—	—	1.7				
26 C.26 – Manufacture of computer, electronic and optical products	376	—	8	30	3	(4)	(1)	(3)	190,320	186,450	0	372	4	—	—	1.7				
27 C.27 – Manufacture of electrical equipment	494	—	—	5	15	(9)	—	(9)	574,512	550,392	0	473	21	—	—	1.6				
28 C.28 – Manufacture of machinery and equipment n.e.c.	388	—	2	73	13	(5)	(3)	(2)	672,497	666,079	0	380	6	2	—	2.2				
29 C.29 – Manufacture of motor vehicles, trailers and semi-trailers	610	—	3	10	131	(55)	—	(54)	2,239,698	2,199,428	0	610	—	—	—	1.6				
30 C.30 – Manufacture of other transport equipment	195	—	16	73	7	(7)	—	(6)	491,736	488,153	0	172	23	—	—	2.7				
31 C.31 – Manufacture of furniture	3	—	—	—	—	—	—	—	2,634	2,472	0	2	1	—	—	5.6				
32 C.32 – Other manufacturing	2,069	289	—	144	17	(30)	(2)	(17)	162,484	152,961	0	2,057	—	—	12	0.5				
33 C.33 – Repair and installation of machinery and equipment	29	—	—	1	1	(1)	—	(1)	24,870	23,566	0	29	—	—	—	0.6				
34 D – Electricity, gas, steam and air conditioning supply	1,089	543	4	221	46	(11)	(4)	(3)	936,960	661,489	0	771	199	104	15	3.8				
35 D35.1 – Electric power generation, transmission and distribution	1,019	538	4	221	46	(11)	(4)	(3)	882,053	618,762	0	701	199	104	15	4.2				
36 D35.11 – Production of electricity	616	281	4	106	33	(8)	(4)	—	453,903	343,024	0	415	82	104	15	5.3				
37 D35.2 – Manufacture of gas; distribution of gaseous fuels through mains	65	—	—	—	—	—	—	—	49,511	38,022	0	65	—	—	—	2.7				
38 D35.3 – Steam and air conditioning supply	5	5	—	—	—	—	—	—	5,396	4,705	0	5	—	—	—	—				

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 40: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

30 Jun 2025	Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)		GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)		percentage of GHG emissions (column i) derived from company-specific reporting (%)					Average weighted maturity (years)
	of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818 of which: environmentally sustainable (CCM)										≤ 5 years (€m)	> 5 year ≤ 10 years (€m)	> 10 year ≤ 20 years (€m)	> 20 years (€m)	
Sector/Subsector															
39 E – Water supply; sewerage, waste management and remediation activities	164	—	—	—	—	(1)	—	—	44,397	19,991	0	162	2	—	0.7
40 F – Construction	398	24	3	8	79	(13)	—	(11)	257,335	247,800	0	290	82	26	3.3
41 F.41 – Construction of buildings	206	24	2	3	68	(10)	—	(9)	76,456	74,772	0	131	59	16	3.6
42 F.42 – Civil engineering	141	—	1	—	7	(1)	—	—	136,909	132,145	0	112	21	8	3.5
43 F.43 – Specialised construction activities	51	—	—	5	4	(2)	—	(2)	43,970	40,883	0	47	2	2	1.2
44 G – Wholesale and retail trade; repair of motor vehicles and motorcycles	3,858	7	29	496	197	(103)	(2)	(98)	7,601,836	7,387,083	0	3,740	111	7	1.0
45 H – Transportation and storage	2,512	4	4	602	11	(12)	(8)	(2)	1,527,031	1,043,031	0	1,785	512	215	3.9
46 H.49 – Land transport and transport via pipelines	323	—	—	3	2	(1)	—	(1)	120,084	94,101	0	216	71	36	4.2
47 H.50 – Water transport	1,092	—	4	430	—	(3)	(2)	—	578,268	302,441	0	540	380	172	5.7
48 H.51 – Air transport	175	—	—	51	—	(3)	(3)	—	193,680	49,832	0	155	20	—	2.6
49 H.52 – Warehousing and support activities for transportation	922	4	—	118	9	(5)	(3)	(1)	634,999	596,657	0	874	41	7	1.9
50 H.53 – Postal and courier activities	—	—	—	—	—	—	—	—	—	—	0	—	—	—	—
51 I – Accommodation and food service activities	325	—	—	22	15	(8)	—	(6)	48,072	41,022	0	319	5	1	2.1
52 L – Real estate activities	4,183	1	74	338	200	(54)	(8)	(39)	155,638	149,184	0	3,491	592	100	3.0
53 Exposures towards sectors other than those that highly contribute to climate change¹	12,309	55	144	1,110	263	(115)	(37)	(66)			11,489	567	38	215	2.4
54 K – Financial and insurance activities	37	—	—	1	—	(1)	—	—			20	15	2	—	4.2
55 Exposures to other sectors (NACE codes J, M – U)	12,272	55	144	1,109	263	(114)	(37)	(66)			11,469	552	36	215	2.4
56 TOTAL	34,025	1,244	304	3,434	1,286	(460)	(70)	(340)	20,794,474	18,873,662	0	30,794	2,481	501	2.3

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

2 Where portfolio exposures were rounded to zero due to reporting in millions, associated metrics such as financed emissions and average weighted maturity are not included in the disclosure. These adjustments relate to immaterial positions and have no significant impact on aggregate results.

Table 40: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

		Gross carrying amount (€m)					Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)			GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)		percentage of GHG emissions (column i) derived from company-specific reporting (%)					Average weighted maturity (years)
		of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818 of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures	of which: Stage 2 exposures	of which: non-performing exposures	of which: Scope 3 financed emissions	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)						
31 Dec 2024																	
Sector/Subsector																	
1	Exposures towards sectors that highly contribute to climate change	21,213	1,413	253	2,810	1,099	(306)	(49)	(231)	16,119,620	13,961,510	0	18,510	2,197	483	23	2.4
2	A – Agriculture, forestry and fishing	88	—	—	3	20	(5)	—	(5)	80,778	69,490	0	86	1	1	—	2.2
3	B – Mining and quarrying	458	370	1	2	246	—	—	—	1,084,652	965,514	0	207	246	—	5	4.9
4	B.05 – Mining of coal and lignite	—	—	—	—	—	—	—	—	4,223	4,109	0	—	—	—	—	—
5	B.06 – Extraction of crude petroleum and natural gas	368	368	1	2	246	—	—	—	1,022,368	916,836	0	117	246	—	5	5.5
6	B.07 – Mining of metal ores	73	—	—	—	—	—	—	—	26,661	17,379	0	73	—	—	—	2.6
7	B.08 – Other mining and quarrying	17	2	—	—	—	—	—	—	31,361	27,160	0	17	—	—	—	1.9
8	B.09 – Mining support service activities	—	—	—	—	—	—	—	—	39	30	0	—	—	—	—	—
9	C – Manufacturing	8,245	354	40	594	326	(128)	(26)	(91)	7,155,118	6,432,300	0	7,947	270	17	11	1.7
10	C.10 – Manufacture of food products	728	—	—	39	8	(6)	(1)	(5)	704,268	632,856	0	639	76	13	—	2.2
11	C.11 – Manufacture of beverages	109	—	—	10	—	—	—	—	33,385	29,925	0	103	6	—	—	0.6
12	C.12 – Manufacture of tobacco products	111	—	—	—	—	—	—	—	6,755	6,239	0	111	—	—	—	2.5
13	C.13 – Manufacture of textiles	120	—	—	6	13	(4)	—	(4)	82,750	64,322	0	86	34	—	—	3.2
14	C.14 – Manufacture of wearing apparel	10	—	—	3	3	(2)	—	(2)	3,577	3,311	0	10	—	—	—	1.1
15	C.15 – Manufacture of leather and related products	69	—	—	—	—	—	—	—	14,079	13,355	0	69	—	—	—	3.5
16	C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	130	—	—	1	—	(1)	(1)	—	59,969	52,295	0	122	8	—	—	2.8
17	C.17 – Manufacture of paper and paper products	69	—	11	15	1	(1)	—	(1)	58,201	37,697	0	69	—	—	—	0.2
18	C.18 – Printing and reproduction of recorded media	21	—	—	1	1	—	—	—	13,219	12,169	0	21	—	—	—	1.8
19	C.19 – Manufacture of coke and refined petroleum products	24	24	—	—	—	—	—	—	175,771	157,053	0	24	—	—	—	4.5
20	C.20 – Manufacture of chemicals and chemical products	626	—	—	21	10	(1)	—	(1)	853,343	709,736	0	625	1	—	—	1.4

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 40: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

31 Dec 2024	Gross carrying amount (€m)				Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)				GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)				percentage of GHG emissions (column i) derived from company-specific reporting (%)				Average weighted maturity (years)			
	of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures	of which: Stage 2 exposures	of which: non-performing exposures	of which: Stage 2 exposures	of which: non-performing exposures	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions	of which: Scope 3 financed emissions
Sector/Subsector																				
21	C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations	1,378	—	—	99	6	(2)	(2)	—	127,131	117,188	0	1,345	33	—	—	2.0			
22	C.22 – Manufacture of rubber products	326	—	—	39	15	(2)	(1)	(1)	468,608	440,733	0	325	1	—	—	1.9			
23	C.23 – Manufacture of other non-metallic mineral products	232	—	1	22	2	(1)	(1)	—	218,790	104,187	0	231	—	1	—	2.5			
24	C.24 – Manufacture of basic metals	342	—	—	1	22	(7)	—	(7)	751,914	597,067	0	340	2	—	—	1.0			
25	C.25 – Manufacture of fabricated metal products, except machinery and equipment	421	—	—	21	46	(7)	—	(7)	226,421	202,134	0	380	41	—	—	2.2			
26	C.26 – Manufacture of computer, electronic and optical products	271	—	9	26	4	(7)	(3)	(4)	68,849	66,894	0	269	2	—	—	2.2			
27	C.27 – Manufacture of electrical equipment	378	—	—	53	4	(13)	(13)	—	654,004	634,243	0	364	14	—	—	1.2			
28	C.28 – Manufacture of machinery and equipment n.e.c.	407	—	14	110	26	(7)	(4)	(3)	840,153	833,742	0	396	9	2	—	2.6			
29	C.29 – Manufacture of motor vehicles, trailers and semi-trailers	686	—	1	9	138	(38)	—	(34)	1,248,878	1,216,597	0	686	—	—	—	1.8			
30	C.30 – Manufacture of other transport equipment	148	—	4	43	7	(7)	—	(6)	247,667	245,372	0	105	43	—	—	3.7			
31	C.31 – Manufacture of furniture	4	—	—	—	—	—	—	—	3,386	3,282	0	3	—	1	—	4.9			
32	C.32 – Other manufacturing	1,606	330	—	74	18	(21)	—	(15)	261,484	221,301	0	1,595	—	—	11	0.8			
33	C.33 – Repair and installation of machinery and equipment	29	—	—	1	2	(1)	—	(1)	32,516	30,602	0	29	—	—	—	1.0			
34	D – Electricity, gas, steam and air conditioning supply	1,120	667	66	243	16	(4)	(2)	—	1,581,766	1,073,910	0	800	220	93	7	3.6			
35	D35.1 – Electric power generation, transmission and distribution	1,073	662	66	202	16	(3)	(1)	—	1,513,853	1,025,769	0	753	220	93	7	4.0			
36	D35.11 – Production of electricity	623	362	66	76	16	(3)	(1)	—	849,294	597,779	0	445	78	93	7	4.8			
37	D35.2 – Manufacture of gas; distribution of gaseous fuels through mains	42	—	—	41	—	(1)	(1)	—	67,132	47,473	0	42	—	—	—	3.2			
38	D35.3 – Steam and air conditioning supply	5	5	—	—	—	—	—	—	781	668	0	5	—	—	—	—			

