HSBC Continental Europe

Pillar 3 Disclosures at 30 June 2026

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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 'CRR3' within this document.

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

Pillar 3 disclosures

Purpose

The information contained in this document is for HSBC Continental Europe. It should be read in conjunction with HSBC Continental Europe's Universal Registration Document 2025 and Interim Financial Report 2026.

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 2026, comparatives for 1Q26 are provided only where required in the tables. Where disclosures have been enhanced, or are new, comparatives have not been restated or provided. Wherever specific rows and columns in the tables prescribed are not applicable or are immaterial to the activities, they are omitted and the same approach is followed for comparatives.

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

Key regulatory developments

Basel III Reforms

The revised Capital Requirements Regulation ('CRR3') implementing the Basel III reforms package entered into force in the EU on 1 January 2025, with the market risk standards following the Basel Committee's Fundamental Review of the Trading Book ('FRTB') due to apply from 1 January 2027.

In 2026, the European Commission ('EC') adopted temporary FRTB measures, including targeted relief and an optional, bank-specific multiplier, which will be calibrated quarterly, to support a level playing field amid continued uncertainty over implementation in other major jurisdictions.

To support the implementation of the package, the European Banking Authority ('EBA') and the European Central Bank ('ECB') continued issuing standards and guidance, including updates relating to the internal ratings based approach ('IRB') framework for credit risk and the definition of default ('DoD').

Revised Capital Requirements Directive ('CRD6')

From January 2027, Article 21c of CRD6 will prohibit banks not licensed in the European Economic Area ('EEA') from starting or continuing to offer core banking products and services to EEA clients, unless they set up locally authorised branches in each relevant Member State or deliver services through a non-bank entity.

This is expected to reshape aspects of the European banking market and may, over time, influence how certain EEA client activity is booked within the HSBC Group, including a potential shift of some activity towards HSBC Continental Europe.

Competitiveness and simplification proposals for the EU banking sector

In 2026, initiatives from the EC, the ECB, the EBA and the Single Resolution Board ('SRB') continued to focus on simplifying the prudential framework, reducing unnecessary reporting and supervisory complexity, and supporting further integration of European banking markets. Further targeted refinements are under development, including the EBA's June 2026 proposal to simplify aspects of the capital stack, informing ongoing discussions on inclusion of climate-related risks within the Systemic Risk Buffer.

These initiatives are not expected to deliver a material easing of overall capital or liquidity requirements. Policymakers have reiterated that post-crisis resilience should be maintained, with competitiveness expected to be driven by efficiency, proportionality and cross-border integration.

Securitisation reforms

The EU's revision of the securitisation framework remains subject to its legislative process. The proposals aim to improve the capital efficiency of securitisation, including more risk-sensitive treatment of senior positions and potential preferential treatment for qualifying transactions, and to increase predictability of RWA relief through clearer rules and more harmonised supervisory expectations.

The package also seeks to reduce reporting and disclosure burdens and to move towards a more proportionate, principles-based due diligence approach, while tightening certain requirements relating to originator eligibility, risk retention and related documentation.

Capital Buffers

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

The European Systemic Risk Board has announced the absence of contributions to the Single Resolution Fund in 2026.

ESG Risks

During the first half of 2026, the EU continued to advance its prudential and sustainability reporting framework.

The EBA further embedded ESG risks into the supervisory framework through revisions to the Supervisory Review and Evaluation Process ('SREP') Guidelines and supervisory stress testing guidelines, including the introduction of a dedicated climate risk module for the 2027 EU-wide stress test. The revised guidelines apply from January 2027. Separately, France transposed the revised CRD6 into national law in April 2026, reinforcing prudential requirements relating to the governance, management and supervision of ESG risks.

On disclosures, in June 2026 the EBA published its final report on the revised Implementing Technical Standards ('ITS') for Pillar 3 ESG disclosures, aligning the framework with the CRR3 disclosure requirements. Subject to European Commission adoption, the revised ITS is expected to apply from 1 December 2026.

The European Commission also progressed revisions to the European Sustainability Reporting Standards ('ESRS') as part of the Omnibus I simplification package, with the revised standards expected to apply from 2027. The European Financial Reporting Advisory Group also continued developing sustainability reporting standards for non-EU groups, with first reporting expected for 2028.

Significant events

Business disposals and changes of control

HSBC Bank Malta p.l.c.

On 16 September 2025, HSBC Continental Europe entered into a put option agreement with CrediaBank S.A. for the potential sale of its 70.03% majority stake in HSBC Bank Malta p.l.c. On 22 December 2025, following completion of HSBC Continental Europe's employee information and consultation process in France, and in line with the put option terms, a sale and purchase agreement was signed. The disposal group met the held for sale criteria in the first quarter of 2026 at which point a pre-tax loss on disposal of EUR 0.3 billion was recognised. As at 30 June 2026, EUR 7.3 billion of assets and EUR 7.1 billion of liabilities remained classified as held for sale. The transaction, which remains subject to regulatory approval, is expected to complete in the first half of 2027.

Custody Business in Germany

On 27 June 2025, HSBC Continental Europe reached an agreement to sell its custody business in Germany to BNP Paribas. This transaction will be completed in a phased manner, with a number of phases completed in the first half of 2026. While client consent and related operational requirements may extend the timing for completion of all client transfers, given the signing of a sale and purchase agreement, the disposal group met the held for sale criteria in the second quarter of 2025, with balances remaining classified as held for sale at 30 June 2026 of EUR 0.6 billion in assets and EUR 6.7 billion in liabilities. The sale is expected to generate an estimated pre-tax gain on disposal of EUR 0.1 billion, 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 met the held for sale criteria in the third quarter of 2025, with immaterial balances remaining classified as held for sale at 30 June 2026. This transaction, which has received regulatory approval, is expected to complete in the second half of 2026, at which point an immaterial gain on disposal will be recognised.

Issuances and repayments

Following ECB approval in December 2025 for the redemption of the EUR 200 million Perpetual Subordinated Resettable Additional Tier 1 instrument (issued in 2019), the instrument was reclassified from equity to liabilities as at 31 December 2025. The principal repayment of the instrument was completed on 2 January 2026.

The table below sets out the key regulatory metrics covering the 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 as the period end balance.

Table 1: Key metrics template ('KM1')

		30 Jun 2026	31 Mar 2026	31 Dec 2025	30 Sep 2025	30 Jun 2025
		€m	€m	€m	€m	€m
	Available own funds (amounts)[1]					
1	Common Equity Tier 1 ('CET1') capital	**9,742**	9,717	9,875	10,446	10,461
2	Tier 1 capital	**10,985**	10,960	11,117	11,888	11,903
3	Total capital	**12,906**	12,863	13,018	13,399	13,383
	Risk-weighted exposure amounts[1]					
4	Total risk exposure amount	**63,215**	63,687	63,141	67,149	70,583
4a	Total risk exposure pre-floor	**63,215**	63,687	63,141	67,149	70,583
	Capital ratios (as a percentage of risk-weighted exposure amount)[1]					
5	Common Equity Tier 1 ratio (%)	**15.4**	15.3	15.6	15.6	14.8
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	**15.4**	15.3	15.6	15.6	14.8
6	Tier 1 ratio (%)	**17.4**	17.2	17.6	17.7	16.9
6b	Tier 1 ratio considering unfloored TREA (%)	**17.4**	17.2	17.6	17.7	16.9
7	Total capital ratio (%)	**20.4**	20.2	20.6	20.0	19.0
7b	Total capital ratio considering unfloored TREA (%)	**20.4**	20.2	20.6	20.0	19.0
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount) (%)					
EU-7d	Additional own funds requirements to address risks other than the risk of excessive leverage	**2.8**	2.8	2.8	2.8	2.8
EU-7e	– of which: to be made up of CET1 capital (percentage points)	**1.5**	1.5	1.5	1.5	1.5
EU-7f	– of which: to be made up of Tier 1 capital (percentage points)	**2.1**	2.1	2.1	2.1	2.1
EU-7g	Total SREP own funds requirements	**10.8**	10.8	10.8	10.8	10.8
	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[1]	**1.0**	1.0	1.0	1.0	0.9
EU-9a	Systemic risk buffer	**0.0**	0.0	0.0	0.0	0.0
10	Global Systemically Important Institution buffer	**—**	—	—	—	—
EU-10a	Other Systemically Important Institution buffer	**0.3**	0.3	0.3	0.3	0.3
11	Combined buffer requirement	**3.7**	3.7	3.7	3.7	3.7
EU-11a	Overall capital requirements	**14.5**	14.5	14.5	14.5	14.4
12	CET1 available after meeting the total SREP own funds requirements[1]	**9.3**	9.2	9.5	9.2	8.2
	Leverage ratio					
13	Total exposure measure	**250,199**	254,273	256,275	261,315	249,204
14	Leverage ratio (%)	**4.4**	4.3	4.3	4.6	4.8
	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)	**91,854**	91,322	87,884	83,195	79,803
EU-16a	Cash outflows – Total weighted value	**95,974**	95,032	91,858	89,773	85,980
EU-16b	Cash inflows – Total weighted value	**35,111**	33,939	31,899	31,357	30,675
16	Total net cash outflows (adjusted value)	**60,863**	61,093	59,959	58,416	55,305
17	Liquidity coverage ratio (%)	**151**	149	147	142	144
	Net Stable Funding Ratio ('NSFR')					
18	Total available stable funding	**87,954**	87,382	85,358	81,391	83,525
19	Total required stable funding	**54,920**	54,187	52,023	58,343	57,798
20	NSFR ratio (%)	**160**	161	164	140	145

1 The comparatives have been restated to reflect the impact of a correction on total risk-weighted assets ("RWAs") related to certain specific transactions.