Table 40: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

31 Dec 2024	Gross carrying amount (€m)				Accumulated impairment/ negative changes in fair value due to credit risk and provisions (€m)				GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent)		percentage of GHG emissions (column i) derived from company-specific reporting (%)					Average weighted maturity (years)
	of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures	of which: Stage 2 exposures	of which: non-performing exposures						<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	
Sector/Subsector																
39 E – Water supply; sewerage, waste management and remediation activities	271	—	—	49	—	—	—	—	91,287	36,984	0	268	3	—	—	0.6
40 F – Construction	482	—	3	10	83	(9)	(1)	(7)	369,720	351,906	0	376	79	27	—	3.3
41 F.41 – Construction of buildings	207	—	2	5	68	(6)	—	(5)	190,343	185,851	0	135	55	17	—	3.9
42 F.42 – Civil engineering	150	—	1	—	10	(1)	(1)	—	91,502	84,826	0	118	22	10	—	3.8
43 F.43 – Specialised construction activities	125	—	—	5	5	(2)	—	(2)	87,875	81,229	0	123	2	—	—	1.7
44 G – Wholesale and retail trade; repair of motor vehicles and motorcycles	3,654	20	50	752	175	(95)	(7)	(86)	4,264,965	4,135,038	0	3,509	137	8	—	1.0
45 H – Transportation and storage	2,181	2	—	806	69	(19)	(5)	(12)	1,272,318	691,477	0	1,376	594	211	—	4.6
46 H.49 – Land transport and transport via pipelines	281	—	—	28	3	(1)	—	(1)	105,871	77,324	0	161	78	42	—	5.2
47 H.50 – Water transport	1,218	—	—	691	—	(5)	(5)	—	786,725	369,527	0	619	437	162	—	5.5
48 H.51 – Air transport	214	—	—	—	57	(10)	—	(9)	165,457	40,542	0	188	26	—	—	2.9
49 H.52 – Warehousing and support activities for transportation	468	2	—	87	9	(3)	—	(2)	214,149	203,984	0	408	53	7	—	2.4
50 H.53 – Postal and courier activities	—	—	—	—	—	—	—	—	116	100	0	—	—	—	—	2.0
51 I – Accommodation and food service activities	450	—	—	16	18	(8)	—	(5)	67,046	58,075	0	434	7	9	—	1.9
52 L – Real estate activities	4,264	—	93	335	146	(38)	(8)	(25)	151,970	146,816	0	3,507	640	117	—	3.3
53 Exposures towards sectors other than those that highly contribute to climate change	12,278	19	85	1,378	396	(126)	(18)	(95)				11,603	437	55	183	2.4
54 K – Financial and insurance activities	385	—	—	15	—	(1)	—	—				360	23	2	—	1.8
55 Exposures to other sectors (NACE codes J, M – U)	11,893	19	85	1,363	396	(125)	(18)	(95)				11,243	414	53	183	2.4
56 TOTAL	33,491	1,432	338	4,188	1,495	(432)	(67)	(326)	16,119,620	13,961,510	0	30,113	2,634	538	206	2.4

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

This table presents the gross carrying amount¹ of loans collateralized with commercial and residential immovable property and of repossessed real estate collateral. The loans are presented in the template within the EU area based upon where the loan itself is booked, as a proxy for the location of the underlying collateral. The table also includes information on the level of energy efficiency of the underlying collateral measured in kWh/m² energy consumption and in terms of the label of the EPC². In the absence of an EPC energy consumption data, the energy consumption is estimated. This estimation methodology is set out below.

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

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

Although the sale of HSBC Continental Europe's French retail operations was completed on 1 January 2024, the Bank has retained a portfolio of retail home loans (comprised of mortgages and loans secured by Credit Logement guarantee) amounting to EUR 6.7 bn as at year-end 2024. This retained portfolio of retail operation were classified as held for sale as at 30 June 2025, therefore out of scope of reporting.

The methodology and approach used to report EPC certificate with energy efficiency scores only, in Template 2 follows the guidance set out in EBA Q&A 2024_7013 published in September 2024.

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

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

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

Table 41: Template 2: Banking book – Indicators of potential climate change transition risk: loans collateralised by immovable property – energy efficiency of the collateral

Counterparty sector	Total gross carrying amount															
	Level of energy efficiency (EP score in kWh/m ² of collateral)							Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
	<div> <div>>100;</div> <div>>200;</div> <div>>300;</div> <div>>400;</div> </div> <div> <div>0; <=</div> <div><=</div> <div><=</div> <div><=</div> </div> <div> <div>100</div> <div>200</div> <div>300</div> <div>400</div> </div> <div> <div>500</div> <div>> 500</div> </div>							<div>A</div> <div>B</div> <div>C</div> <div>D</div> <div>E</div> <div>F</div> <div>G</div>							<div>of which:</div> <div>energy</div> <div>efficiency</div> <div>(EP score in</div> <div>kWh/m² of</div> <div>collateral)</div> <div>estimated</div>	
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	%
30 Jun 2025																
1 Total EU area	7,853	1,267	2,693	2,548	750	95	500	498	374	394	431	267	69	95	5,725	91
2 – of which: Loans collateralised by commercial immovable property	4,940	1,003	721	2,075	587	73	481	455	341	309	307	175	63	81	3,209	89
3 – of which: Loans collateralised by residential immovable property	2,910	264	1,971	473	163	22	17	43	33	85	124	92	6	14	2,513	94
4 – of which: Collateral obtained by taking possession: residential and commercial immovable properties	3	—	1	—	—	—	2	—	—	—	—	—	—	—	3	100
5 – of which: Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	5,463	471	1,897	2,206	501	54	334								5,211	100
6 Total non-EU area	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7 – of which: Loans collateralised by commercial immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8 – of which: Loans collateralised by residential immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9 – of which: Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10 – of which: Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
31 Dec 2024																
1 Total EU area	14,506	1,716	3,804	5,705	2,233	470	578	483	366	503	609	293	123	228	11,901	96
2 – of which: Loans collateralised by commercial immovable property	4,900	992	582	2,326	428	71	501	441	351	359	337	200	97	206	2,909	88
3 – of which: Loans collateralised by residential immovable property	9,603	724	3,221	3,379	1,805	399	75	42	15	144	272	93	26	22	8,989	99
4 – of which: Collateral obtained by taking possession: residential and commercial immovable properties	3	—	1	—	—	—	2	—	—	—	—	—	—	—	3	100
5 – of which: Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	11,546	916	2,920	5,128	1,941	384	257								11,412	100
6 Total non-EU area	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7 – of which: Loans collateralised by commercial immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8 – of which: Loans collateralised by residential immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9 – of which: Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10 – of which: Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Banking book – Climate change transition risk: Alignment metrics

Setting targets

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

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

The Group has set absolute emissions reduction targets for the oil and gas, and thermal coal mining sectors. For the power and utilities; cement; iron, steel and aluminium; aviation; and automotive sectors, the Group has set emissions intensity targets that allow it to deploy capital towards decarbonisation solutions. The Group has published initial financed emission targets for 2030.

Methodology for alignment metrics

HSBC Continental Europe discloses GHG financed emissions alignment metrics in line with the Group's approach, which focuses on the parts of the value chain where HSBC believes the majority of emissions are produced to help reduce double counting of emissions. For each counterparty group, the Bank approximates absolute financed emissions using the loans and advances recorded in HSBC Continental Europe as a proportion of the HSBC Group total multiplied by the financed emissions for the HSBC Group.

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

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

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

The underlying assumption with this calculation is that the emissions intensity of financing activities is the same across regions and, as a result, that HSBC Continental Europe's financed emissions are apportioned at the same ratio as HSBC Continental Europe's portion of loan balances used in the HSBC Group's calculations. This may result in an overstatement of financed emissions attributable to HSBC Continental Europe since the Bank would expect emissions intensity in this region to be lower than a global average.

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

An evolving approach

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

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

The Group has begun a review of its interim financed emissions targets and associated policies as part of the annual review of the Net Zero Transition Plan that it referenced in the Q3 earnings release in October 2024. As the Group calibrates its approach for the latest context, it will seek to balance being ambitious on net zero while recognising present near-term global challenges, and the associated impact of the transition, playing out differently across the regions and sectors it serves. In doing so the Group plans to draw on the latest scientific evidence and credible industry-specific pathways while, at the same time, maintaining its commitment under its 2021 Climate Resolution.

For further details of the Financed emissions approach including the data sources, recalculation policy, data and methodology limitations and sectoral approach refer to:

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

Data and methodology limitations:

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

- Sector targets and progress metrics are calculated at the Group level and are set for HSBC's global portfolio. They are managed at the Group level with the recognition that regions and companies will decarbonize at different rates and that there are different strategies to achieve its global targets.
- The Group's approach focuses on what HSBC believes to be the most material parts of the sector value chains, and it seeks to minimise double counting between the transactions within the portfolio. Double counting occurs when GHG emissions are counted more than once in financed emissions analysis and cannot be avoided. HSBC remains committed to transparency around its methodology and scope of analysis.
- Emissions intensity of financing activities is assumed to be the same across regions and HSBC Continental Europe's financed emissions are apportioned at the same ratio as HSBC Continental Europe's portion of loan balances used in the HSBC Group's calculations. This may result in a different estimation of financed emissions attributable to HSBC Continental Europe to one where methodology and available data were available to perform a more granular calculation. Additionally, intensity-based metrics can be highly volatile year-on-year when applied to smaller portfolios. At a sub-portfolio level, they therefore do not accurately represent progress to a global sector target.
- The Group calculated the sector level emissions intensity metrics using a portfolio-weighted approach. Due to data limitations, HSBC is unable to obtain production data for all of the clients. It therefore calculates an emissions intensity figure using the 75th percentile to meet this data gap.

- NACE codes and internal wholesale industry classifications are assigned to help determine the nature of a customer's main activity. The scope of clients analysed is determined based on sector classifications assigned using expert judgement from global relationship managers based on their relationship and knowledge of the customer's activity, with supporting data from NACE codes assigned at the issuer level consistent with third party vendor datasets.
- NACE codes are assigned to a counterparty at the counterparty group level by calculating the NACE with the highest and second-highest approved lending limits. The calculation and methodology of financed emissions calculation are dependent upon the availability of data. For the calculation of financed emissions where the allocation of the emissions data is required at the subsidiary level – however, company reported emissions data may only be available at the consolidated level of a counterparty and not at the legal entity level of a counterparty – HSBC has used the counterparty Group level information. Sectors for balance sheet reporting are assigned at an individual obligor level and may therefore differ between the counterparty Group sectors used for financed emission reporting.
- HSBC Continental Europe's disclosures in Template 3 are aligned with the Group's methodology as financed emission's targets are set a global level and the calculation needs to be consistent across geographies. In Template 1, the report is stand-alone for HSBC Continental Europe and therefore the methodology aims at achieving maximum coverage and complying with regulatory requirements.
- The financed emission calculation only covers loan and advances to customers which reflect the most material part of the financing activity. Debt and equity holdings represent 1 per cent of the banking book exposure.
- Due to the time lag for emissions data from counterparties, the alignment metrics and the financed emissions are based on both balance sheet and emission figures from 2023 year-end. Third party datasets that feed into the analysis may have up to a two-year lag in reported emission figures, and HSBC is working with data providers to help reduce this. Mapping external datasets to the internal client entities is challenging due to complex company ownership structures.
- The latest thermal coal mining financed emissions is disclosed at HSBC Group level for year-end 2022 but there has been no disclosure in this EBA Pillar 3 report as there is no exposure for HSBC Continental Europe for year-end 2022.
- Most clients do not yet report the full scope of greenhouse gas emissions included in the analysis, in particular scope 3 emissions. In the absence of client-reported emissions, the Group estimated emissions using proxies based on company production and revenue figures. As data improves and coverage expands, estimates can be replaced with reported figures.
- The operating environment for climate analysis and portfolio alignment is maturing. HSBC continues to work to improve the data management processes, and are implementing steering mechanisms to align the provision of finance with the goals and timelines of the Paris Agreement.
- For this interim report, there is no further update to Template 3 disclosure as the methodology and data inputs remain unchanged and it aligns with HSBC Group's year-end target setting approach published in HSBC'S 2024 Annual Report and Accounts. The next update to Template 3 will be part of the year-end Pillar 3 reporting, in line with HSBC Group's financed emissions progress metrics update in the upcoming Annual Report and Accounts.

Table 42: Template 3: Banking book – indicators of potential climate change transition risk: alignment metrics

	Sector	NACE Sectors	Gross carrying amount (€m) ¹	Alignment metric ²	Reference year	Distance to IEA NZE2050 as % ³	Target (year of reference + 3 years) ⁷
	30 Jun 2025						
1	Power	3511	993	tCO ₂ e/Gwh	2023	113	Not available
2	Fossil fuel combustion	0610; 0620	547	MtCO ₂ e	2023	Not available ⁴	Not available
3	Automotive	2910; 3091	308	tCO ₂ e/million vkm	2023	124	Not available
4	Aviation	5110; 7735	659	tCO ₂ e/million rpk	2023	38	Not available
5	Maritime transport ⁵	Not available	Not available	Not available	Not available	Not available	Not available
6	Cement, clinker and lime production	2351	14	tCO ₂ e/t cement	2023	48	Not available
7	Iron and steel, coke, and metal ore production	2410; 2442	46	tCO ₂ e/t metal	2023	68	Not available
8	Chemicals ⁶	Not available	Not available	Not available	Not available	Not available	Not available

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 42: Template 3: Banking book – indicators of potential climate change transition risk: alignment metrics (continued)

Sector	NACE Sectors	Gross carrying amount (€m) ¹	Alignment metric ²	Reference year	Distance to IEA NZE2050 as % ³	Target (year of reference + 3 years) ⁷
31 Dec 2024						
1 Power	3511	993	tCO ₂ e/Gwh	2023	113	Not available
2 Fossil fuel combustion	0610; 0620	547	MtCO ₂ e	2023	Not available ⁴	Not available
3 Automotive	2910; 3091	308	tCO ₂ e/million vkm	2023	124	Not available
4 Aviation	5110; 7735	659	tCO ₂ e/million rpk	2023	38	Not available
5 Maritime transport ⁵	Not available	Not available	Not available	Not available	Not available	Not available
6 Cement, clinker and lime production	2351	14	tCO ₂ e/t cement	2023	48	Not available
7 Iron and steel, coke, and metal ore production	2410; 2442	46	tCO ₂ e/t metal	2023	68	Not available
8 Chemicals ⁶	Not available	Not available	Not available	Not available	Not available	Not available

1 The gross carrying amount is reported as at December 2023.

2 For the oil and gas sector, absolute emissions are measured in million tonnes of carbon dioxide equivalent ('Mt CO₂e'); for the power and utilities sector, intensity is measured in tonnes of carbon dioxide equivalent per gigawatt hour ('tCO₂e/GWh'); for the cement sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of cement ('tCO₂e/t cement'); for the iron, steel and aluminium sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of metal ('tCO₂e/t metal'); for the aviation sector, intensity is measured in tonnes of carbon dioxide equivalent per million revenue passenger kilometres ('tCO₂e/million rpk') and for the automotive sector, intensity is measured in tonnes of carbon dioxide equivalent per million vehicle kilometres ('tCO₂e/million vkm').

3 PiT distance to 2030 NZE2050 scenario in % (for each metric).

4 The reason for not reporting the distance to IEA NZE 2050 for HSBC Continental Europe is because the Group's targets are expressed in percentage reduction from 2019 and there is no 2019 HSBC Continental Europe baseline (i.e. where to measure the reduction from) for fossil fuel combustion due to no target setting and baseline for regional reporting.

5 Following a reduction in the Group's exposure to the shipping sector after the strategic sale of part of the European shipping portfolio in 2023, and work undertaken to assess the materiality of the remaining portfolio from a financed emissions perspective, the Bank has concluded that the remaining exposure is not material enough to warrant setting a stand-alone target. This aligns with industry guidelines on sector inclusion for target setting.

6 Given Chemicals is not currently aligned to the in-scope sectors for the Group disclosures, it is not able to publish alignment metric for HSBC Continental Europe.

7 For financed emissions the Group do not plan to set 2026 targets. It sets targets in line with the industry guidelines by setting 2030 targets.

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

This table provides information on exposures to the top 20 most carbon-intensive firms in the world by comparing the corporate counterparties of the operating entities in the loan book against a list of top 20 carbon-intensive firms, compiled using data from reports of the Climate Accountability Institute ('CAI'). The Disclosure seeks to include exposure to any company that belongs to the group of any of the top 20 emitters. The top 20 Carbon emitters have been identified using the CAI's Carbon Majors 2018 data set, specifically the 'Top Twenty CO₂e 2018' table.

The gross carrying amount of exposure to the top 20 carbon-emitting companies is given as a proportion of the total gross carrying amount of exposures in the banking book. The gross carrying amount

includes loans and advances, debt securities and equity instruments, excluding financial assets held for trading and held for sale assets.

The methodology for determining exposures to the top 20 carbon-emitting companies is expected to evolve as data availability, industry guidance and market practice changes over time.

HSBC Continental Europe is also required to report the taxonomy-aligned exposures ('CCM') that are in accordance with the EU Taxonomy Regulation 2020/852 and aligns with Table 46 Mitigating actions: Assets for the calculation of GAR (Template 7) for non-financial corporations.

Table 43: Template 4: Banking book – indicators of potential climate change transition risk: exposures to top 20 carbon-intensive firms

		Gross carrying amount to the Top 20 counterparties compared to total gross carrying amount (aggregate) ¹	of which: environmentally sustainable (CCM)	Weighted average maturity (years)	Number of top 20 polluting firms included
	Gross carrying amount €m (aggregate)				
1 30 Jun 2025	448	0.39	0.00	0.26	6
1 31 Dec 2024	544	0.53	0.07	0.23	6

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

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

Scope

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

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

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

Methodology

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

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

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

Data limitations

For corporate loans, the disclosure is dependent on the availability of location information for one of the following three things: the collateral securing the loans (where relevant), the counterparties activities, or the head office. If any one of these three locations was found to be subject to high physical risk, the exposure is considered as high physical risk in the table. Based on the available data, the geographical location of the collateral, or activity of the counterparty, or their head office location was mapped at the most granular district or state level where possible; country level mapping was only used as a last resort. In 2024, a review was conducted to remap previously analysed country-level data to more granular levels, such as districts or states. This refinement improved the physical risk assessment by providing more localised insights, leading to changes in assessment ratings, particularly for both chronic and acute risks. As a result, the physical risk outcomes at the district or state level often indicated lower risk levels compared to broader country-level assessments.

For retail loans, residential addresses were also considered. Where the counterparty's loan is backed by more than one collateral in the form of immovable property, the physical risk of each has been assessed and the highest physical risk is reported against that contract. Also, based on the available data, we calculated physical risk based on best available location of the exposure. For exposures in Malta, the physical risk impact data from the ThinkHazard! database was overlaid with local risk assessment based on the location of buildings in these localities.

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

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

For EUR723m (2 per cent) of the total amount analysed in table 44 as at June 2025 for HSBC Continental Europe, we had limited or no data available to clearly identify the geographical location and assess the impact of the associated physical risk (compared to EUR35m representing 0.1 per cent in December 2024).

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

Assumptions

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

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

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

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

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

- (a) Acute risks (event-driven risks that last for a few days) – extreme weather events such as storms and cyclones, extreme rainfall and heatwaves; and
- (b) Chronic risks (those due to longer-term shifts in climate patterns) – variability in precipitation, temperature, water stress and sea-level rise.

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

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

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

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

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

Table 44: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk

Variable: Geographical area subject to climate change physical risk – acute and chronic events		Gross carrying amount														
		of which: exposures sensitive to impact from climate change physical events														
		Breakdown by maturity bucket						of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
		€m	≤ 5 years	> 5 year ≤ 10 years	> 10 year ≤ 20 years	> 20 years	Average Weighted maturity years						of which: Stage 2 exposures	of which: non-performing exposures	of which: Stage 2 exposures	of which: non-performing exposures
30 Jun 2025																
France																
1	A – Agriculture, forestry and fishing	113	93	1	–	–	2.4	–	94	–	13	2	(1)	(1)	–	
2	B – Mining and quarrying	326	134	192	–	–	4.9	–	81	245	–	191	–	–	–	
3	C – Manufacturing	4,473	3,677	126	4	–	1.8	–	3,568	239	249	38	(19)	(4)	(12)	
4	D – Electricity, gas, steam and air conditioning supply	641	499	30	63	12	3.7	–	513	91	28	13	(4)	–	(3)	
5	E – Water supply; sewerage, waste management and remediation activities	34	29	–	–	–	1.4	–	22	7	–	–	–	–	–	
6	F – Construction	341	181	74	11	–	3.8	–	243	23	5	66	(9)	–	(9)	
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	2,686	2,372	37	–	–	1.2	–	2,385	24	388	85	(34)	(2)	(31)	
8	H – Transportation and storage	1,823	1,419	246	62	–	3.1	–	1,486	241	360	3	(5)	(3)	(2)	
9	L – Real estate activities	3,342	2,662	438	64	–	3.1	–	3,164	–	239	157	(47)	(7)	(35)	
10	Loans collateralised by residential immovable property	515	500	7	–	–	2.5	–	502	5	43	31	(8)	–	(8)	
11	Loans collateralised by commercial immovable property	4,427	3,586	559	49	–	3.1	–	4,194	–	373	202	(41)	(7)	(29)	
12	Reposessed collateral	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
13	Other relevant sectors (breakdown below where relevant)	10,674	7,472	434	23	194	2.8	–	7,812	311	800	162	(87)	(33)	(42)	
14	I – Accommodation and food service activities	277	267	3	–	–	2.0	–	270	–	19	9	(5)	–	(4)	
15	J – Information and communication	1,055	883	103	3	–	2.6	–	978	11	38	10	(6)	–	(3)	
16	K – Financial and insurance activities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
17	M – Professional scientific and technical activities	3,369	1,887	173	2	–	2.3	–	2,000	62	146	40	(18)	(6)	(9)	
18	N – Administrative and support service activities	4,722	3,955	140	1	194	3.3	–	4,114	176	458	99	(56)	(27)	(25)	
19	O – Public administration and defence compulsory social security	3	3	–	–	–	3.7	–	3	–	–	–	–	–	–	
20	P – Education	8	6	1	–	–	2.6	–	7	–	3	–	–	–	–	
21	Q – Human health and social work activities	54	48	5	–	–	2.0	–	45	8	3	3	(1)	–	(1)	
22	R – Arts, entertainment and recreation	140	110	8	17	–	4.1	–	135	–	4	1	(1)	–	–	
23	S – Other service activities	1,046	313	1	–	–	0.8	–	260	54	129	–	–	–	–	
Other geographical areas																
1	A – Agriculture, forestry and fishing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
2	B – Mining and quarrying	30	30	–	–	–	0.2	–	30	–	–	–	–	–	–	
3	C – Manufacturing	4,245	3,606	93	4	18	1.2	–	3,540	181	300	89	(40)	(2)	(25)	
4	D – Electricity, gas, steam and air conditioning supply	448	217	115	40	3	3.6	–	216	159	155	4	–	–	–	
5	E – Water supply; sewerage, waste management and remediation activities	130	130	–	–	–	0.5	–	130	–	–	–	–	–	–	
6	F – Construction	57	37	–	–	–	0.7	–	37	–	–	–	–	–	–	

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 44: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk (continued)