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')

		30 Jun 2026		31 Mar 2026		31 Dec 2025[5]	
		Total risk exposure amounts ('TREA')	**Total own funds requirements[1]**	Total risk exposure amounts ('TREA')	Total own funds requirements[1]	Total risk exposure amounts ('TREA')	Total own funds requirements[1]
		€m	**€m**	€m	€m	€m	€m
1	**Credit risk (excluding CCR)[2]**	**40,616**	**3,249**	40,866	3,269	41,607	3,329
2	– of which: the standardised approach	**17,870**	**1,430**	16,197	1,296	17,317	1,385
3	– of which: the Foundation IRB ('F-IRB') approach	**21,295**	**1,704**	21,919	1,753	22,512	1,801
4	– of which: slotting approach	**—**	**—**	—	—	—	—
EU-4a	– of which: equities under the simple risk weighted approach	**—**	**—**	—	—	—	—
5	– of which: the Advanced IRB ('A-IRB') approach	**1,345**	**108**	2,510	201	1,602	128
25	Amounts below the thresholds for deduction (subject to 250% risk weight	**872**	**70**	988	79	1,036	83
	Other credit risk (excluding CCR)[3]	**—**	**—**	—	—	—	—
6	**Counterparty credit risk – CCR**	**5,197**	**416**	4,910	393	4,514	361
7	– of which: the standardised approach	**1,164**	**93**	1,360	109	1,076	86
8	– of which: internal model method ('IMM')	**3,273**	**262**	2,901	232	2,802	224
EU-8a	– of which: exposures to a CCP	**311**	**25**	258	21	244	20
EU-8b	– credit valuation adjustment ('CVA')						
9	– of which: other CCR[3]	**449**	**36**	391	31	392	31
10	**Credit valuation adjustments risk – CVA risk**	**1,006**	**80**	1,299	104	957	76
EU-10a	– of which: the standardised approach ('SA')	**366**	**29**	404	32	353	28
EU-10b	– of which: the basic approach (F-BA and R-BA)	**640**	**51**	895	72	604	48
15	**Settlement risk**	**23**	**2**	19	2	1	—
16	**Securitisation exposures in the non-trading book (after the cap)**	**4,279**	**342**	4,109	329	4,490	359
17	– of which: SEC-IRBA approach	**354**	**28**	—	—	—	—
18	– of which: SEC-ERBA (including IAA)	**325**	**26**	325	26	316	25
19	– of which: SEC-SA approach	**3,600**	**288**	3,784	303	4,174	334
20	**Position, foreign exchange and commodities risks (Market risk)[4]**	**4,470**	**358**	4,860	388	3,948	316
21	– standardised approach	**85**	**7**	93	7	88	7
22	– internal model approach	**4,385**	**351**	4,767	381	3,860	309
EU-22a	**Large exposures**	**—**	**—**	—	—	—	—
24	**Operational risk**	**7,624**	**610**	7,624	610	7,624	610
26	Output floor applied (%)	**—**		—		—	
27	Floor adjustment (before application of transitional cap)	**—**		—		—	
28	Floor adjustment (after application of transitional cap)	**—**		—		—	
29	**Total**	**63,215**	**5,057**	63,687	5,095	63,141	5,051

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 Market risk values have been calculated under CRR2 methodology for all periods as FRTB changes are not due to be implemented until 2027.
5 The comparatives have been restated to reflect the impact of a correction on total risk-weighted assets ("RWAs") related to certain specific transactions.

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

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

		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
At 30 Jun 2026		**€m**	**€m**	**€m**	**€m**	**€m**
1	Credit risk (excluding counterparty credit risk)	**22,640**	**17,870**	**40,510**	**55,232**	**50,326**
2	Counterparty credit risk	**2,752**	**2,466**	**5,218**	**13,842**	**8,851**
3	Credit valuation adjustment		**1,006**	**1,006**	**1,006**	**1,006**
4	Securitisation exposures in the banking book	**354**	**3,925**	**4,279**	**5,317**	**4,398**
5	Market risk	**4,385**	**85**	**4,470**	**2,991**	**2,991**
6	Operational risk		**7,624**	**7,624**	**7,624**	**7,624**
7	Other risk weighted exposure amounts	**—**	**108**	**108**	**—**	**—**
8	**Total**	**30,131**	**33,084**	**63,215**	**86,012**	**75,196**
At 31 Mar 2026						
1	Credit risk (excluding counterparty credit risk)	24,429	16,197	40,626	54,114	49,202
2	Counterparty credit risk	2,555	2,316	4,871	11,881	7,635
3	Credit valuation adjustment		1,299	1,299	1,299	1,299
4	Securitisation exposures in the banking book	—	4,109	4,109	4,429	4,100
5	Market risk	4,767	93	4,860	3,239	3,239
6	Operational risk		7,624	7,624	7,624	7,624
7	Other risk weighted exposure amounts	298	—	298	—	—
8	Total	32,049	31,638	63,687	82,586	73,099

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 a combination of approved models and the standardised approach have been used. The table excludes securitisation exposures.

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

		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 30 Jun 2026		**€m**	**€m**	**€m**	**€m**	**€m**
1	Central governments and central banks	**9**	**113**	**664**	**751**	**751**
EU-1a	Regional governments or local authorities	**39**	**—**	**39**	**—**	**—**
EU-1b	Public sector entities	**—**	**—**	**44**	**44**	**44**
EU-1c	Categorised as Multilateral Development Banks in SA	**—**	**—**	**2**	**2**	**2**
EU-1d	Categorised as International organisations in SA	**—**	**—**	**—**	**—**	**—**
2	Institutions	**375**	**725**	**1,347**	**1,694**	**1,694**
3	Equity	**—**	**—**	**871**	**871**	**871**
5	Corporates	**20,916**	**29,071**	**31,565**	**44,615**	**39,721**
5.1	– of which: F-IRB is applied	**19,910**	**28,273**	**19,910**	**33,108**	**28,273**
5.2	– of which: A-IRB is applied	**1,006**	**798**	**1,006**	**858**	**798**
EU-5a	– of which: Corporates – General[1]	**20,916**	**29,071**	**20,916**	**33,966**	**29,071**
EU-5b	– of which: Corporates – Specialised lending	**—**	**—**	**—**	**—**	**—**
6	Retail	**—**	**—**	**858**	**858**	**858**
EU-7a	Categorised as secured by immovable properties and ADC exposures in SA	**910**	**1,575**	**3,619**	**4,295**	**4,283**
EU-7b	Collective investment undertakings ('CIU')	**—**	**—**	**32**	**32**	**32**
EU-7c	Categorised as exposures in default in SA	**133**	**581**	**486**	**933**	**933**
EU-7d	Categorised as subordinated debt exposures in SA	**216**	**351**	**227**	**362**	**362**
EU-7e	Categorised as covered bonds in SA	**42**	**61**	**42**	**61**	**61**
EU-7f	Categorised as claims on institutions and corporates with a short-term credit assessment in SA	**—**	**—**	**—**	**—**	**—**
8	Other non-credit obligation assets	**—**	**—**	**714**	**714**	**714**
9	**Total**	**22,640**	**32,477**	**40,510**	**55,232**	**50,326**

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

		Risk weighted amounts ('RWAs')				
		RWAs for modelled approaches that institutions have supervisory approval to use	RWAs for column (a) if re-computed using the standardised approach	Total actual RWAs	RWAs calculated using full standardised approach	RWAs that is the base of the output floor
At 31 Mar 2026		€m	€m	€m	€m	€m
1	Central governments and central banks	7	103	830	911	911
EU-1a	Regional governments or local authorities	51	—	51	—	—
EU-1b	Public sector entities	—	—	44	44	44
EU-1c	Categorised as Multilateral Development Banks in SA	—	—	1	1	1
EU-1d	Categorised as International organisations in SA	—	—	—	—	—
2	Institutions	464	558	893	979	979
3	Equity	—	—	967	967	967
5	Corporates	22,551	29,755	31,268	43,386	38,474
5.1	– of which: F-IRB is applied	20,599	27,911	20,599	32,535	27,911
5.2	– of which: A-IRB is applied	1,952	1,844	1,952	2,132	1,844
EU-5a	– of which: Corporates – General[1]	22,551	29,755	22,551	34,667	29,755
EU-5b	– of which: Corporates – Specialised lending	—	—	741	741	741
6	Retail	—	—	885	885	885
EU-7a	Categorised as secured by immovable properties and ADC exposures in SA	936	1,787	4,137	4,988	4,988
EU-7b	Collective investment undertakings ('CIU')	—	—	33	33	33
EU-7c	Categorised as exposures in default in SA	145	424	519	798	798
EU-7d	Categorised as subordinated debt exposures in SA	232	339	245	352	352
EU-7e	Categorised as covered bonds in SA	43	60	43	60	60
EU-7f	Categorised as claims on institutions and corporates with a short-term credit assessment in SA	—	—	—	—	—
8	Other non-credit obligation assets	—	—	710	710	710
9	Total	24,429	33,026	40,626	54,114	49,202

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.

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

		Quarter ended			
		30 Jun 2026	31 Mar 2026	31 Dec 2025[1]	30 Sep 2025
		€m	€m	€m	€m
1	**Opening RWAs at start of quarter**	**24,429**	24,114	25,354	27,836
2	Asset size	**395**	489	(857)	(744)
3	Asset quality	**146**	(413)	(199)	(597)
4	Model updates	**41**	27	(65)	(1,217)
5	Methodology and policy	**6**	—	—	—
6	Acquisitions and disposals	**—**	—	(33)	—
7	Foreign exchange movements	**14**	(85)	6	(10)
8	Other	**(2,391)**	297	(92)	86
9	**Closing RWAs at end of quarter**	**22,640**	24,429	24,114	25,354

1 The comparatives have been restated to reflect the impact of a correction on total risk-weighted assets ('RWAs') related to certain specific transactions.

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

The EUR 2.4 billion decrease due to 'Other' in Q2 2026 is mainly attributable to capital relief generated through a new significant risk transfer securitisation.

The table below shows the drivers of the quarterly movements of counterparty credit risk RWAs under the internal model method approach.