	Variable: Geographical area subject to climate change physical risk – acute and chronic events	Gross carrying amount													
		of which: exposures sensitive to impact from climate change physical events													
		Breakdown by maturity bucket						of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		€m	€m	€m	€m	€m	Average Weighted maturity years						of which: Stage 2 exposures	of which: non-performing exposures	of which: non-performing exposures
			≤ 5 years	> 5 year ≤ 10 years	> 10 year ≤ 20 years	> 20 years									
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	1,172	1,015	1	1	—	0.3	—	994	23	98	50	(25)	—	(25)
8	H – Transportation and storage	689	267	259	154	—	6.0	—	569	111	241	7	(5)	(5)	—
9	L – Real estate activities	841	670	60	10	—	1.6	—	740	—	75	27	(1)	—	(1)
10	Loans collateralised by residential immovable property	2,395	384	119	190	177	10.4	—	856	14	24	15	(3)	—	(2)
11	Loans collateralised by commercial immovable property	513	247	56	10	—	2.7	—	313	—	84	30	(4)	—	(3)
12	Repossessed collateral	3	2	—	—	—	1.0	—	2	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	1,960	1,578	53	4	21	1.5	—	1,556	100	172	49	(7)	(3)	(3)
14	I – Accommodation and food service activities	48	16	1	—	—	1.8	—	17	—	—	2	(1)	—	(1)
15	J – Information and communication	362	317	7	—	9	2.8	—	298	35	9	—	—	—	—
16	K – Financial and insurance activities	37	3	—	—	—	1.6	—	3	—	—	—	—	—	—
17	M – Professional scientific and technical activities	653	542	35	3	12	1.1	—	527	65	58	22	(2)	—	(2)
18	N – Administrative and support service activities	404	337	—	—	—	2.0	—	337	—	49	25	(1)	—	—
19	O – Public administration and defence compulsory social security	—	—	—	—	—	—	—	—	—	—	—	—	—	—
20	P – Education	6	—	—	—	—	—	—	—	—	—	—	—	—	—
21	Q – Human health and social work activities	60	51	—	—	—	1.3	—	51	—	50	—	(3)	(3)	—
22	R – Arts, entertainment and recreation	7	7	—	—	—	2.0	—	7	—	—	—	—	—	—
23	S – Other service activities	383	305	10	1	—	0.5	—	316	—	6	—	—	—	—
	Total														
1	A – Agriculture, forestry and fishing	113	93	1	—	—	2.4	—	94	—	13	2	(1)	(1)	—
2	B – Mining and quarrying	356	164	192	—	—	4.5	—	111	245	—	191	—	—	—
3	C – Manufacturing	8,718	7,283	219	8	18	1.5	—	7,108	420	549	127	(59)	(6)	(37)
4	D – Electricity, gas, steam and air conditioning supply	1,089	716	145	103	15	3.7	—	729	250	183	17	(4)	—	(3)
5	E – Water supply; sewerage, waste management and remediation activities	164	159	—	—	—	0.6	—	152	7	—	—	—	—	—
6	F – Construction	398	218	74	11	—	3.4	—	280	23	5	66	(9)	—	(9)
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	3,858	3,387	38	1	—	0.9	—	3,379	47	486	135	(59)	(2)	(56)
8	H – Transportation and storage	2,512	1,686	505	216	—	3.9	—	2,055	352	601	10	(10)	(8)	(2)
9	L – Real estate activities	4,183	3,332	498	74	—	2.8	—	3,904	—	314	184	(48)	(7)	(36)
10	Loans collateralised by residential immovable property	2,910	884	126	190	177	7.5	—	1,358	19	67	46	(11)	—	(10)
11	Loans collateralised by commercial immovable property	4,940	3,833	615	59	—	3.1	—	4,507	—	457	232	(45)	(7)	(32)
12	Repossessed collateral	3	2	—	—	—	1.0	—	2	—	—	—	—	—	—

Table 44: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk (continued)

		Gross carrying amount													
		of which: exposures sensitive to impact from climate change physical events													
		Breakdown by maturity bucket						of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		€m	≤ 5 years	> 5 year ≤ 10 years	> 10 year ≤ 20 years	> 20 years	Average Weighted maturity years						of which: Stage 2 exposures	of which: non-performing exposures	
Variable: Geographical area subject to climate change physical risk – acute and chronic events		€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m
13	Other relevant sectors (breakdown below where relevant)	12,634	9,050	487	27	215	2.6	—	9,368	411	972	211	(94)	(36)	(45)
14	I – Accommodation and food service activities	325	283	4	—	—	2.0	—	287	—	19	11	(6)	—	(5)
15	J – Information and communication	1,417	1,200	110	3	9	2.6	—	1,276	46	47	10	(6)	—	(3)
16	K – Financial and insurance activities	37	3	—	—	—	1.6	—	3	—	—	—	—	—	—
17	M – Professional scientific and technical activities	4,022	2,429	208	5	12	2.0	—	2,527	127	204	62	(20)	(6)	(11)
18	N – Administrative and support service activities	5,126	4,292	140	1	194	3.2	—	4,451	176	507	124	(57)	(27)	(25)
19	O – Public administration and defence compulsory social security	3	3	—	—	—	3.7	—	3	—	—	—	—	—	—
20	P – Education	14	6	1	—	—	2.6	—	7	—	3	—	—	—	—
21	Q – Human health and social work activities	114	99	5	—	—	1.7	—	96	8	53	3	(4)	(3)	(1)
22	R – Arts, entertainment and recreation	147	117	8	17	—	4.0	—	142	—	4	1	(1)	—	—
23	S – Other service activities	1,429	618	11	1	—	0.6	—	576	54	135	—	—	—	—
31 Dec 2024															
France															
1	A – Agriculture, forestry and fishing	85	63	1	1	—	2.4	—	65	—	2	2	—	—	—
2	B – Mining and quarrying ¹	447	200	246	—	—	5.0	—	140	306	2	246	—	—	—
3	C – Manufacturing	4,574	3,805	152	9	—	1.9	—	3,648	318	319	83	(25)	(6)	(15)
4	D – Electricity, gas, steam and air conditioning supply	678	550	40	42	7	3.2	—	517	122	116	—	(3)	(2)	—
5	E – Water supply; sewerage, waste management and remediation activities	39	33	—	—	—	1.7	—	24	9	1	—	—	—	—
6	F – Construction	445	281	70	13	—	3.5	—	364	—	7	76	(3)	(1)	(2)
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	2,507	2,034	55	1	—	1.1	—	2,060	30	597	57	(26)	(3)	(21)
8	H – Transportation and storage	1,491	980	301	82	—	4.0	—	1,074	289	408	4	(3)	(1)	(2)
9	L – Real estate activities	3,396	2,639	479	76	—	3.5	—	3,194	—	235	107	(31)	(5)	(22)
10	Loans collateralised by residential immovable property	7,150	470	300	2,808	1,994	16.5	—	5,563	9	157	49	(14)	(1)	(11)
11	Loans collateralised by commercial immovable property	4,265	3,302	628	63	—	3.4	—	3,993	—	230	156	(24)	(4)	(17)
12	Reposessed collateral	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	10,344	8,420	301	44	182	2.6	—	8,563	384	1,091	313	(101)	(14)	(79)
14	I – Accommodation and food service activities	285	263	5	8	—	2.2	—	276	—	11	12	(5)	—	(4)
15	J – Information and communication	732	597	44	7	—	2.6	—	635	13	95	9	(5)	(1)	(3)
16	K – Financial and insurance activities	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 44: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk (continued)

Variable: Geographical area subject to climate change physical risk – acute and chronic events		Gross carrying amount													
		of which: exposures sensitive to impact from climate change physical events													
		Breakdown by maturity bucket						of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		€m	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average Weighted maturity years						€m	€m	€m
17	M – Professional scientific and technical activities	3,466	2,306	113	6	—	2.1	—	2,380	45	342	154	(33)	(7)	(24)
18	N – Administrative and support service activities	4,955	4,482	128	5	182	3.1	—	4,570	227	435	133	(54)	(5)	(47)
19	O – Public administration and defence compulsory social security	4	4	—	—	—	3.5	—	4	—	—	—	—	—	—
20	P – Education	9	7	1	—	—	3.0	—	8	—	4	1	—	—	—
21	Q – Human health and social work activities	49	45	3	—	—	2.2	—	39	9	18	3	(1)	—	(1)
22	R – Arts, entertainment and recreation	184	157	7	18	—	4.1	—	182	—	5	1	(1)	—	—
23	S – Other service activities	660	559	—	—	—	0.7	—	469	90	181	—	(2)	(1)	—
Other geographical areas															
1	A – Agriculture, forestry and fishing	3	3	—	—	—	—	—	3	—	1	—	—	—	—
2	B – Mining and quarrying	11	6	—	—	5	—	—	11	—	—	—	—	—	—
3	C – Manufacturing	3,671	2,929	111	6	11	1.5	—	2,887	170	194	214	(79)	(18)	(55)
4	D – Electricity, gas, steam and air conditioning supply	442	215	125	47	—	3.7	—	209	178	125	16	—	—	—
5	E – Water supply; sewerage, waste management and remediation activities	232	232	—	—	—	0.3	—	232	—	48	—	—	—	—
6	F – Construction	37	26	—	—	—	0.9	—	26	—	—	—	—	—	—
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	1,147	1,006	1	—	—	0.3	—	992	15	70	101	(61)	(4)	(57)
8	H – Transportation and storage	690	279	276	129	—	6.1	—	548	136	394	64	(14)	(4)	(9)
9	L – Real estate activities	868	695	64	12	—	1.7	—	771	—	82	25	(2)	—	(1)
10	Loans collateralised by residential immovable property	2,453	355	90	212	184	11.2	—	841	—	16	19	(2)	(1)	(1)
11	Loans collateralised by commercial immovable property	635	371	57	12	—	2.4	—	440	—	80	29	(4)	—	(3)
12	Reposessed collateral	3	2	—	—	—	1.0	—	2	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	2,384	2,058	48	4	1	1.3	—	1,962	149	195	31	(4)	(1)	(1)
14	I – Accommodation and food service activities	165	128	1	—	—	1.0	—	129	—	—	2	(1)	—	(1)
15	J – Information and communication	460	429	1	—	1	2.0	—	391	40	35	—	—	—	—
16	K – Financial and insurance activities	385	303	—	—	—	1.7	—	303	—	15	—	(1)	—	—
17	M – Professional scientific and technical activities	707	635	35	3	—	1.0	—	564	109	77	—	—	—	—
18	N – Administrative and support service activities	264	242	—	—	—	1.4	—	242	—	38	29	(1)	—	—
19	O – Public administration and defence compulsory social security	—	—	—	—	—	—	—	—	—	—	—	—	—	—
20	P – Education	6	—	—	—	—	—	—	—	—	—	—	—	—	—
21	Q – Human health and social work activities	44	30	—	—	—	2.6	—	30	—	29	—	(1)	(1)	—
22	R – Arts, entertainment and recreation	10	8	—	—	—	2.4	—	8	—	—	—	—	—	—
23	S – Other service activities	343	283	11	1	—	0.7	—	295	—	1	—	—	—	—

Table 44: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk (continued)

Variable: Geographical area subject to climate change physical risk – acute and chronic events		Gross carrying amount													
		of which: exposures sensitive to impact from climate change physical events													
		Breakdown by maturity bucket						of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		€m	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average Weighted maturity years						€m	€m	€m
Total	€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m	
1	A – Agriculture, forestry and fishing	88	66	1	1	—	2.3	—	68	—	3	2	—	—	—
2	B – Mining and quarrying	458	206	246	—	5	4.9	—	151	306	2	246	—	—	—
3	C – Manufacturing	8,245	6,734	263	15	11	1.7	—	6,535	488	513	297	(104)	(24)	(70)
4	D – Electricity, gas, steam and air conditioning supply	1,120	765	165	89	7	3.4	—	726	300	241	16	(3)	(2)	—
5	E – Water supply; sewerage, waste management and remediation activities	271	265	—	—	—	0.5	—	256	9	49	—	—	—	—
6	F – Construction	482	307	70	13	—	3.3	—	390	—	7	76	(3)	(1)	(2)
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	3,654	3,040	56	1	—	0.8	—	3,052	45	667	158	(87)	(7)	(78)
8	H – Transportation and storage	2,181	1,259	577	211	—	4.7	—	1,622	425	802	68	(17)	(5)	(11)
9	L – Real estate activities	4,264	3,334	543	88	—	3.2	—	3,965	—	317	132	(33)	(5)	(23)
10	Loans collateralised by residential immovable property	9,603	825	390	3,020	2,178	15.8	—	6,404	9	173	68	(16)	(2)	(12)
11	Loans collateralised by commercial immovable property	4,900	3,673	685	75	—	3.3	—	4,433	—	310	185	(28)	(4)	(20)
12	Reposessed collateral	3	2	—	—	—	1.0	—	2	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	12,728	10,478	349	48	183	2.4	—	10,525	533	1,286	344	(105)	(15)	(80)
14	I – Accommodation and food service activities	450	391	6	8	—	1.8	—	405	—	11	14	(6)	—	(5)
15	J – Information and communication	1,192	1,026	45	7	1	2.3	—	1,026	53	130	9	(5)	(1)	(3)
16	K - Financial and insurance activities	385	303	—	—	—	1.7	—	303	—	15	—	(1)	—	—
17	M – Professional scientific and technical activities	4,173	2,941	148	9	—	1.8	—	2,944	154	419	154	(33)	(7)	(24)
18	N – Administrative and support service activities	5,219	4,724	128	5	182	3.0	—	4,812	227	473	162	(55)	(5)	(47)
19	O – Public administration and defence compulsory social security	4	4	—	—	—	3.2	—	4	—	—	—	—	—	—
20	P – Education	15	7	1	—	—	3.0	—	8	—	4	1	—	—	—
21	Q – Human health and social work activities	93	75	3	—	—	2.4	—	69	9	47	3	(2)	(1)	(1)
22	R – Arts, entertainment and recreation	194	165	7	18	—	4.0	—	190	—	5	1	(1)	—	—
23	S – Other service activities	1,003	842	11	1	—	0.7	—	764	90	182	—	(2)	(1)	—

EU Taxonomy economic performance indicators¹

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

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

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

Scope of consolidation

The Taxonomy KPIs presented in the tables are based on exposures and balances within HSBC Continental Europe's prudential scope of consolidation as at 30 June 2025. Subsidiaries engaged in insurance activities are treated as an investment in subsidiary, and the insurance activities are excluded from the prudential scope of consolidation.