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

		Quarter ended			
		30 Jun 2026	31 Mar 2026	31 Dec 2025	30 Sep 2025
		€m	€m	€m	€m
1	**Opening RWAs at start of quarter**	**2,901**	2,802	2,295	2,270
2	Asset size	**553**	121	446	172
3	Asset quality	**(178)**	59	62	(149)
5	Methodology and policy (IMM only)	**—**	—	—	—
7	Foreign exchange movements	**(3)**	(81)	(1)	2
9	**Closing RWAs at end of quarter**	**3,273**	2,901	2,802	2,295

The table below provides quarterly movements in the RWAs for CVA risk, under the standardised approach.

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

		Risk weighted exposure amount
		€m
1	Risk weighted exposure amount as at 31 Mar 2026	404
2	Risk weighted exposure amount as at 30 Jun 2026	**366**

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 366 million as of end of June 2026 compared with EUR 404 million as of end of March 2026.

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 2026**	**749**	**2,093**	**1,179**	**—**	**745**	**4,766**	**381**
1a	Regulatory adjustment	**(568)**	**(1,534)**	**—**	**—**	**—**	**(2,102)**	**(168)**
1b	RWAs at the previous quarter-end (end of the day)	**181**	**559**	**1,179**	**—**	**745**	**2,664**	**213**
2	Movement in risk levels	**2**	**56**	**45**	**—**	**31**	**134**	**11**
7	Other	**—**	**—**	**—**	**—**	**—**	**—**	**—**
8a	RWAs at the end of the disclosure period (end of the day)	**183**	**615**	**1,224**	**—**	**776**	**2,798**	**224**
8b	Regulatory adjustment	**475**	**1,112**	**—**	**—**	**—**	**1,587**	**127**
8	**RWAs at 30 Jun 2026**	**658**	**1,727**	**1,224**	**—**	**776**	**4,385**	**351**
1	RWAs at 1 Jan 2026	638	1,599	968	—	655	3,860	309
1a	Regulatory adjustment	(475)	(867)	(50)	—	—	(1,392)	(112)
1b	RWAs at the previous quarter-end (end of the day)	163	732	918	—	655	2,468	197
2	Movement in risk levels	18	(173)	261	—	90	196	16
7	Other	—	—	—	—	—	—	—
8a	RWAs at the end of the disclosure period (end of the day)	181	559	1,179	—	745	2,664	213
8b	Regulatory adjustment	568	1,534	—	—	—	2,102	168
8	RWAs at 31 Mar 2026	749	2,093	1,179	—	745	4,766	381

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

		VaR	SVaR	IRC	CRM	Other	Total RWAs	Total own funds requirements
		€m	€m	€m	€m	€m	€m	€m
1	RWAs at 1 Oct 2025	546	1,096	845	—	701	3,188	255
1a	Regulatory adjustment	(376)	(529)	—	—	—	(905)	(72)
1b	RWAs at the previous quarter-end (end of the day)	170	567	845	—	701	2,283	183
2	Movement in risk levels	(7)	165	73	—	(46)	185	15
7	Other						—	—
8a	RWAs at the end of the disclosure period (end of the day)	163	732	918		655	2,468	198
8b	Regulatory adjustment	475	867	50	—	—	1,392	111
8	RWAs at 31 Dec 2025	638	1,599	968	—	655	3,860	309
1	RWAs at 1 Jul 2025	574	1,235	876	—	759	3,444	276
1a	Regulatory adjustment	(429)	(875)	(102)	—	—	(1,406)	(113)
1b	RWAs at the previous quarter-end (end of the day)	145	360	774	—	759	2,038	163
2	Movement in risk levels	25	207	71	—	(58)	245	20
7	Other						—	—
8a	RWAs at the end of the disclosure period (end of the day)	170	567	845		701	2,283	183
8b	Regulatory adjustment	376	529	—	—	—	905	72
8	RWAs at 30 Sep 2025	546	1,096	845	—	701	3,188	255

Linkage to the Universal Registration Document 2025 and Interim Financial Report 2026

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 RWAs 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		**40,493**	**—**	**—**	**40,493**
Items in the course of collection from other banks		**82**	**—**	**—**	**82**
Trading assets		**35,435**	**—**	**—**	**35,435**
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss		**965**	**—**	**—**	**965**
Financial assets designated at fair value		**—**	**—**	**—**	**—**
Derivatives		**39,450**	**—**	**—**	**39,450**
Loans and advances to banks		**6,116**	**(2)**	**(10)**	**6,104**
Loans and advances to customers		**41,524**	**—**	**10**	**41,534**
– of which: impairment allowances on IRB portfolios	i	**411**			**411**
– of which: impairment allowances on standardised portfolios		**236**			**236**
Reverse repurchase agreements – non-trading		**36,778**	**—**	**—**	**36,778**
Financial investments		**28,157**	**—**	**—**	**28,157**
– of which: lending eligible as Tier 2 to Group FSEs outside the regulatory scope of consolidation	n				
Capital invested in insurance and other entities			**29**	**35**	**64**
Assets held for sale		**7,772**	**(740)**	**—**	**7,032**
Prepayments, accrued income and other assets		**27,905**	**2**	**—**	**27,907**
– of which: defined benefit retirement scheme assets	j	**126**	**—**	**—**	**126**
Current tax assets		**219**	**—**	**—**	**219**
Interests in associates and joint ventures		**—**	**—**	**—**	**—**
Goodwill and intangible assets	g	**331**	**—**	**—**	**331**
Deferred tax assets	h	**822**	**—**	**—**	**822**
Total assets at 30 Jun 2026		**266,049**	**(711)**	**35**	**265,373**
Liabilities and equity					
Deposits by banks		**14,116**	**—**	**(2,187)**	**11,929**
Customer accounts		**95,016**	**59**	**2,187**	**97,262**
Repurchase agreements – non-trading		**17,987**	**—**	**—**	**17,987**
Items in the course of transmission to other banks		**456**	**—**	**—**	**456**
Trading liabilities		**19,510**	**—**	**—**	**19,510**
Financial liabilities designated at fair value		**11,272**	**—**	**—**	**11,272**
– of which: term subordinated debt included in tier 2 capital	m	**—**	**—**	**—**	**—**
Derivatives		**33,231**	**—**	**—**	**33,231**
Debt securities in issue		**11,958**	**—**	**—**	**11,958**
Accruals, deferred income and other liabilities		**33,879**	**—**	**—**	**33,879**
– of which: retirement benefit liabilities		**60**			**60**
Liabilities of disposal groups held for sale		**13,729**	**(734)**	**—**	**12,995**
Current tax liabilities		**223**	**—**	**—**	**223**
Liabilities under insurance contracts		**—**	**—**	**—**	**—**
Provisions		**320**	**—**	**—**	**320**
– of which: credit-related provisions on IRB portfolios	i	**81**	**—**	**—**	**81**
– of which: credit-related provisions on standardised portfolios		**15**	**—**	**—**	**15**
Deferred tax liabilities	h	**—**	**—**	**—**	**—**
Subordinated liabilities	k	**1,895**	**—**	**—**	**1,895**
– of which: term subordinated debt included in tier 2 capital	m	**1,895**	**—**	**—**	**1,895**
Total liabilities at 30 Jun 2026		**253,592**	**(675)**	**—**	**252,917**
Called up share capital	a	**1,328**	**—**	**—**	**1,328**
Share premium account	b	**6,747**	**—**	**—**	**6,747**
Other equity instruments	k	**1,230**	**—**	**—**	**1,230**
Other reserves	d, h	**1,481**	**—**	**—**	**1,481**
Retained earnings	c, f	**1,483**	**(26)**	**35**	**1,492**
Total shareholders' equity		**12,269**	**(26)**	**35**	**12,278**
Non-controlling interests	e, l	**188**	**(10)**	**—**	**178**
Total equity at 30 Jun 2026		**12,457**	**(36)**	**35**	**12,456**
Total liabilities and equity at 30 Jun 2026		**266,049**	**(711)**	**35**	**265,373**

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

	Ref †	Accounting balance sheet	De-consolidation of insurance and other reclassifications	Equity accounting for insurance subsidiaries	Regulatory balance sheet
		€m	€m	€m	€m
Assets					
Cash and balances at central banks		58,092	—	—	58,092
Items in the course of collection from other banks		80	—	—	80
Trading assets		30,801	—	—	30,801
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss		1,619	(721)	—	898
Financial assets designated at fair value		—	—	—	—
Derivatives		40,579	—	—	40,579
Loans and advances to banks		5,715	(2)	(106)	5,607
Loans and advances to customers		42,835	—	106	42,941
– of which: impairment allowances on IRB portfolios	i	322			322
– of which: impairment allowances on standardised portfolios		192			192
Reverse repurchase agreements – non-trading		29,308	—	—	29,308
Financial investments		28,003	—	—	28,002
– of which: lending eligible as Tier 2 to Group FSEs outside the regulatory scope of consolidation	n	—	—	—	—
Capital invested in insurance and other entities		—	28	34	62
Assets held for sale		377	—	—	377
Prepayments, accrued income and other assets		12,604	(5)	—	12,598
– of which: defined benefit retirement scheme assets	j	111	—	—	111
Current tax assets		164	—	—	164
Interests in associates and joint ventures		—	—	—	—
Goodwill and intangible assets	g	319	—	—	319
Deferred tax assets	h	895	—	—	895
Total assets at 31 Dec 2025		251,391	(701)	34	250,724
Liabilities and equity					
Deposits by banks		14,514	—	(1,182)	13,332
Customer accounts		97,107	41	1,182	98,330
Repurchase agreements – non-trading		14,486	—	—	14,486
Items in the course of transmission to other banks		183	—	—	183
Trading liabilities		18,376	—	—	18,376
Financial liabilities designated at fair value		11,086	(165)	—	10,921
– of which: term subordinated debt included in tier 2 capital	m				
Derivatives		33,178	—	—	33,178
Debt securities in issue		14,129	—	—	14,129
Accruals, deferred income and other liabilities		21,038	(11)	—	21,027
– of which: retirement benefit liabilities		63			63
Liabilities of disposal groups held for sale		10,648	—	—	10,648
Current tax liabilities		208	—	—	208
Liabilities under insurance contracts		531	(531)	—	—
Provisions		444	(1)	—	443
– of which: credit-related provisions on IRB portfolios	i	112			112
– of which: credit-related provisions on standardised portfolios		18			18
Deferred tax liabilities	h	3	—	—	3
Subordinated liabilities	k	1,894	—	—	1,894
– of which: term subordinated debt included in tier 2 capital	m	1,894			1,894
Total liabilities at 31 Dec 2025		237,825	(667)	—	237,158
Called up share capital	a	1,328	—	—	1,328
Share premium account	b	6,747	—	—	6,747
Other equity instruments	k	1,230	—	—	1,230
Other reserves	d, h	1,552	—	—	1,552
Retained earnings	c, f	2,524	(24)	34	2,534
Total shareholders' equity		13,381	(24)	34	13,391
Non-controlling interests	e, l	185	(10)	—	175
Total equity at 31 Dec 2025		13,566	(34)	34	13,566
Total liabilities and equity at 31 Dec 2025		251,391	(701)	34	250,724

† 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 2026, 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, 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 the capital management objectives, and mitigating actions are assigned as necessary.