KPI: Green Asset Ratio ('GAR')

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

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

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

Total covered assets

The calculation of the Taxonomy KPIs include exposures covering loans and advances, debt securities and equity instruments not held for trading and repossessed collateral. This includes exposures to undertakings such as large EU banks, asset managers, insurance companies and issuers that are in scope of Articles 19a or 29a of Directive 2013/34/EU⁴ (Non-Financial Reporting Directive ('NFRD')) and Corporate Sustainability Reporting Directive ('CSRD')).

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

Taxonomy-eligible and aligned economic activities

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

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

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

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

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

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

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

Taxonomy non-eligible economic activities

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

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

Exposures to undertakings not in scope of NFRD/CSRD⁴

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

Derivatives

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

On demand interbank loans

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

Cash and cash-related assets

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

Other assets

HSBC Assurance Vie (France) is a subsidiary carrying out insurance activities and has been classified as held for sale since 31 December 2024 and reported as part of "Other assets".

Other assets also include retail exposures not covered by the Taxonomy framework, exposures to EU and non-EU financial corporations not subject to NFRD/CSRD disclosure obligations, cash, tangible and intangible assets, all of which are excluded from the Taxonomy framework and therefore cannot be assessed for Taxonomy eligibility. Lending to or financing of local governments where the use of proceeds is unknown (i.e. general-purpose lending) is also excluded from the numerator and these exposures have been included as part of Other assets. Other assets are included in the total assets used in the denominator for the calculation of the ratios.

Assets not covered for GAR calculation

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

Sovereigns

Sovereign exposures include exposures to central governments and supranational issuers and are out of scope for the GAR calculation.

Central banks

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

Trading book

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

HSBC Continental Europe's GAR

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

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

The composition of HSBC Continental Europe's banking book is a key driver of the Green Asset Ratio ('GAR'). With NFRD/CSRD counterparties only making up a fraction of the overall book, most exposures are outside the scope of eligibility assessment under the EU Taxonomy framework. Furthermore, for those exposures where the use of proceeds is known to be applied to eligible activities, such as green bonds and property-related lending, data limitations result in limited ability to comprehensively assess against the alignment criteria.

As data capabilities and market data availability improves, it is expected that reporting and strategy will evolve.

Data limitations

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

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

Eligibility and alignment by environmental objective

The taxonomy eligibility split by Climate Change Mitigation ('CCM') and Climate Change Adaptation ('CCA') reported by non-financial counterparties is used by HSBC Continental Europe in its assessment and reporting for the period ended 30 June 2025.

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

Where the split by environmental objective is not available, eligibility and alignment reported by the counterparty is defaulted to CCM, except in the case of insurers where it is defaulted to CCA.

Counterparty eligibility and alignment data

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

To consistently report the Bank's Taxonomy eligibility and alignment of exposures there is a dependency on counterparty KPIs. However, some counterparties calculate ratios using a different calculation methodology and, in these cases, where sufficient information is available to do so, the data is normalised so that data between counterparties is comparable and can be used consistently across calculations. For example, data is corrected in the case of double counting and reported under one objective only. Total alignment is calculated as a sum of alignment by objective, as opposed to total alignment reported, to ensure that the data sums correctly. Where a counterparty has not reported eligibility data and solely reported alignment, it has been assumed that eligibility matches the alignment KPIs.

HSBC Continental Europe has a dependency on counterparty information to make an assessment for EU Taxonomy eligibility and alignment. Where this information is incomplete and deemed not reliable, it has been excluded from the numerator of the Bank's GAR calculation.

KPIs of financial counterparties

In accordance with the requirements under the EU Taxonomy, insurance undertakings, investment firms and financial conglomerates are required to disclose weighted average KPIs which should be used by the Bank in assessing the eligibility and alignment of exposures to relevant counterparties.

Where the disclosure of weighted average KPIs by financial counterparties was not available or where more than one set of KPIs has been reported, the approach set out below was followed. In addition, the sector classification is reported in accordance with FinRep reporting.

Financial conglomerates: Green Asset Ratios or if not available, non-life underwriting KPIs, or if not available Green Investment KPIs.

Credit institutions: Green Asset Ratios or if not available Green Investment KPIs.

Insurance undertakings: non-life underwriting KPIs or if not available Green Investment KPIs.

Investment companies: Green Asset Ratios – dealing on own account.

Asset managers: Green Investment Ratios.

Where weighted average KPIs were disclosed by counterparties, they were not sufficiently granular for the Bank to satisfy its disclosure requirements. For example, only alignment may be reported with no split by objective. In these cases, the weighted average KPIs are used but the same assumptions are applied as for other cases of missing counterparty data as described above.

Exposures subject to the NFRD/CSRD⁴

Due to data limitations, it has not been possible to assess all the criteria required to determine the NFRD/ CSRD status. Instead, reliance has been placed upon data provided by third party vendors. To treat a counterparty as NFRD/CSRD, the counterparty must be assessed as being incorporated in the European Union or European Economic Area, and have reported EU Taxonomy eligibility data. Where counterparties have been identified as reporting voluntary data only, or where the data vendor can only provide estimated data, the counterparty is treated as non NFRD/CSRD.

For NFRD/CSRD counterparties that have taken the exemption to report at subsidiary level because they are included in the consolidated reporting of their parent, the parent's Taxonomy KPIs have not been relied upon unless the parent undertaking has clearly stated that the relevant subsidiary has taken the exemption option to report Taxonomy KPIs. Where it has not been possible to identify the NFRD/CSRD status of the counterparty, the exposure has been included in the non-NFRD section of the template.

Household exposures

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

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

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

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

Table 45: Template 6: Summary of key performance indicators ('KPIs') on the Taxonomy – aligned exposures

	KPI			Coverage (over total assets)
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
30 Jun 2025	%	%	%	%
GAR stock	0.36	—	0.36	47.60
GAR flow	0.03	—	0.03	6.29
31 Dec 2024				
GAR stock	0.39	0.01	0.40	45.28
GAR flow	0.01	—	0.01	20.23

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

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

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

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

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

Table 46: Template 7: Mitigating actions: Assets for the calculation of Green Asset Ratio ('GAR')

€m		At 30 Jun 2025																	
		Climate Change Mitigation ('CCM') of which: to taxonomy relevant sectors (Taxonomy-eligible)							Climate Change Adaptation ('CCA') of which: to taxonomy relevant sectors (Taxonomy-eligible)					TOTAL (CCM + CCA) of which: to taxonomy relevant sectors (Taxonomy-eligible)					
		of which: environmentally sustainable (Taxonomy-aligned)							of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					
		of which: special-ised lending							of which: special-ised lending					of which: special-ised lending					
		of which: transi-tional							of which: adapt-ation					of which: transi-tional/ adapt-ation					
		Total gross carrying amount																	
GAR – Covered assets in both numerator and denominator																			
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	13,913	4,604	439	—	51	130	21	1	—	—	1	4,625	440	—	51	131		
2	Financial corporations	6,854	1,258	135	—	3	3	2	—	—	—	0	1,260	135	—	3	3		
3	Credit institutions	6,121	1,233	118	—	3	3	2	—	—	—	0	1,235	118	—	3	3		
4	Loans and advances	5,572	1,047	112	—	2	2	2	—	—	—	0	1,049	112	—	2	2		
5	Debt securities, including UoP	549	186	6	—	1	1	—	—	—	—	—	186	6	—	1	1		
6	Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
7	Other financial corporations	733	25	17	—	—	—	—	—	—	—	—	25	17	—	—	—		
8	– of which : investment firms	2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
9	Loans and advances	2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
10	Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
11	Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
12	– of which: management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
13	Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
14	Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
15	Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
16	– of which: insurance undertakings	537	16	16	—	—	—	—	—	—	—	—	16	16	—	—	—		
17	Loans and advances	537	16	16	—	—	—	—	—	—	—	—	16	16	—	—	—		
18	Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
19	Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 46: Template 7: Mitigating actions: Assets for the calculation of Green Asset Ratio ('GAR') (continued)

€m	Total gross carrying amount	At 30 Jun 2025														
		Climate Change Mitigation ('CCM')					Climate Change Adaptation ('CCA')					TOTAL (CCM + CCA)				
		of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)					of which: to taxonomy relevant sectors (Taxonomy-eligible)				
		of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)				
		of which: special-ised lending	of which: transi-tional	of which: enabl-ing			of which: special-ised lending	of which: adapt-ation	of which: enabl-ing			of which: special-ised lending	of which: transi-tional/ adapt-ation	of which: enabl-ing		
20 Non-financial corporations (subject to NFRD disclosure obligations)	4,480	771	304	—	48	127	19	1	—	—	1	790	305	—	48	128
21 Loans and advances	4,412	767	301	—	48	126	18	—	—	—	—	785	301	—	48	126
22 Debt securities, including UoP	51	4	3	—	—	1	—	—	—	—	—	4	3	—	—	1
23 Equity instruments	17	—	—	—	—	—	1	1	—	—	1	1	1	—	—	1
24 Households	2,391	2,387	—	—	—	—	—	—	—	—	—	2,387	—	—	—	—
25 – of which: loans collateralised by residential immovable property	2,367	2,367	—	—	—	—	—	—	—	—	—	2,367	—	—	—	—
26 – of which: building renovation loans	3	3	—	—	—	—	—	—	—	—	—	3	—	—	—	—
27 – of which: motor vehicle loans	21	17	—	—	—	—	—	—	—	—	—	17	—	—	—	—
28 Local governments financing	185	185	—	—	—	—	—	—	—	—	—	185	—	—	—	—
29 Housing financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
30 Other local governments financing	185	185	—	—	—	—	—	—	—	—	—	185	—	—	—	—
31 Collateral obtained by taking possession: residential and commercial immovable properties	3	3	—	—	—	—	—	—	—	—	—	3	—	—	—	—
32 Total GAR Assets (in the numerator)	13,913	4,604	439	—	51	130	21	1	—	—	1	4,625	440	—	51	131
Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33 EU Non-financial corporations (not subject to NFRD disclosure obligations)	24,497															
34 Loans and advances	24,120															
35 Debt securities	176															
36 Equity instruments	202															

Table 46: Template 7: Mitigating actions: Assets for the calculation of Green Asset Ratio ('GAR') (continued)

		At 30 Jun 2025								
		Climate Change Mitigation ('CCM')			Climate Change Adaptation ('CCA')			TOTAL (CCM + CCA)		
		of which: to taxonomy relevant sectors (Taxonomy-eligible)			of which: to taxonomy relevant sectors (Taxonomy-eligible)			of which: to taxonomy relevant sectors (Taxonomy-eligible)		
		of which: environmentally sustainable (Taxonomy-aligned)			of which: environmentally sustainable (Taxonomy-aligned)			of which: environmentally sustainable (Taxonomy-aligned)		
		of	of	of	of	of	of	of	of	of
		which: special-ised lending	which: transi-tional	which: enabl-ing	which: special-ised lending	which: adapt-ation	which: enabl-ing	which: special-ised lending	which: transi-tional/ adapt-ation	which: enabl-ing
€m	Total gross carrying amount									
37 Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)	5,048									
38 Loans and advances	5,031									
39 Debt securities	17									
40 Equity instruments	—									
41 Derivatives	49									
42 On demand interbank loans	2,112									
43 Cash and cash-related assets	43									
44 Other assets (e.g. Goodwill, commodities etc.)	77,025									
45 Total Assets (in the denominator) (GAR)	122,687									
Other assets excluded from both the numerator and denominator for GAR calculation										
46 Sovereigns	17,362									
47 Central banks exposure	45,879									
48 Trading book	71,809									
49 Total Assets excluded from numerator and denominator	135,050									
50 Total Assets	257,737									

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 46: Template 7: Mitigating actions: Assets for the calculation of GAR (continued)