► Further explanation of model risk can be found in the Risk section, particularly on page 175, of HSBC Continental Europe's Universal Registration Document 2025.

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 remained at 2.75 per cent in 2026. Under CRD, at least 56.25 per cent of this must be held in the form of CET1 and 75 per cent in the form of of Tier 1.

The average countercyclical capital buffer ('CCyB') stands at the level of 0.97 percent at the end of June 2026, after 0.95 per cent at year end 2025. During 1H26, the French CCyB was 1 per cent, whereas the Portugal and Cyprus CCyB were increased to 0.75 per cent and 1.5 per cent respectively as previously announced by their respective authorities.

At the end of June 2026, HSBC Continental Europe is required to meet on a consolidated basis a minimum total capital ratio of at least 14.47 per cent, compared to 14.45 per cent in 2025.

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 0.97 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 2026, the requirement in respect of Common equity tier 1 is 9.77 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 the CET1, Additional Tier 1 and Tier 2 capital, and the regulatory adjustments impacting the 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.

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

			At	
			30 Jun 2026	31 Dec 2025
Ref*		Ref †	**€m**	€m
	Common equity tier 1 ('CET1') capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	a, b	**8,075**	8,075
	– of which: share premium account	b	**6,747**	6,747
2	Retained earnings	c	**1,435**	2,103
3	Accumulated other comprehensive income (and other reserves)	d	**1,494**	1,529
5	Minority interests (amount allowed in consolidated CET1)	e	**71**	77
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend[1]	f	**—**	—
6	**Common equity tier 1 capital before regulatory adjustments**		**11,075**	11,784
	Common equity tier 1 capital: regulatory adjustments			
7	Additional value adjustments		**(108)**	(94)
8	Intangible assets (net of related deferred tax liability)	g	**(201)**	(181)
10	Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	h	**(552)**	(550)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value		**101**	62
12	Negative amounts resulting from the calculation of expected loss amounts[2]	i	**(87)**	(86)
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		**(32)**	9
15	Defined-benefit pension fund assets (negative amount)	j	**(126)**	(111)
EU-25a	Losses for the current financial year (negative amount)		**—**	(656)
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)		**(328)**	(302)
28	**Total regulatory adjustments to Common Equity Tier 1 ('CET1')[2]**		**(1,333)**	(1,909)
29	**Common Equity Tier 1 ('CET1') capital[2]**		**9,742**	9,875
	Additional tier 1 ('AT1') capital: instruments			
30	Capital instruments and the related share premium accounts	k	**1,230**	1,230
31	– of which: classified as equity under applicable accounting standards	k	**1,230**	1,230
32	– of which: classified as liabilities under applicable accounting standards		**—**	200
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	l	**13**	12
36	**Additional tier 1 ('AT1') capital before regulatory adjustments**		**1,243**	1,242
	Additional tier 1 ('AT1') capital: regulatory adjustments			
43	**Total regulatory adjustments to Additional tier 1 ('AT1') capital**		**—**	—
44	**Additional tier 1 ('AT1') capital**		**1,243**	1,242
45	**Tier 1 capital (T1 = CET1 + AT1)**		**10,985**	11,117
	Tier 2 ('T2') capital: instruments			
46	Capital instruments and the related share premium accounts		**1,903**	1,901
50	Credit risk adjustments	i	**18**	—
51	**Tier 2 ('T2') capital before regulatory adjustments**	m	**1,921**	1,901
	Tier 2 ('T2') 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)	n	**—**	—
57	**Total regulatory adjustments to Tier 2 ('T2') capital**		**—**	—
58	**Tier 2 ('T2') capital**		**1,921**	1,901
59	**Total capital (TC = T1 + T2)**		**12,906**	13,018
60	**Total risk exposure amount[2]**		**63,215**	63,141
	Capital ratios and buffers[2]			
61	Common equity tier 1 (%)		**15.4**	15.6
62	Tier 1 (%)		**17.4**	17.6
63	Total capital (%)		**20.4**	20.6

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

Ref*		Ref †	At 30 Jun 2026 €m	31 Dec 2025 €m
	Common equity tier 1 (‘CET1’) capital: instruments and reserves			
64	Institution CET1 overall capital requirement (%)		**9.8**	9.8
65	– of which: capital conservation buffer requirement (%)		**2.5**	2.5
66	– of which: countercyclical buffer requirement (%)		**1.0**	1.0
67	– of which: systemic risk buffer requirement (%)		**—**	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**	1.6
68	Common equity tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements		**9.3**	9.5
	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)		**1,053**	731
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)		**112**	116
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)		**236**	299
	Applicable caps on the inclusion of provisions in Tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		**251**	—
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		**18**	—
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		**152**	158

* 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 2026 have not been verified and are therefore not included in its CET1 capital.
2 The comparatives have been restated to reflect the impact of a correction on total risk-weighted assets ("RWAs") related to certain specific transactions.

HSBC Continental Europe’s Common Equity Tier 1 capital has remained broadly unchanged during the first half of 2026. HSBC Continental Europe’s reported profit for the period of EUR 35m has not been verified for inclusion in CET1.

Issuances and redemptions of own funds instruments are described in 'Significant events' section on page 43 in Note 1 ‘Significant events during the first half-year’ of HSBC Continental Europe’s Interim Financial Report 2026.

► 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 2025, 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 124 of HSBC Continental Europe's Universal Registration Document 2025.

The table below provides a reconciliation of the total assets in the published balance sheet under IFRS and the total leverage exposure. This table has been calculated on the new CRR3 methodology.

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

		At	
		30 Jun 2026	31 Dec 2025
		€m	€m
1	Total assets as per published financial statements	**266,049**	251,391
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	**(676)**	(667)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(16,289)**	(681)
8	Adjustment for derivative financial instruments	**(20,321)**	(24,687)
9	Adjustment for securities financing transactions ('SFTs')	**(1,312)**	8,380
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	**40,797**	40,055
12	Other adjustments	**(18,049)**	(17,516)
13	**Total exposure measure**	**250,199**	256,275

The table below provides a detailed breakdown of the components of the leverage exposure, including the split of the on- and off-balance sheet exposures, leverage ratios, minimum requirements and buffers. This table has been calculated on the new CRR3 methodology.

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

		At	
		30 Jun 2026	31 Dec 2025
		€m	€m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**169,936**	177,658
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**(12,690)**	(12,751)
6	(Asset amounts deducted in determining Tier 1 capital)	**(1,302)**	(1,254)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**155,944**	163,653
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	**3,669**	2,297
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**17,845**	15,556
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	**(2,520)**	(2,040)
11	Adjusted effective notional amount of written credit derivatives	**14,507**	7,686
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**(14,373)**	(7,607)
13	**Total derivatives exposures**	**19,128**	15,892
Securities financing transaction ('SFT') exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	**114,700**	85,244
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**(79,339)**	(47,829)
16	Counterparty credit risk exposure for SFT assets	**396**	273
18	**Total securities financing transaction exposures**	**35,757**	37,688
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	**97,614**	96,611
20	(Adjustments for conversion to credit equivalent amounts)	**(56,817)**	(56,556)
22	**Off-balance sheet exposures**	**40,797**	40,055
Excluded exposures			
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	**(1,427)**	(1,013)
EU-22m	(Total exempted exposures)	**(1,427)**	(1,013)
Capital and total exposure measure			
23	Tier 1 capital[1]	**10,985**	11,117
24	Total exposure measure	**250,199**	256,275

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

		At	
		30 Jun 2026	31 Dec 2025
		€m	€m
Leverage ratio			
25	Leverage ratio (%)	**4.4**	4.3
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	**4.4**	4.3
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	**4.4**	4.3
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		**Full phased-in definition**	Full phased-in definition
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	**47,302**	44,427
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	**35,361**	37,415
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)	**262,140**	263,287
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)	**262,140**	263,287
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**4.2**	4.2
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**4.2**	4.2

1 The comparatives have been restated to reflect the impact of a correction on total risk-weighted assets ('RWAs') related to certain specific transactions.

The table below provides a breakdown of on-balance sheet exposures excluding derivatives, SFTs and exempted exposures by asset class. This table has been calculated on the new CRR3 methodology.

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

		At	
		30 Jun 2026	31 Dec 2025
		€m	€m
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**155,819**	163,894
EU-2	Trading book exposures	**30,450**	26,649
EU-3	Banking book exposures, of which:	**125,369**	137,245
EU-4	Covered bonds	**554**	691
EU-5	Exposures treated as sovereigns	**73,728**	88,801
EU-7	Institutions	**3,223**	2,028
EU-8	Secured by mortgages of immovable properties	**4,325**	4,834
EU-9	Retail exposures	**1,913**	1,601
EU-10	Corporate	**33,198**	31,532
EU-11	Exposures in default	**829**	933
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	**7,599**	6,825

Credit risk

Overview

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

The tables below set out details of HSBC Continental Europe's credit risk exposures by exposure class and approach. Further explanation of HSBC Continental Europe's approach to managing credit risk (including detail of past due and impaired exposure, and its approach to credit risk impairment) can be found on pages 139 to 162 of its Universal Registration Document 2025.