		At 31 Dec 2024															
		Climate Change Mitigation ('CCM')					Climate Change Adaptation ('CCA')					TOTAL (CCM + CCA)					
		of which: towards taxonomy relevant sectors (Taxonomy- eligible)					of which: towards taxonomy relevant sectors (Taxonomy- eligible)					of which: towards taxonomy relevant sectors (Taxonomy- eligible)					
		of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					
€m	Total gross carrying amount			of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional/adaptation	of which: enabling	
GAR - Covered assets in both numerator and denominator																	
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	20,478	12,496	433	—	19	139	253	7	—	2	5	12,748	440	—	21	144
2	Financial corporations	7,170	2,465	95	—	—	1	25	2	—	2	0	2,490	97	—	2	1
3	Credit institutions	6,577	2,463	95	—	—	—	8	1	—	1	0	2,470	96	—	1	—
4	Loans and advances	5,764	1,989	91	—	—	—	8	1	—	1	0	1,996	92	—	1	—
5	Debt securities, including UoP	813	474	4	—	—	—	—	—	—	—	—	474	4	—	—	—
6	Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Other financial corporations	593	2	—	—	—	1	17	1	—	1	—	20	1	—	1	1
8	– of which : investment firms	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	– of which: management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14	Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15	Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
16	– of which: insurance undertakings	497	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
17	Loans and advances	497	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
18	Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
19	Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
20	Non-financial corporations (subject to NFRD disclosure obligations)	3,977	758	338	—	19	138	228	5	—	—	5	985	343	—	19	143
21	Loans and advances	3,928	751	334	—	19	136	228	5	—	—	5	979	339	—	19	141
22	Debt securities, including UoP	36	6	4	—	—	2	—	—	—	—	—	6	4	—	—	2
23	Equity instruments	13	1	—	—	—	—	—	—	—	—	—	—	—	—	—	—
24	Households	9,134	9,130	—	—	—	—	—	—	—	—	—	9,129	—	—	—	—

Table 46: Template 7: Mitigating actions: Assets for the calculation of GAR (continued)

At 31 Dec 2024																	
		Climate Change Mitigation ('CCM')					Climate Change Adaptation ('CCA')					TOTAL (CCM + CCA)					
		of which: towards taxonomy relevant sectors (Taxonomy- eligible)					of which: towards taxonomy relevant sectors (Taxonomy- eligible)					of which: towards taxonomy relevant sectors (Taxonomy- eligible)					
		of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					
		Total gross carrying amount		of which: specialised lending	of which: transitional	of which: enabling		of which: specialised lending	of which: adaptation	of which: enabling		of which: specialised lending	of which: transitional/adaptation	of which: enabling			
€m																	
25	– of which: loans collateralised by residential immovable property	9,111	9,112	—	—	—	—	—	—	—	—	9,111	—	—	—	—	
26	– of which: building renovation loans	3	3	—	—	—	—	—	—	—	—	3	—	—	—	—	
27	– of which: motor vehicle loans	20	15	—	—	—	—	—	—	—	—	15	—	—	—	—	
28	Local governments financing	194	141	—	—	—	—	—	—	—	—	141	—	—	—	—	
29	Housing financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
30	Other local governments financing	194	141	—	—	—	—	—	—	—	—	141	—	—	—	—	
31	Collateral obtained by taking possession: residential and commercial immovable properties	3	2	—	—	—	—	—	—	—	—	3	—	—	—	—	
32	Total GAR Assets (in the numerator)	20,478	12,496	433	—	19	139	253	7	—	2	5	12,748	440	—	21	144
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33	EU Non-financial corporations (not subject to NFRD disclosure obligations)	24,220															
34	Loans and advances	23,949															
35	Debt securities	86															
36	Equity instruments	185															
37	Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)	5,320															
38	Loans and advances	5,301															
39	Debt securities	19															
40	Equity instruments	—															
41	Derivatives	98															
42	On demand interbank loans	1,857															
43	Cash and cash-related assets	53															
44	Other assets (e.g. Goodwill, commodities etc.)	57,892															

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 46: Template 7: Mitigating actions: Assets for the calculation of GAR (continued)

		At 31 Dec 2024									
		Climate Change Mitigation ('CCM')			Climate Change Adaptation ('CCA')			TOTAL (CCM + CCA)			
		of which: towards taxonomy relevant sectors (Taxonomy- eligible)			of which: towards taxonomy relevant sectors (Taxonomy- eligible)			of which: towards taxonomy relevant sectors (Taxonomy- eligible)			
		of which: environmentally sustainable (Taxonomy-aligned)			of which: environmentally sustainable (Taxonomy-aligned)			of which: environmentally sustainable (Taxonomy-aligned)			
		Total gross carrying amount	of which: specialised lending	of which: transitional	of which: enabling	of which: specialised lending	of which: adaptation	of which: enabling	of which: specialised lending	of which: transitional/adaptation	of which: enabling
€m											
45	Total Assets (in the denominator) (GAR)	109,918									
	Other assets excluded from both the numerator and denominator for GAR calculation										
46	Sovereigns	14,367									
47	Central banks exposure	52,454									
48	Trading book	66,006									
49	Total Assets excluded from numerator and denominator	132,827									
50	Total Assets	242,745									

GAR % (Template 8)

This table presents stock of eligible and aligned exposures as a proportion of total covered assets, and flow of eligible and aligned exposures as a proportion of total new covered assets.

The flow template reported as at 30 June 2025 represents the proportion of new eligible and aligned assets funding taxonomy relevant sectors for the six months beginning from 1 January 2025.

New assets (flow) is calculated as the gross carrying amount of newly incurred exposures during the year without deducting the amounts of loan repayments or disposals of debt securities/equity instruments that have occurred during the period prior to the disclosure reference date.

Due to data challenges for certain asset classes, the approach set out below was followed. Firstly, where loan signature dates and origination amounts are available, the gross carrying amount of newly incurred exposures by transaction or customer is calculated without deducting repayments or disposals. As the starting point to identify new loans granted during the year is the stock of loans at 30 June 2025, it is possible that some loans both granted and repaid during the 6 months to 30 June 2025 have not been accounted for in the flow. To identify the date that loans have been granted, the signature

date currently available is used. Some renegotiated loans may have a different signature date than the original loan.

Where signature dates and origination amounts are not available, flow is calculated as the exposure at date (T) minus the exposure at date (T-1) by individual transaction or customer or internal sub-classification level, defaulting to zero where the result is negative. This approach is also used for overdrafts and other revolving credit facilities, as multiple drawings and repayments in the period could result in a disproportionately high gross flow which is a multiple of that of the stock, and in any case, it is not practicable or possible to identify every individual drawing through the year.

To calculate total new covered assets and total new assets, it is necessary to calculate the flow for items that are not explicit line items in the flow template such as derivatives. For such items, the flow is calculated based on the exposure at date (T) minus exposure at date (T-1) at a total asset class level, defaulting to zero where the result is negative.

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

Table 47: Template 8: GAR (%)

		At 30 Jun 2025: KPIs on stock														
		Climate Change Mitigation ('CCM')					Climate Change Adaptation ('CCA')					TOTAL (CCM + CCA)				
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors				
		of which: environmentally sustainable					of which: environmentally sustainable					of which: environmentally sustainable				
		of which: of which: of which: of which: of which: special-ised lending transitional enabling					of which: of which: of which: of which: of which: special-ised lending transitional enabling					of which: of which: of which: of which: of which: special-ised lending transitional/ adapt ation enabling				
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	GAR	0.36					—					0.36				
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	3.75	0.36	—	0.04	0.11	0.02	—	—	—	—	3.77	0.36	—	0.04	0.11
3	Financial corporations	1.03	0.11	—	—	—	—	—	—	—	—	1.03	0.11	—	—	—
4	Credit institutions	1.01	0.10	—	—	—	—	—	—	—	—	1.01	0.10	—	—	—
5	Other financial corporations	0.02	0.01	—	—	—	—	—	—	—	—	0.02	0.01	—	—	—
6	– of which: investment firms	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	– of which: management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	– of which: insurance undertakings	0.01	0.01	—	—	—	—	—	—	—	—	0.01	0.01	—	—	—
9	Non-financial corporations subject to NFRD disclosure obligations	0.63	0.25	—	0.04	0.11	0.02	—	—	—	—	0.65	0.25	—	0.04	0.11
10	Households	1.94	—	—	—	—	—	—	—	—	—	1.94	—	—	—	—
11	– of which: loans collateralised by residential immovable property	1.93	—	—	—	—	—	—	—	—	—	1.93	—	—	—	—
12	– of which: building renovation loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	– of which: motor vehicle loans	0.01	—	—	—	—	—	—	—	—	—	0.01	—	—	—	—
14	Local government financing	0.15	—	—	—	—	—	—	—	—	—	0.15	—	—	—	—
15	Housing financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
16	Other local governments financing	0.15	—	—	—	—	—	—	—	—	—	0.15	—	—	—	—
17	Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 47: Template 8: GAR % (continued)

		Period ended 30 Jun 2025: KPIs on flows															
		Climate Change Mitigation ('CCM')					Climate Change Adaptation ('CCA')					TOTAL (CCM + CCA)					
		Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					
		of which: environmentally sustainable					of which: environmentally sustainable					of which: environmentally sustainable					
		of which: special-ised lending					of which: special-ised lending					of which: special-ised lending					Proportion of total new assets covered
% (compared to total covered assets in the denominator)		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	
1	GAR	0.03					—					0.03					6.29
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0.47	0.03	—	—	0.03	—	—	—	—	—	0.47	0.03	—	—	0.03	6.29
3	Financial corporations	0.01	—	—	—	—	—	—	—	—	—	0.01	—	—	—	—	1.29
4	Credit institutions	0.01	—	—	—	—	—	—	—	—	—	0.01	—	—	—	—	0.89
5	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.40
6	– of which: investment firms	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	– of which: management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	– of which: insurance undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.07
9	Non-financial corporations subject to NFRD disclosure obligations	0.07	0.03	—	—	0.03	—	—	—	—	—	0.07	0.03	—	—	0.03	4.67
10	Households	0.25	—	—	—	—						0.25	—	—	—	—	0.21
11	– of which: loans collateralised by residential immovable property	0.24	—	—	—	—						0.24	—	—	—	—	0.20
12	– of which: building renovation loans	—	—	—	—	—						—	—	—	—	—	—
13	– of which: motor vehicle loans	0.01	—	—	—	—						0.01	—	—	—	—	0.01
14	Local government financing	0.14	—	—	—	—						0.14	—	—	—	—	0.12
15	Housing financing	—	—	—	—	—						—	—	—	—	—	—
16	Other local governments financing	0.14	—	—	—	—	—	—	—	—	—	0.14	—	—	—	—	0.12
17	Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—						—	—	—	—	—	—

Table 47: Template 8: GAR % (continued)

		At 31 Dec 2024: KPIs on stock															
		Climate Change Mitigation ('CCM')					Climate Change Adaptation ('CCA')					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					
		of which: environmentally sustainable					of which: environmentally sustainable					of which: environmentally sustainable					
		of which: specialised lending					of which: specialised lending					of which: specialised lending					Proportion of total assets covered
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	GAR	0.39					0.01					0.40					45.28
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	11.37	0.39	—	0.02	0.13	0.23	0.01	—	—	0.01	11.60	0.40	—	0.02	0.14	8.44
3	Financial corporations	2.24	0.09	—	—	—	0.02	—	—	—	—	2.26	0.09	—	—	—	2.95
4	Credit institutions	2.24	0.09	—	—	—	0.02	—	—	—	—	2.26	0.09	—	—	—	2.71
5	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.24
6	– of which: investment firms	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	– of which: management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	– of which: insurance undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.20
9	Non-financial corporations subject to NFRD disclosure obligations	0.69	0.30	—	0.02	0.13	0.21	0.01	—	—	0.01	0.90	0.31	—	0.02	0.14	1.65
10	Households	8.31	—	—	—	—	—	—	—	—	—	8.31	—	—	—	—	3.76
11	– of which: loans collateralised by residential immovable property	8.30	—	—	—	—	—	—	—	—	—	8.30	—	—	—	—	3.75
12	– of which: building renovation loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	– of which: motor vehicle loans	0.01	—	—	—	—	—	—	—	—	—	0.01	—	—	—	—	0.01
14	Local government financing	0.13	—	—	—	—	—	—	—	—	—	0.13	—	—	—	—	0.08
15	Housing financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
16	Other local governments financing	0.13	—	—	—	—	—	—	—	—	—	0.13	—	—	—	—	0.08
17	Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 47: Template 8: GAR % (continued)