Non-performing and forborne exposures

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

The EBA defines non-performing exposures as exposures with material amounts that are more than 90 days past due or exposures where the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of collateral, regardless of the existence of any past due amounts or number days past due. Any debtors that are in default for regulatory purposes or impaired under the applicable accounting framework are always considered as non-performing exposures. The Universal Registration Document 2025 does not define non-performing exposures, however, the definition of credit impaired (stage 3) is aligned to the EBA's definition of non-performing exposures.

Forborne exposures are defined by the EBA as exposures where the bank has made concessions toward a debtor that is experiencing or about to experience financial difficulties in meeting its financial commitments. In the Universal Registration Document 2025, 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 2025, renegotiated loans retain this classification until maturity or de-recognition.

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

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

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

	Gross carrying amount/ nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Non-performing forborne						
	Performing	Total	of which: defaulted	of which: impaired	On performing forborne exposures	On non-performing forborne exposures	Total	of which: forborne non-performing exposure
	€m	€m	€m	€m	€m	€m	€m	€m
At 30 Jun 2026								
Cash balances at central banks and other demand deposits	—	—	—	—	—	—	—	—
Loans and advances	695	754	754	754	(9)	(244)	719	153
Central banks	—	—	—	—	—	—	—	—
General governments	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—
Other financial corporations	18	26	26	26	—	(17)	—	—
Non-financial corporations	677	728	728	728	(9)	(227)	719	153
Households	—	—	—	—	—	—	—	—
Debt Securities	—	—	—	—	—	—	—	—
Loan commitments given	175	34	34	34	(1)	—	—	—
Total	870	788	788	788	(10)	(244)	719	153

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						
	Performing	Total	of which: defaulted	of which: impaired	On performing forborne exposures	On non-performing forborne exposures	Total	of which: forborne non-performing exposure
	€m	€m	€m	€m	€m	€m	€m	€m
At 31 Dec 2025								
Cash balances at central banks and other demand deposits	—	—	—	—	—	—	—	—
Loans and advances	899	771	771	771	(26)	(218)	224	64
Central banks	—	—	—	—	—	—	—	—
General governments	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—
Other financial corporations	20	3	3	3	(1)	—	3	—
Non-financial corporations	869	754	754	754	(25)	(217)	199	52
Households	10	14	14	14	—	(1)	22	12
Debt Securities	—	—	—	—	—	—	—	—
Loan commitments given	180	44	44	44	(3)	—	—	—
Total	1,079	815	815	815	(29)	(218)	224	64

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 per cent 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 include cash and balances at central banks and exclude assets held for sale.

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

		Gross carrying/nominal amount		Accumulated impairment	Provisions on off balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		of which non-performing	of which: defaulted			
At 30 Jun 2026		**€m**	**€m**	**€m**	**€m**	**€m**
010	**On-balance-sheet exposures**	**170,258**	**1,342**	**(601)**		**—**
020	France	**70,580**	**591**	**(319)**		**—**
030	Germany	**25,159**	**345**	**(130)**		**—**
040	United States	**12,542**	**21**	**(12)**		**—**
050	United Kingdom	**8,924**	**4**	**(3)**		**—**
060	Spain	**7,122**	**70**	**(33)**		**—**
070	Other countries	**45,931**	**311**	**(104)**		**—**
080	**Off-balance-sheet exposures**	**186,936**	**391**		**61**	
090	France	**41,483**	**90**		**34**	
100	Germany	**32,030**	**64**		**12**	
110	Italy	**29,791**	**—**		**1**	
120	Spain	**15,128**	**2**		**5**	
130	United Kingdom	**13,372**	**—**		**—**	
140	Other countries	**55,132**	**235**		**9**	
150	**Total**	**357,194**	**1,733**	**(601)**	**61**	**—**
At 31 Dec 2025						
010	On-balance-sheet exposures	166,325	1,361	(572)		—
020	France	72,551	592	(286)		—
030	Germany	28,934	415	(130)		—
040	United States	8,419	22	(13)		—
050	United Kingdom	5,993	3	(3)		—
060	Netherlands	5,435	6	(8)		—
070	Other countries	44,993	323	(132)		—
080	Off-balance-sheet exposures	147,011	367		72	
090	France	36,505	118		41	
100	Germany	27,676	94		15	
110	Italy	19,247	—		—	
120	Spain	9,116	—		7	
130	Netherlands	8,663	1		1	
140	Other countries	45,804	154		8	
150	Total	313,336	1,728	(572)	72	—

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			
			of which: defaulted	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
At 30 Jun 2026		**€m**	**€m**	**€m**	**€m**
010	Agriculture, forestry and fishing	**153**	**17**	**(4)**	**—**
020	Mining and quarrying	**149**	**—**	**—**	**—**
030	Manufacturing	**8,001**	**324**	**(129)**	**—**
040	Electricity, gas, steam and air conditioning supply	**1,274**	**36**	**(8)**	**—**
050	Water supply	**101**	**34**	**(5)**	**—**
060	Construction	**479**	**7**	**(6)**	**—**
070	Wholesale and retail trade	**3,809**	**171**	**(112)**	**—**
080	Transport and storage	**2,177**	**3**	**(6)**	**—**
090	Accommodation and food service activities	**236**	**8**	**(3)**	**—**
100	Information and communication	**1,245**	**11**	**(9)**	**—**
110	Financial and insurance actvities	**—**	**—**	**—**	**—**
120	Real estate activities	**3,722**	**262**	**(85)**	**—**
130	Professional, scientific and technical activities	**4,495**	**238**	**(117)**	**—**
140	Administrative and support service activities	**3,637**	**78**	**(73)**	**—**
150	Public administration and defence, compulsory social security	**2**	**—**	**—**	**—**
160	Education	**6**	**—**	**—**	**—**
170	Human health services and social work activities	**49**	**2**	**—**	**—**
180	Arts, entertainment and recreation	**101**	**1**	**(1)**	**—**
190	Other services	**407**	**10**	**(3)**	**—**
200	**Total**	**30,043**	**1,202**	**(561)**	**—**
At 31 Dec 2025					
010	Agriculture, forestry and fishing	102	17	(1)	—
020	Mining and quarrying	98	—	—	—
030	Manufacturing	6,922	212	(112)	—
040	Electricity, gas, steam and air conditioning supply	1,113	33	(9)	—
050	Water supply	88	37	(5)	—
060	Construction	548	71	(15)	—
070	Wholesale and retail trade	3,438	193	(101)	—
080	Transport and storage	2,147	3	(7)	—
090	Accommodation and food service activities	315	13	(7)	—
100	Information and communication	1,541	14	(8)	—
110	Financial and insurance actvities	42	1	(1)	—
120	Real estate activities	4,225	318	(75)	—
130	Professional, scientific and technical activities	4,687	199	(69)	—
140	Administrative and support service activities	3,879	80	(70)	—
150	Public administration and defence, compulsory social security	2	—	—	—
160	Education	14	—	—	—
170	Human health services and social work activities	52	5	(1)	—
180	Arts, entertainment and recreation	105	1	(1)	—
190	Other services	695	62	(35)	—
200	Total	30,013	1,259	(517)	—

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')

	At 30 Jun 2026		At 31 Dec 2025	
	Collateral obtained by taking possession		Collateral obtained by taking possession	
	Value at initial recognition	**Accumulated negative changes**	Value at initial recognition	Accumulated negative changes
	€m	**€m**	€m	€m
Property, plant and equipment ('PP&E')	**—**	**—**	—	—
Other than PP&E	**—**	**—**	2	0
– Residential immovable property	**—**	**—**	1	0
– Commercial Immovable property	**—**	**—**	1	0
– Other	**—**	**—**	—	—
Total	**—**	**—**	2	0

During 1H26, no collateral was obtained by taking repossession.

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			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
	Total	of which: stage 1	of which: stage 2	Total	of which: stage 2	of which: stage 3	Total	of which: stage 1	of which: stage 2	Total	of which: stage 2	of which: stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 30 Jun 2026															
Cash balances at central banks and other demand deposits	45,584	45,551	33	1	—	1	—	—	—	(1)	—	(1)	—	—	—
Loans and advances	95,589	90,153	4,722	1,341	—	1,341	(105)	(30)	(75)	(494)	—	(494)	(25)	60,623	461
Central banks	2,673	2,673	—	—	—	—	—	—	—	—	—	—	—	2,009	—
General governments	492	492	—	—	—	—	—	—	—	—	—	—	—	46	—
Credit institutions	30,153	30,152	1	—	—	—	—	—	—	—	—	—	—	20,821	—
Other financial corporations	32,675	31,125	836	118	—	118	(9)	(5)	(4)	(18)	—	(18)	—	20,055	87
Non-financial corporations	28,841	24,956	3,885	1,202	—	1,202	(96)	(25)	(71)	(465)	—	(465)	(25)	16,938	366
– of which: SMEs	209	155	54	43	—	43	(2)	(1)	(1)	(16)	—	(16)	—	153	19
Households	755	755	—	21	—	21	—	—	—	(11)	—	(11)	—	754	8
Debt securities	27,743	27,688	55	—	—	—	—	—	—	—	—	—	—	3,460	—
Central banks	594	594	—	—	—	—	—	—	—	—	—	—	—	—	—
General governments	23,760	23,760	—	—	—	—	—	—	—	—	—	—	—	3,296	—
Credit institutions	3,226	3,178	48	—	—	—	—	—	—	—	—	—	—	145	—
Other financial corporations	116	116	—	—	—	—	—	—	—	—	—	—	—	19	—
Non-financial corporations	47	40	7	—	—	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet exposures	186,545	158,082	4,036	391	—	129	(29)	(12)	(14)	(32)	—	(16)	—	823	2
Central banks	67	67	—	—	—	—	—	—	—	—	—	—	—	—	—
General governments	1,754	1,495	—	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	83,927	81,480	—	—	—	—	—	—	—	—	—	—	—	—	—
Other financial corporations	24,452	22,344	930	1	—	—	(3)	(2)	—	—	—	—	—	250	—
Non-financial corporations	75,988	52,351	3,102	390	—	129	(26)	(10)	(14)	(32)	—	(16)	—	573	2
Households	357	345	4	—	—	—	—	—	—	—	—	—	—	—	—
Total	355,461	321,474	8,846	1,733	—	1,471	(134)	(42)	(89)	(527)	—	(511)	(25)	64,906	463

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

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 2026. Outflows due to other situations 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')

	30 Jun 2026	31 Dec 2025
	Gross carrying amount	Gross carrying amount
	€m	€m
Initial stock of non-performing loans and advances	**1,361**	1,613
Inflows to non-performing portfolios	**334**	923
Outflows from non-performing portfolios	**354**	1,175
– of which – due to write-offs	**5**	73
– of which – due to other situations	**349**	1,102
Final stock of non-performing loans and advances	**1,341**	1,361

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

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

	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
	€m	€m	€m	€m	€m	€m
Loans and advances	**2,005**	**35,159**	**23,031**	**3,962**	**32,173**	**96,330**
Debt securities	**15**	**5,736**	**13,620**	**8,372**	**—**	**27,743**
Total at 30 June 2026	**2,020**	**40,895**	**36,651**	**12,334**	**32,173**	**124,073**
Loans and advances	1,928	31,343	22,213	6,351	13,782	75,617
Debt securities	16	5,820	14,447	7,310	2	27,595
Total at 31 Dec 2025	1,944	37,163	36,660	13,661	13,784	103,212

The table below presents the equity exposures treated in accordance with Articles 133(3)–(6) of the CRR3, showing the on-balance sheet and off-balance sheet exposure values, and the corresponding risk weighted exposure amount. HSBC Continental Europe no longer holds IRB permission for specialised lending exposures, and therefore no specialised lending exposures are reported under the IRB approach.

Table 21: Specialised lending and equity exposures ('CR10')

	Equity exposures		
	On-balance sheet exposure	Off-balance sheet exposure	Risk weighted exposure amount
	€m	€m	€m
Equity exposures	**367**	**—**	**871**
Total at 30 Jun 2026	**367**	**—**	**871**
Equity exposures	405	—	968
Total at 31 Dec 2025	405	—	968

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			
			of which: secured by collateral	of which: secured by financial guarantees	
	Unsecured carrying amount	Total			of which: secured by credit derivatives
	€m	€m	€m	€m	€m
Loans and advances	**80,830**	**61,085**	**51,245**	**9,840**	**—**
Debt securities	**24,282**	**3,461**	**—**	**3,461**	**—**
Total at 30 Jun 2026	**105,112**	**64,546**	**51,245**	**13,301**	**—**
– of which: NPE	**385**	**461**	**234**	**227**	**—**
– of which: defaulted	**385**	**461**	**234**	**227**	**—**
Loans and advances	83,714	54,446	45,008	9,438	—
Debt securities	23,814	3,778	—	3,778	—
Total at 31 Dec 2025	107,528	58,224	45,008	13,216	—
– of which: NPE	457	450	341	109	—
– of which: defaulted	457	450	341	109	—

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.

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

		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
	Exposure classes	€m	€m	€m	€m	€m	%
1	Central governments or central banks	**60,350**	**662**	**62,994**	**841**	**655**	**1**
2	Non-central government public sector entities	**5,832**	**1,126**	**5,966**	**451**	**44**	**1**
EU-2a	– Regional governments or local authorities	**1,543**	**—**	**1,685**	**—**	**—**	**—**
EU-2b	– Public sector entities	**4,289**	**1,126**	**4,281**	**451**	**44**	**1**
3	Multilateral development banks	**2,240**	**2**	**2,225**	**56**	**2**	**—**
EU-3a	International organisations	**5,306**	**—**	**5,306**	**—**	**—**	**—**
4	Institutions	**2,010**	**917**	**2,252**	**304**	**973**	**38**
5	Covered bonds	**—**	**—**	**—**	**—**	**—**	**—**
6	Corporates	**13,897**	**15,908**	**10,121**	**2,851**	**10,651**	**82**
6.1	– of which: Specialised Lending	**756**	**241**	**671**	**65**	**740**	**101**
7	Subordinated debt exposures and equity	**374**	**14**	**374**	**—**	**882**	**236**
EU-7a	– Subordinated debt exposures	**7**	**14**	**7**	**—**	**11**	**150**
EU-7b	– Equity	**367**	**—**	**367**	**—**	**871**	**238**
8	Retail	**1,754**	**318**	**1,178**	**59**	**858**	**69**
9	Secured by mortgages on immovable property and ADC exposures	**4,325**	**735**	**4,325**	**136**	**2,708**	**61**
9.1	– Secured by mortgages on residential immovable property – non IPRE	**2,638**	**152**	**2,638**	**2**	**906**	**34**
9.2	– Secured by mortgages on residential immovable property – IPRE	**242**	**35**	**242**	**12**	**368**	**145**
9.3	– Secured by mortgages on commercial immovable property – non IPRE	**774**	**419**	**774**	**72**	**584**	**69**
9.4	– Secured by mortgages on commercial immovable property – IPRE	**510**	**21**	**510**	**7**	**544**	**105**
9.5	– Acquisition, Development and Construction ('ADC')	**161**	**108**	**161**	**43**	**306**	**150**
10	Exposures in default	**296**	**37**	**267**	**4**	**352**	**130**
EU-10a	Claims on institutions and corporates with a short-term credit assessment	**—**	**—**	**—**	**—**	**—**	**—**
EU-10b	Collective investment undertakings ('CIU')	**12**	**1**	**12**	**1**	**31**	**250**
EU-10c	Other items	**840**	**—**	**840**	**—**	**714**	**85**
12	**Total at 30 Jun 2026**	**97,236**	**19,720**	**95,860**	**4,703**	**17,870**	**18**
1	Central governments or central banks	75,994	394	78,469	459	898	1
2	Non-central government public sector entities	6,384	1,285	6,481	511	139	2
EU-2a	– Regional governments or local authorities	1,611	100	1,722	40	—	—
EU-2b	– Public sector entities	4,773	1,185	4,759	471	139	3
3	Multilateral development banks	2,103	—	2,104	—	73	4
EU-3a	International organisations	4,320	—	4,320	—	—	—
4	Institutions	527	1,243	751	732	378	26
5	Covered bonds	38	—	38	—	4	10
6	Corporates	11,324	14,148	10,002	2,596	9,857	78
6.1	– of which: Specialised Lending	704	263	636	107	691	93
7	Subordinated debt exposures and equity	474	15	475	—	1,072	226
EU-7a	– Subordinated debt exposures	69	15	70	—	104	150
EU-7b	– Equity	405	—	405	—	968	239
8	Retail	1,470	275	668	47	738	103
9	Secured by mortgages on immovable property and ADC exposures	4,834	824	4,706	155	3,190	66
9.1	– Secured by mortgages on residential immovable property – non IPRE	2,634	87	2,561	8	931	36
9.2	– Secured by mortgages on residential immovable property – IPRE	321	138	321	6	475	145
9.3	– Secured by mortgages on commercial immovable property – non IPRE	1,096	480	1,041	96	780	69
9.4	– Secured by mortgages on commercial immovable property – IPRE	632	17	632	5	718	113
9.5	– Acquisition, Development and Construction ('ADC')	151	102	151	40	286	150
10	Exposures in default	483	46	350	3	441	125
EU-10a	Claims on institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
EU-10b	Collective investment undertakings ('CIU')	13	1	13	1	33	244
EU-10c	Other items	608	—	608	—	494	81
12	Total at 31 Dec 2025	108,572	18,231	108,985	4,504	17,317	15

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')

		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**
	At 30 Jun 2026																											
1	Central governments or central banks	63,375	—	—	—	173	—	—	—	—	43	—	—	—	—	—	8	—	—	—	—	236	—	—	—	—	63,835	306
2	Non-central government public sector entities	6,288	—	—	—	69	—	—	—	—	60	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6,417	—
EU 2a	– Regional governments or local authorities	1,685	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,685	—
EU 2b	– Public sector entities	4,603	—	—	—	69	—	—	—	—	60	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,732	—
3	Multilateral development banks	2,278	—	—	—	—	—	—	—	—	3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,281	—
EU 3a	International organisations	5,306	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5,306	—
4	Institutions	—	167	—	—	1,293	402	—	2	—	231	—	—	—	—	—	434	—	—	—	27	—	—	—	—	—	2,556	56
5	Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	Corporates	—	—	—	—	1,912	—	—	—	—	1,780	—	—	345	—	—	8,015	—	—	534	386	—	—	—	—	—	12,972	7,462
6.1	– of which: Specialised Lending	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	202	—	—	534	—	—	—	—	—	—	736	735
7	Subordinated debt exposures and equity	18	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7	349	—	—	—	—	374	—
EU-7a	– Subordinated debt exposures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7	—	—	—	—	—	7	—
EU-7b	– Equity	18	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	349	—	—	—	—	367	—
8	Retail exposures	—	—	—	—	165	—	401	—	—	—	—	—	187	—	—	484	—	—	—	—	—	—	—	—	—	1,237	—
9	Secured by mortgages on immovable property and ADC exposures	—	—	—	—	2,016	9	1	—	1	—	587	—	617	—	—	266	—	95	—	628	—	—	—	—	241	4,461	266
9.1	– Secured by mortgages on residential immovable property – non IPRE	—	—	—	—	2,016	—	—	—	—	—	—	—	610	—	—	14	—	—	—	—	—	—	—	—	—	2,640	252