		Year ended 31 Dec 2024: KPIs on flows														
		Climate Change Mitigation ('CCM')					Climate Change Adaptation ('CCA')					TOTAL (CCM + CCA)				
		Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors				
		of which: environmentally sustainable					of which: environmentally sustainable					of which: environmentally sustainable				
		of which: of which: of which: of which: of which: special-ised lending transitional enabling					of which: of which: of which: of which: of which: special-ised lending transitional enabling					of which: of which: of which: of which: of which: special-ised lending transitional/ adapt-ation enabling				
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	GAR	0.01					—					0.01				
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0.73	0.01	—	—	0.01	—	—	—	—	—	0.73	0.01	—	—	0.01
3	Financial corporations	0.39	—	—	—	—	—	—	—	—	—	0.39	—	—	—	—
4	Credit institutions	0.39	—	—	—	—	—	—	—	—	—	0.39	—	—	—	—
5	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	– of which: investment firms	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	– of which: management companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	– of which: insurance undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Non-financial corporations subject to NFRD disclosure obligations	0.06	0.01	—	—	0.01	—	—	—	—	—	0.06	0.01	—	—	0.01
10	Households	0.24	—	—	—	—	—	—	—	—	—	0.24	—	—	—	—
11	– of which: loans collateralised by residential immovable property	0.23	—	—	—	—	—	—	—	—	—	0.23	—	—	—	—
12	– of which: building renovation loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	– of which: motor vehicle loans	0.01	—	—	—	—	—	—	—	—	—	0.01	—	—	—	—
14	Local government financing	0.04	—	—	—	—	—	—	—	—	—	0.04	—	—	—	—
15	Housing financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
16	Other local governments financing	0.04	—	—	—	—	—	—	—	—	—	0.04	—	—	—	—
17	Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

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

The table below reports other climate change mitigating actions that support counterparties in the transition and adaptation process for the objectives of climate change mitigation and adaptation. These mitigating actions include green bonds, sustainable bonds, sustainability-linked bonds, green loans and sustainability-linked loans, that are linked to aspects of climate change. The exposures reported in this table are eligible but do not need to be aligned with the criteria laid out in the EU Taxonomy Regulation 2020/852 and would not be considered under the Green Asset Ratio. These exposures also include green loans to counterparties that have not published EU Taxonomy KPIs. HSBC Continental Europe strengthened its green loan identification approach, aiming to enhance the coverage and complying with regulatory requirements.

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

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

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

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

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 48: Template 10: Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

Type of financial instrument	Type of counterparty	Gross carrying amount €m	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
30 Jun 2025					
1	Financial corporations	121	Y	Y	The proceeds from these bonds are used for climate change transition risk purposes, and are deployed to sustainable investments such as green buildings, clean transportation, renewable energy, deployment of innovative low-carbon technologies and other decarbonisation and carbon reduction projects. Some bonds support projects which contribute to mitigate climate physical risk, such as the conservation and restoration of ecosystems, which helps to create natural barriers against climate related physical events.
2	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Non-financial corporations	—		
3		– of which: Loans collateralised by commercial immovable property	—		
4	Other counterparties	546	Y	Y	The proceeds from these bonds are invested in projects with a climate change transition risk and/or physical risk mitigation objective. Financings are intended to be deployed to transition projects such as energy efficient buildings, clean transportation and renewable energy. Some bonds support projects which contribute to mitigate climate physical risk, such as measures for reducing flood risk, e.g. rainwater drainage systems, and coastal protection e.g. drains, paving and elevated quaysides.
5	Financial corporations	93	Y	N	These loans are assessed as green either; to support green issuances, or are part of the current ambition of investing/ financing \$750bn to \$1tn in sustainable projects by 2030. They mainly finance renewable energy and green buildings projects, which support the transition to a lower carbon economy.
6	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Non-financial corporations	1,259	Y	N
7		– of which: Loans collateralised by commercial immovable property	—		
8		Households	4	Y	N
9		– of which: Loans collateralised by residential immovable property	—		
10		– of which: building renovation loans	0.4		
11		Other counterparties	—		
					These loans finance housing refurbishment and green car loans in order to improve energy efficiency and contribute to mitigating transition risk.

Table 48: Template 10: Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852 (continued)

Type of financial instrument	Type of counterparty	Gross carrying amount €m	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
31 Dec 2024					
1	Financial corporations	416	Y	Y	The proceeds from these bonds are used for climate change transition risk purposes, and are deployed to sustainable investments such as green buildings, clean transportation, renewable energy, deployment of innovative low-carbon technologies and other decarbonisation and carbon reduction projects. Some bonds support projects which contribute to mitigate climate physical risk, such as the conservation and restoration of ecosystems, which helps to create natural barriers against climate-related physical events.
2	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	—			
3	Non-financial corporations – of which: Loans collateralised by commercial immovable property	—			
4	Other counterparties	215	Y	Y	The proceeds from these bonds are invested in projects with a climate change transition risk and/or physical risk mitigation objective. Financings are intended to be deployed to transition projects such as energy efficient buildings, clean transportation and renewable energy. Some bonds support projects which contribute to mitigate climate physical risk, such as measures for reducing flood risk, e.g. rainwater drainage systems, and coastal protection e.g. drains, paving and elevated quaysides.
5	Financial corporations	57	Y	N	These loans are assessed as green either; to support green issuances, part of the original \$100bn investing/financing commitment, or are part of the current ambition of investing/financing \$750bn to \$1tn in sustainable projects by 2030. They mainly finance renewable energy projects, which support the transition to a lower carbon economy.
6	Non-financial corporations	760	Y	N	These loans are assessed as green either; to support green issuances, part of the original \$100bn investing/financing commitment, or are part of the current ambition of investing/financing \$750bn to \$1tn in sustainable projects by 2030. They finance green building projects, renewable energy, clean transportation, energy efficiency infrastructure and pollution prevention and control projects, which all support the transition to a lower carbon economy.
7	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards) – of which: Loans collateralised by commercial immovable property	—			
8	Households	4	Y	N	These loans finance housing refurbishment and green car loans in order to improve energy efficiency and contribute to mitigating transition risk.
9	– of which: Loans collateralised by residential immovable property	—			
10	– of which: building renovation loans	1			
11	Other counterparties	—			

Appendix I

Countercyclical Capital buffers

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

The buffer for exposure to the French economy is set by the French High Council for Financial Stability. During 1H25, the French CCyB

was 1 per cent, the Slovenian CCyB increased from 0.5 per cent to 1 per cent (from 1 Jan 2025), and the Latvian CCyB increased from 0.5 per cent to 1 per cent (from 18 June 2025) as previously announced by their respective authorities.

The table below shows the make-up of HSBC Continental Europe's countercyclical capital buffer. The effective rate for the countercyclical capital buffer stands at the level of 0.87 per cent in 2025.

Table 49: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer ('CCyB1')

Country	General credit exposures		Trading book exposures		Securitisation exposures	Own funds requirements							
	SA €m	IRB €m	Sum of long/ short positions for SA €m	Internal models €m	Total exposure value of securiti- sation positions in the banking book €m	Total exposure value €m	of which: general credit exposures €m	of which: general trading book €m	of which: securiti- sation exposures €m	Total €m	Risk- weighted exposure amounts €m	Own funds require- ments weights %	CCyB rate %
Albania	—	—	—	—	—	—	—	—	—	—	—	—	—
Algeria	0.2	4.5	—	—	—	4.7	0.3	—	—	0.3	3.8	0.01	—
Andorra	—	—	—	—	—	—	—	—	—	—	—	—	—
Argentina	0.1	0.4	—	—	—	0.5	—	—	—	—	—	—	—
Armenia	2.0	0.5	—	—	—	2.5	0.2	—	—	0.2	2.5	0.01	1.50
Australia	0.5	2.7	—	—	—	3.2	0.1	—	—	0.1	1.3	—	1.00
Austria	18.0	596.9	—	—	—	614.9	27.9	—	—	27.9	348.8	1.00	—
Azerbaijan	41.3	—	—	—	—	41.3	0.1	—	—	0.1	1.3	—	—
Bahamas	—	7.7	—	—	—	7.7	—	—	—	—	—	—	—
Bahrain	1.2	40.3	—	—	—	41.5	0.2	—	—	0.2	2.5	0.01	—
Bangladesh	—	11.5	—	—	—	11.5	0.1	—	—	0.1	1.3	—	—
Barbados	—	33.3	—	—	—	33.3	2.3	—	—	2.3	28.8	0.08	—
Belgium	142.7	760.4	—	—	—	903.1	46.6	—	—	46.6	582.5	1.67	1.00
Bermuda	—	155.7	—	—	—	155.7	1.1	—	—	1.1	13.8	0.04	—
Botswana	—	—	—	—	—	—	—	—	—	—	—	—	—
Brazil	6.7	34.9	—	—	—	41.6	0.3	—	—	0.3	3.8	0.01	—
Bulgaria	—	7.5	—	—	—	7.5	0.1	—	—	0.1	1.3	—	2.00
Canada	4.6	146.0	—	—	—	150.6	6.7	—	—	6.7	83.8	0.24	—
Cayman Islands	0.5	35.7	—	—	—	36.2	0.2	—	—	0.2	2.5	0.01	—
Chile	—	49.3	—	—	—	49.3	2.6	—	—	2.6	32.5	0.09	0.50
China	1.3	3.2	—	—	—	4.5	0.1	—	—	0.1	1.3	—	—
Colombia	—	3.4	—	—	—	3.4	0.1	—	—	0.1	1.3	—	—
Costa Rica	0.2	—	—	—	—	0.2	—	—	—	—	—	—	—
Côte D'Ivoire	—	—	—	—	—	—	—	—	—	—	—	—	—
Croatia	—	—	—	—	—	—	—	—	—	—	—	—	1.50
Curaçao	—	—	—	—	—	—	—	—	—	—	—	—	—
Cyprus	0.6	13.2	—	—	—	13.8	0.3	—	—	0.3	3.8	0.01	1.00
Czech Republic	20.8	440.4	—	—	—	461.2	19.7	—	—	19.7	246.3	0.70	1.25
Denmark	—	1,878.1	—	—	—	1,878.1	49.7	—	—	49.7	621.3	1.78	2.50
Dominican Republic	—	—	—	—	—	—	—	—	—	—	—	—	—
Ecuador	—	—	—	—	—	—	—	—	—	—	—	—	—
Egypt	3.7	142.5	—	—	—	146.2	1.4	—	—	1.4	17.5	0.05	—
Estonia	—	—	—	—	—	—	—	—	—	—	—	—	1.50
Faroe Islands	0.9	—	—	—	—	0.9	0.1	—	—	0.1	1.3	—	—
Finland	5.0	96.4	—	—	—	101.4	2.8	—	—	2.8	35.0	0.10	—
France	8,071.2	16,010.0	—	—	6,566.5	30,647.7	846.3	—	90.7	937.0	11,712.0	33.21	1.00
Germany	916.1	11,522.5	—	—	738.2	13,176.8	531.1	—	6.4	537.5	6,718.3	19.19	0.75
Ghana	—	191.8	—	—	—	191.8	—	—	—	—	—	—	—
Gibraltar	—	—	—	—	—	—	—	—	—	—	—	—	—
Greece	4.9	302.3	—	—	—	307.2	10.8	—	—	10.8	135.0	0.38	—
Guadeloupe	—	—	—	—	—	—	—	—	—	—	—	—	—
Guatemala	—	—	—	—	—	—	—	—	—	—	—	—	—
Guernsey	—	51.1	—	—	—	51.1	1.9	—	—	1.9	23.8	0.07	—

Table 49: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer ('CCyB1') (continued)