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

		Risk weight																										
		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	of which 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
9.1.1	– no loan splitting applied	—	—	—	—	—	—	—	—	—	—	—	—	422	—	—	6	—	—	—	—	—	—	—	—	—	428	—
9.1.2	– loan splitting applied (secured)	—	—	—	—	633	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	633	—
9.1.3	– loan splitting applied (unsecured)	—	—	—	—	1,383	—	—	—	—	—	—	—	188	—	—	8	—	—	—	—	—	—	—	—	—	1,579	252
9.2	– Secured by mortgages on residential immovable property – IPRE	—	—	—	—	—	9	1	—	1	—	—	—	—	—	—	—	—	—	—	243	—	—	—	—	—	254	—
9.3	– Secured by mortgages on commercial immovable property – non IPRE	—	—	—	—	—	—	—	—	—	—	587	—	7	—	—	252	—	—	—	—	—	—	—	—	—	846	14
9.3.1	– no loan splitting applied	—	—	—	—	—	—	—	—	—	—	—	—	6	—	—	161	—	—	—	—	—	—	—	—	—	167	—
9.3.2	– loan splitting applied (secured)	—	—	—	—	—	—	—	—	—	—	51	—	—	—	—	—	—	—	—	—	—	—	—	—	—	51	—
9.3.3	– loan splitting applied (unsecured)	—	—	—	—	—	—	—	—	—	—	536	—	1	—	—	91	—	—	—	—	—	—	—	—	—	628	14
9.4	– Secured by mortgages on commercial immovable property – IPRE	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	95	—	181	—	—	—	—	241	517	—
9.5	– Acquisition, Development and Construction ('ADC')	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	204	—	—	—	—	—	204	—
10	Exposures in default	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	109	—	—	—	162	—	—	—	—	—	271	—
EU-10a	Claims on institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
EU-10b	Collective investment undertakings ('CIU')	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	13	—	—	—	—	13	—

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

		Risk weight																										
		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	of which 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-10c	Other items	**50**	**—**	**—**	**—**	**95**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**695**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**840**	**—**
EU-11c	**Total at 30 Jun 2026**	**77,315**	**167**	**—**	**—**	**5,723**	**411**	**402**	**2**	**1**	**2,117**	**587**	**—**	**1,149**	**—**	**—**	**10,011**	**—**	**95**	**534**	**1,210**	**598**	**—**	**—**	**—**	**241**	**100,563**	**8,090**
	At 31 Dec 2025																											
1	Central governments or central banks	77,966	—	—	—	615	—	—	—	—	42	—	—	—	—	—	6	—	—	—	—	299	—	—	—	—	78,928	344
2	Non-central government public sector entities	6,387	—	—	—	545	—	—	—	—	60	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6,992	—
EU-2a	– Regional governments or local authorities	1,762	—	—	—	0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,762	—
EU-2b	– Public sector entities	4,625	—	—	—	545	—	—	—	—	60	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5,230	—
3	Multilateral development banks	1,958	—	—	—	—	—	—	—	—	146	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,104	146
EU-3a	International organisations	4,320	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,320	—
4	Institutions	—	391	—	—	512	398	—	2	—	102	—	—	—	—	—	38	—	—	—	40	—	—	—	—	—	1,483	509
5	Covered bonds	—	—	—	38	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	38	0
6	Corporates	—	—	—	—	1,740	—	456	—	—	2,019	—	—	194	11	—	7,769	—	—	266	143	—	—	—	—	—	12,598	7,941
6.1	– of which: Specialised Lending	—	—	—	—	—	—	—	—	—	—	—	—	—	11	—	466	—	—	266	—	—	—	—	—	—	743	743
7	Subordinated debt exposures and equity	18	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	70	387	—	—	—	—	475	—
EU-7a	– Subordinated debt exposures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	70	—	—	—	—	—	70	—

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

		Risk weight																										
		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	of which 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	18	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	387	—	—	—	—	405	—
8	Retail exposures	—	—	—	—	—	—	—	—	—	—	—	—	195	—	—	520	—	—	—	—	—	—	—	—	—	715	0
9	Secured by mortgages on immovable property and ADC exposures	—	—	—	—	1,782	68	3	—	1	0	707	—	853	—	—	306	—	127	—	806	—	—	—	—	208	4,861	307
9.1	– Secured by mortgages on residential immovable property – non IPRE	—	—	—	—	1,782	58	—	—	—	—	—	—	674	—	—	55	—	—	—	—	—	—	—	—	—	2,569	1
9.1.1	– no loan splitting applied	—	—	—	—	—	—	—	—	—	—	—	—	445	—	—	54	—	—	—	—	—	—	—	—	—	499	—
9.1.2	– loan splitting applied (secured)	—	—	—	—	656	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	656	—
9.1.3	– loan splitting applied (unsecured)	—	—	—	—	1,126	58	—	—	—	—	—	—	229	—	—	1	—	—	—	—	—	—	—	—	—	1,414	1
9.2	– Secured by mortgages on residential immovable property – IPRE	—	—	—	—	—	10	3	—	1	—	—	—	—	—	—	—	—	—	—	313	—	—	—	—	—	327	55
9.3	– Secured by mortgages on commercial immovable property – non IPRE	—	—	—	—	—	—	—	—	—	—	707	—	179	—	—	251	—	—	—	—	—	—	—	—	—	1,137	188
9.3.1	– no loan splitting applied	—	—	—	—	—	—	—	—	—	—	—	—	13	—	—	188	—	—	—	—	—	—	—	—	—	201	—
9.3.2	– loan splitting applied (secured)	—	—	—	—	—	—	—	—	—	—	53	—	—	—	—	—	—	—	—	—	—	—	—	—	—	53	—
9.3.3	– loan splitting applied (unsecured)	—	—	—	—	—	—	—	—	—	—	654	—	166	—	—	63	—	—	—	—	—	—	—	—	—	883	188

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

		Risk weight																										
		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	of which 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
9.4	– Secured by mortgages on commercial immovable property – IPRE	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	127	—	302	—	—	—	—	208	637	63
9.5	– Acquisition, Development and Construction ('ADC')	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	191	—	—	—	—	—	191	—
10	Exposures in default	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	176	—	—	—	177	—	—	—	—	—	353	0
EU-10a	Claims on institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
EU-10b	Collective investment under takings ('CIU')	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	12	—	—	—	2	14	—
EU-10c	Other items	50	—	—	—	79	—	—	—	—	—	—	—	—	—	—	479	—	—	—	0	—	—	—	—	—	608	0
EU-11c	Total at 31 Dec 2025	90,699	391	—	38	5,273	466	459	2	1	2,369	707	—	1,242	11	—	9,294	—	127	266	1,236	698	—	—	—	210	113,489	9,247

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')

		At 30 Jun 2026		At 31 Dec 2025[1]	
		Pre-credit derivatives risk weighted exposure amount	**Actual risk weighted exposure amount**	Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
		€m	**€m**	€m	€m
1	Central governments and central banks – F-IRB	**—**	**—**	—	—
EU-1a	Regional governments and local authorities – F-IRB	**—**	**—**	—	—
EU-1b	Public sectore entities – F-IRB	**—**	**—**	—	—
2	Central governments and central banks – A-IRB	**—**	**—**	—	—
EU-2a	Regional governments and local authorities A-IRB	**—**	**—**	—	—
EU-2b	Public sectore entities A-IRB	**—**	**—**	—	—
3	Insitutions – F-IRB	**416**	**416**	507	507
4	Insitutions – A-IRB			—	—
5	Corporates – F-IRB	**21,058**	**20,879**	22,194	22,005
EU-5a	– Corporates – General	**21,058**	**20,879**	22,194	22,005
EU-5b	– Corporates – Specialised lending	**—**	**—**	—	—
EU-5c	– Corporates – Purchased receivables	**—**	**—**	—	—
6	Corporate – A-IRB	**1,267**	**1,267**	1,505	1,505
EU-6a	– Corporates – General	**1,267**	**1,267**	1,505	1,505
EU-6b	– Corporates – Specialised lending	**—**	**—**	—	—
EU-6c	– Corporates – Purchased Receivables	**—**	**—**	—	—
EU-8a	Retail – A-IRB	**78**	**78**	98	97
9	– Retail – Qualifying revolving ('QRRE')	**—**	**—**	—	—
10	– Retail – Secured by residential immovable property	**—**	**—**	—	—
EU-10a	– Retail – Purchased receivables	**—**	**—**	—	—
EU-10b	– Retail – Other retail exposures	**78**	**78**	98	97
17	**Exposures under F-IRB**	**21,474**	**21,295**	22,701	22,512
18	**Exposures under A-IRB**	**1,345**	**1,345**	1,603	1,602
19	**Total Exposures**	**22,819**	**22,640**	24,304	24,114

1 The comparatives have been restated to reflect the impact of a correction on total risk-weighted assets ("RWAs") related to certain specific transactions.