Country	General credit exposures		Trading book exposures		Securitisation exposures	Own funds requirements							
	SA	IRB	Sum of long/short positions for SA	Internal models	Total exposure value of securitisation positions in the banking book	Total exposure value	of which: general credit exposures	of which: general trading book	of which: securitisation exposures	Total	Risk-weighted exposure amounts	Own funds requirements weights	CCyB rate
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	%	%
Hong Kong	26.5	281.8	—	—	—	308.3	4.4	—	—	4.4	55.0	0.16	0.50
Hungary	—	393.3	—	—	—	393.3	8.3	—	—	8.3	103.8	0.30	0.50
Iceland	—	—	—	—	—	—	—	—	—	—	—	—	2.50
India	1.5	6.6	—	—	—	8.1	0.1	—	—	0.1	1.3	—	—
Indonesia	9.0	63.1	—	—	—	72.1	4.7	—	—	4.7	58.8	0.17	—
Ireland	444.6	2,774.2	—	—	—	3,218.8	90.6	—	—	90.6	1,132.5	3.24	1.50
Isle Of Man	37.1	1.4	—	—	—	38.5	3.0	—	—	3.0	37.5	0.11	—
Israel	3.1	5.2	—	—	—	8.3	0.2	—	—	0.2	2.5	0.01	—
Italy	287.9	1,221.2	—	—	679.1	2,188.2	64.1	—	7.9	72.0	900.0	2.57	—
Japan	—	—	—	—	—	—	—	—	—	—	—	—	—
Jersey	4.8	19.2	—	—	—	24.0	0.6	—	—	0.6	7.5	0.02	—
Jordan	—	—	—	—	—	—	—	—	—	—	—	—	—
Kazakhstan	—	43.2	—	—	—	43.2	0.2	—	—	0.2	2.5	0.01	—
Kenya	—	—	—	—	—	—	—	—	—	—	—	—	—
Korea, Republic Of	—	—	—	—	—	—	—	—	—	—	—	—	1.00
Kuwait	—	—	—	—	—	—	—	—	—	—	—	—	—
Latvia	—	—	—	—	—	—	—	—	—	—	—	—	1.00
Lebanon	—	—	—	—	—	—	—	—	—	—	—	—	—
Liberia	—	—	—	—	—	—	0.1	—	—	0.1	1.3	—	—
Libya	—	—	—	—	—	—	—	—	—	—	—	—	—
Liechtenstein	—	208.9	—	—	—	208.9	6.0	—	—	6.0	75.0	0.22	—
Lithuania	0.3	0.9	—	—	—	1.2	—	—	—	—	—	—	1.00
Luxembourg	1,374.4	4,786.0	—	—	—	6,160.4	183.9	—	—	183.9	2,298.4	6.56	0.50
Macedonia	—	—	—	—	—	—	—	—	—	—	—	—	—
Malaysia	2.2	5.9	—	—	—	8.1	0.2	—	—	0.2	2.5	0.01	—
Malta	2,801.0	0.1	—	—	—	2,801.1	122.1	—	—	122.1	1,526.3	4.36	—
Marshall Islands	—	—	—	—	—	—	—	—	—	—	—	—	—
Martinique	—	—	—	—	—	—	—	—	—	—	—	—	—
Mauritania	—	—	—	—	—	—	—	—	—	—	—	—	—
Mauritius	—	15.2	—	—	—	15.2	0.2	—	—	0.2	2.5	0.01	—
Mexico	0.9	110.2	—	—	—	111.1	3.2	—	—	3.2	40.0	0.11	—
Monaco	—	1.3	—	—	—	1.3	—	—	—	—	—	—	—
Montenegro	—	2.0	—	—	—	2.0	—	—	—	—	—	—	—
Morocco	—	2.3	—	—	—	2.3	0.1	—	—	0.1	1.3	0.01	—
Netherlands	1,248.0	3,428.1	—	—	500.0	5,176.1	209.4	—	4.0	213.4	2,667.0	7.62	2.00
New Caledonia	0.1	—	—	—	—	0.1	—	—	—	—	—	—	—
New Zealand	0.5	0.4	—	—	—	0.9	—	—	—	—	—	—	—
Norway	21.8	114.1	—	—	—	135.9	4.2	—	—	4.2	52.5	0.15	2.50
Oman	—	17.1	—	—	—	17.1	1.0	—	—	1.0	12.5	0.04	—
Pakistan	—	—	—	—	—	—	—	—	—	—	—	—	—
Panama	—	122.8	—	—	—	122.8	—	—	—	—	—	—	—
Paraguay	2.1	—	—	—	—	2.1	—	—	—	—	—	—	—
Peru	—	—	—	—	—	—	—	—	—	—	—	—	—
Philippines	—	0.1	—	—	—	0.1	—	—	—	—	—	—	—
Poland	258.7	828.1	—	—	—	1,086.8	52.5	—	—	52.5	656.3	1.88	—
Portugal	13.5	28.7	—	—	—	42.2	1.3	—	—	1.3	16.3	0.05	—
Puerto Rico	0.1	—	—	—	—	0.1	—	—	—	—	—	—	—
Qatar	19.2	62.0	—	—	—	81.2	3.0	—	—	3.0	37.5	0.11	—
Réunion	—	—	—	—	—	—	—	—	—	—	—	—	—
Romania	—	9.0	—	—	—	9.0	0.4	—	—	0.4	5.0	0.01	1.00
Russian Federation	0.2	0.8	—	—	—	1.0	0.1	—	—	0.1	1.3	—	—
Saudi Arabia	8.3	—	—	—	—	8.3	0.6	—	—	0.6	7.5	0.02	—
Serbia	—	—	—	—	—	—	—	—	—	—	—	—	—
Seychelles	—	—	—	—	—	—	—	—	—	—	—	—	—
Sierra Leone	—	—	—	—	—	—	—	—	—	—	—	—	—
Singapore	—	9.1	—	—	—	9.1	0.4	—	—	0.4	5.0	0.01	—
Slovakia	2.2	52.7	—	—	—	54.9	1.1	—	—	1.1	13.8	0.04	1.50

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

Table 49: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer ('CCyB1') (continued)

Country	General credit exposures		Trading book exposures		Securitisation exposures	Own funds requirements							
					Total exposure value of securitisation positions in the banking book €m	Total exposure value €m	of which: general credit exposures €m	of which: general trading book €m	of which: securitisation exposures €m	Total €m	Risk-weighted exposure amounts €m	Own funds requirements weights %	CCyB rate %
	SA €m	IRB €m	Sum of long/short positions for SA €m	Internal models €m									
Slovenia	—	—	—	—	—	—	—	—	—	—	—	—	1.00
South Africa	3.9	—	—	—	—	3.9	0.2	—	—	0.2	2.5	0.01	—
Spain	325.2	1,909.4	—	—	551.8	2,786.4	107.0	—	6.7	113.7	1,421.3	4.06	—
Sri Lanka	1.8	—	—	—	—	1.8	0.1	—	—	0.1	1.3	0.01	—
Sweden	14.5	384.6	—	—	—	399.1	14.4	—	—	14.4	180.0	0.51	2.00
Switzerland	75.5	1,548.7	—	—	—	1,624.2	40.0	—	—	40.0	500.0	1.43	—
Taiwan, Province Of China	1.5	0.1	—	—	—	1.6	0.1	—	—	0.1	1.3	—	—
Thailand	0.6	51.5	—	—	—	52.1	2.9	—	—	2.9	36.3	0.10	—
Tunisia	—	—	—	—	—	—	—	—	—	—	—	—	—
Turkey	41.0	74.6	—	—	—	115.6	4.3	—	—	4.3	53.8	0.15	—
Ukraine	1.0	—	—	—	—	1.0	—	—	—	—	—	—	—
United Arab Emirates	86.7	100.4	—	—	—	187.1	7.9	—	—	7.9	98.8	0.28	—
United Kingdom	1,082.3	1,626.1	—	—	73.0	2,781.4	100.1	—	0.6	100.7	1,258.8	3.60	2.00
United States	123.8	2,905.9	—	—	710.7	3,740.4	86.0	—	7.5	93.5	1,168.8	3.34	—
Uruguay	0.3	—	—	—	—	0.3	—	—	—	—	—	—	—
Viet Nam	7.4	0.5	—	—	—	7.9	0.1	—	—	0.1	1.3	—	—
Virgin Islands, British	—	63.4	—	—	—	63.4	1.5	—	—	1.5	18.8	0.05	—
Zambia	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	17,576.0	55,822.4	—	—	9,819.3	83,217.7	2,683.7	—	123.8	2,807.5	35,093.8	100.00	—

Table 50: Amount of institution specific countercyclical capital buffer ('CCyB2')

	30 Jun 2025	31 Dec 2024
Total Risk Exposure Amount (€m)	67,610	63,297
Institution specific countercyclical capital buffer rate (%)	0.87	0.88
Institution specific countercyclical capital buffer requirement (€m)	588	557

Appendix II

Abbreviations

The following abbreviated terms are used throughout this document.

A

ACPR	Autorité de Contrôle Prudentiel et de Résolution
ADEME	Agence De l'Environnement et de la Maîtrise de l'Energie
AIL	Accelerating into Leadership
AIRB	Advanced internal ratings based approach
ALCO	Asset and Liability Management Committee
AT1 capital	Additional tier 1 capital

B

BCBS	Basel Committee on Banking Supervision
bps	basis points

C

CCB	Capital Conservation buffer
CCyB	Countercyclical capital buffer
CCM	Climate Change Mitigation
CCP	Central counterparty
CCR ¹	Counterparty credit risk
CDP	Carbon Disclosure Project
CDS ¹	Credit default swap
CEO	Chief Executive Officer
CESGROF	Climate and Environmental, Social and Governance Risk Oversight Forum
CET1 ¹	Common Equity Tier 1
CIU	Collective investment undertakings
CRA ¹	Credit risk adjustment
CRD ¹	Capital Requirements Directive
CRM	Credit risk mitigation/mitigant
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CRR 3	Capital Requirements Regulation 3
CSRD	Corporate Sustainability Reporting Directive
CVA	Credit valuation adjustment

D

D-SIB	Domestic-Systemically Important Bank
Dec	December

E

EAD ¹	Exposure at default
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
EEA	European Economic Area
EL ¹	Expected loss
EPBD	Energy Performance of Building Directive
EPC	Energy Performance Certificate
ESG	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
EU	European Union
EVE ¹	Economic value of equity

F

FCP	Funded credit Protection
FIM	Functional Instruction Manual
FIRB	Foundation internal rating based approach

G

GAR	Green Asset Ratio
GCEL	Global Coal Exit List
GHG	Greenhouse gas
GOGEL	Global Oil and Gas Exit List
Group	HSBC Holdings together with its subsidiary undertakings

H

HCSF	High Council for Financial Stability
HR	Human Resources
HSBC	HSBC Holdings together with its subsidiary undertakings

I

IAA ¹	Internal Assessment Approach
ICAAP ¹	Internal Capital Adequacy Assessment Process
IEA	International Energy Agency
IFRSs	International Financial Reporting Standards
ILAA	Individual Liquidity Adequacy Assessment
IMA	Internal Models Approach
IMM1	Internal Model Method
IRB ¹	Internal ratings based approach
IRC ¹	Incremental risk charge
ITS	Implementing Technical Standards

J

Jan	January
Jun	June

L

LAB	Liquid Asset Buffer
LCR	Liquidity Coverage Ratio
LFRF	Liquidity and Funding Risk Management Framework
LGD ¹	Loss given default

M

MREL	Minimum requirements for own funds and eligible liabilities
MRT	Material Risk Taker
Mar	March

N

NACE	Nomenclature of Economic Activities
NFRD	Non-financial Reporting Directive
NSFR	Net Stable Funding Ratio
NZE	Net-Zero Emission

O

OCR	Overall Capital Requirement
OECD	Organisation for Economic Cooperation and Development
O-SII	Other Systematically Important Institution
OTC ¹	Over-the-counter

P

P1R	Pillar 1 requirement
P2G	Pillar 2 guidance
P2R	Pillar 1 requirement
PD ¹	Probability of default
PFE ¹	Potential future exposure
POCI	Purchased or originated credit-impaired
PP&E	Property plant and equipment

R

RAS	Risk appetite statement
RMM	Risk Management Meeting of the Group Management Board
RRCS	Reputational Risk and Client Selection Committee
RSF	Required stable funding
RWA ¹	Risk-weighted asset

S

SA	Standardised Approach
Sep	September

Capital and Risk Management Pillar 3 Disclosures at 30 June 2025

SOT	Standard Outlier Test
STD ¹	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
SFT ¹	Securities Financing Transactions
SME	Small and medium-sized enterprise
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SVaR	Stressed Value at risk
T	
TCFD	Task Force on Climate-related Financial Disclosure
TLAC ¹	Total Loss Absorbing Capacity
TNFD	Task Force on Nature-related Financial Disclosure
TREA	Total risk exposure amount

TTC ¹	Through-the-cycle
T1 capital	Tier 1 capital
T2 capital	Tier 2 capital
UFCP	Unfunded credit Protection
UK	United Kingdom
UNGC	United Nations Global Compact
V	
VaR ¹	Value at risk
W	
WPB	Wealth Management and Private Banking

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

HSBC Continental Europe

38 Avenue Kléber

75116 Paris

France

Telephone: (33 1) 40 70 70 40

www.hsbc.fr