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

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

			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 (%)							
		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 (%)	RWA without substitution effects (reduction effects only)	RWA with substitution effects (both reduction and substitution effects)
	A-IRB														
1	Central governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2	Regional governments and local authorities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3	Public sector entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5	Corporates	**1,615**	**3.4**	**32.5**	**32.4**	—	**0.1**	—	—	—	—	—	—	**1,268**	**1,267**
5.1	– Corporates – General	**1,615**	**3.4**	**32.5**	**32.4**	—	**0.1**	—	—	—	—	—	—	**1,268**	**1,267**
5.2	– Corporates – Specialised lending	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5.3	– Corporates – Purchased Receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	Retail	**194**	—	**49.9**	**49.9**	—	—	—	—	—	—	—	—	**78**	**78**
6.1	– Retail – Qualifying revolving	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6.2	– Retail – secured by residential immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6.3	– Retail – Purchased Receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6.4	– Retail – Other retail exposures	**194**	—	**49.9**	**49.9**	—	—	—	—	—	—	—	—	**78**	**78**
7	**Total at 30 Jun 2026**	**1,809**	**3.0**	**34.4**	**34.3**	—	**0.1**	—	—	—	—	—	—	**1,346**	**1,345**
	F-IRB														
1	Central governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2	Regional governments and local authorities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3	Public sector entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4	Institutions	**2,201**	—	—	—	—	—	—	—	—	—	—	—	**416**	**416**
5	Corporates	**41,613**	**1.3**	**2.0**	**1.9**	—	**0.1**	—	—	—	—	—	—	**20,899**	**20,879**
5.1	– Corporates – General	**41,613**	**1.3**	**2.0**	**1.9**	—	**0.1**	—	—	—	—	—	—	**20,899**	**20,879**
5.2	– Corporates – Specialised lending	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5.3	– Corporates – Purchased Receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	**Total at 30 Jun 2026**	**43,814**	**1.2**	**1.9**	**1.8**	—	**0.1**	—	—	—	—	—	—	**21,315**	**21,295**

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.

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

PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	€m	€m	%	€m	%		%	years	€m	%	€m	€m
AIRB – Corporates – General												
0.00 to <0.15	82	148	38.8	139	0.1	552	34.7	2.6	27	19.7	—	—
– 0.00 to <0.10	63	115	38.3	107	0.1	106	36.7	2.5	20	18.9	—	—
– 0.10 to <0.15	19	33	40.3	32	0.1	446	28.3	3.0	7	22.3	—	—
0.15 to <0.25	173	96	59.2	231	0.2	793	22.4	2.4	56	24.2	—	—
0.25 to <0.50	215	78	39.0	244	0.4	969	20.0	3.4	77	31.5	—	(1)
0.50 to <0.75	63	44	35.0	75	0.6	732	34.8	3.4	50	66.5	—	(1)
0.75 to <2.50	329	216	32.3	393	1.6	2,521	36.5	2.3	341	86.9	2	(6)
– 0.75 to <1.75	217	135	31.1	254	1.3	2,150	39.0	2.3	220	86.9	1	(1)
– 1.75 to <2.5	112	81	34.4	139	2.3	371	32.0	2.5	121	86.8	1	(5)
2.50 to <10.00	162	211	37.8	240	4.9	1,213	45.6	3.3	392	163.3	6	(4)
– 2.5 to <5	72	139	37.3	124	3.7	853	45.5	3.5	191	154.6	2	(2)
– 5 to <10	90	72	38.8	116	6.2	360	45.7	3.1	201	172.5	4	(2)
10.00 to <100.00	67	94	37.5	100	22.4	1,209	43.4	3.0	194	194.5	9	(5)
– 10 to <20	51	83	38.3	81	11.6	1,164	45.7	3.1	172	213.8	4	(2)
– 30.00 to <100.00	16	11	31.1	19	67.8	45	33.9	2.5	22	113.5	5	(3)
100.00 (Default)	168	37	30.1	151	100.0	1,009	69.2	3.3	130	86.1	96	(93)
Sub-total	**1,259**	**924**	**38.7**	**1,573**	**16.3**	**8,998**	**38.3**	**3.0**	**1,267**	**80.6**	**113**	**(110)**
AIRB – Retail – Other retail exposures												
0.00 to <0.15	10	5	40.0	13	0.1	418	34.1	—	1	10	—	—
– 0.00 to <0.10	3	1	40.0	4	0.1	75	37.8	—	—	8	—	—
– 0.10 to <0.15	7	4	40.0	9	0.1	343	32.5	—	1	11	—	—
0.15 to <0.25	12	9	40.0	15	0.2	610	32.8	—	3	17	—	—
0.25 to <0.50	17	9	40.0	19	0.4	715	36.4	—	5	25	—	—
0.50 to <0.75	13	6	40.0	15	0.6	496	36.5	—	5	35	—	—
0.75 to <2.50	75	8	40.0	76	1.5	1,502	29.8	—	28	37	—	—
– 0.75 to <1.75	70	7	40.0	71	1.5	1,307	29.1	—	25	35	—	—
– 1.75 to <2.5	5	1	40.0	5	2.3	195	40.6	—	3	67	—	—
2.50 to <10.00	18	4	40.0	18	4.7	665	34.4	—	11	59	—	—
– 2.5 to <5	13	3	40.0	13	3.9	500	34.4	—	8	58	—	—
– 5 to <10	5	1	40.0	5	6.7	165	34.4	—	3	60	—	—
10.00 to <100.00	15	1	40.0	15	16.2	788	31.7	—	9	59	1	(1)
– 10 to <20	14	1	40.0	14	10.4	769	32.2	—	8	60	1	(1)
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	—
– 30.00 to <100.00	1	—	40.0	1	73.4	19	27.0	—	1	49	—	—
100.00 (Default)	17	1	40.0	13	100.0	275	47.7	—	16	129	5	(6)
Sub-total	**177**	**43**	**40.0**	**184**	**15.5**	**5,469**	**35.4**	**—**	**78**	**43**	**6**	**(7)**
AIRB – Total at 30 Jun 2026	**1,436**	**967**	**39.4**	**1,757**	**15.9**	**14,467**	**36.9**	**1.5**	**1,345**	**77**	**119**	**(117)**
FIRB – Institutions												
0.00 to <0.15	1,528	995	35.8	1,528	0.1	228	36.5	1.5	266	17.4	—	—
– 0.00 to <0.10	1,297	788	37.8	1,238	0.1	141	39.0	1.6	218	17.6	—	—
– 0.10 to <0.15	231	207	28.3	290	0.1	87	25.5	1.2	48	16.5	—	—
0.15 to <0.25	186	85	31.0	212	0.2	30	18.4	1.8	38	18.1	—	—
0.25 to <0.50	—	4	32.2	2	0.3	7	45.0	1.4	1	52.3	—	—
0.50 to <0.75	13	133	10.1	26	0.6	9	44.9	1.7	28	105.4	—	—
0.75 to <2.50	31	90	32.7	61	1.6	16	44.9	1.8	66	109.0	—	—
– 0.75 to <1.75	31	32	20.0	38	1.2	13	45.0	0.6	35	94.3	—	—
– 1.75 to <2.5	—	58	39.7	23	2.2	3	44.7	3.7	31	133.2	—	—
2.50 to <10.00	1	5	40.0	3	4.2	2	45.0	3.1	6	179.2	—	—
– 2.5 to <5	1	5	40.0	3	4.2	2	45.0	3.1	6	179.2	—	—
– 5 to <10	—	—	—	—	—	—	—	—	—	—	—	—
10.00 to <100.00	7	8	19.8	9	75.0	—	41.4	1.2	11	118.4	3	—
– 10 to <20	—	—	—	—	—	—	—	—	—	—	—	—
– 30.00 to <100.00	7	8	19.8	9	75.0	—	41.4	1.2	11	118.4	3	—
100.00 (Default)	4	1	20.0	4	100.0	—	45.0	5.0	—	—	2	—
Sub-total	**1,770**	**1,321**	**27.7**	**1,845**	**22.8**	**292**	**40.1**	**2.2**	**416**	**22.5**	**5**	**—**

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

PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	€m	€m	%	€m	%		%	years	€m	%	€m	€m
FIRB – Corporates – General												
0.00 to <0.15	**4,128**	**25,381**	**36.5**	**14,571**	**0.1**	**973**	**40.4**	**2.3**	**3,330**	**23**	**4**	**(4)**
– 0.00 to <0.10	**3,556**	**22,308**	**37.1**	**12,208**	**0.1**	**672**	**40.4**	**2.4**	**2,491**	**20**	**3**	**(2)**
– 0.10 to <0.15	**572**	**3,073**	**32.0**	**2,363**	**0.1**	**301**	**40.4**	**2.0**	**839**	**36**	**1**	**(2)**
0.15 to <0.25	**3,442**	**10,058**	**34.9**	**6,810**	**0.2**	**379**	**41.8**	**2.3**	**2,850**	**42**	**6**	**(4)**
0.25 to <0.50	**3,443**	**10,336**	**36.6**	**6,151**	**0.3**	**521**	**40.9**	**2.4**	**3,304**	**54**	**9**	**(5)**
0.50 to <0.75	**678**	**1,475**	**21.5**	**870**	**0.6**	**232**	**41.1**	**1.8**	**655**	**75**	**2**	**(2)**
0.75 to <2.50	**3,326**	**8,783**	**32.6**	**5,376**	**1.3**	**2,079**	**38.8**	**2.2**	**4,528**	**84**	**27**	**(16)**
– 0.75 to <1.75	**2,494**	**6,933**	**31.9**	**4,141**	**1.1**	**1,614**	**38.6**	**2.0**	**3,176**	**77**	**16**	**(9)**
– 1.75 to <2.5	**832**	**1,850**	**35.4**	**1,235**	**2.2**	**465**	**39.6**	**2.7**	**1,352**	**109**	**11**	**(7)**
2.50 to <10.00	**2,844**	**8,051**	**33.3**	**4,197**	**4.1**	**1,067**	**39.7**	**2.4**	**5,249**	**125**	**68**	**(40)**
– 2.5 to <5	**2,181**	**5,684**	**33.4**	**3,351**	**3.4**	**828**	**39.6**	**2.5**	**4,033**	**120**	**46**	**(31)**
– 5 to <10	**663**	**2,367**	**33.1**	**846**	**6.5**	**239**	**39.9**	**2.0**	**1,216**	**144**	**22**	**(9)**
10.00 to <100.00	**407**	**707**	**25.3**	**509**	**17.5**	**594**	**39.4**	**2.6**	**958**	**188**	**34**	**(18)**
– 10 to <20	**283**	**588**	**25.0**	**372**	**11.6**	**573**	**39.6**	**2.5**	**686**	**184**	**17**	**(10)**
– 20 to <30	**100**	**51**	**40.0**	**101**	**22.8**	**3**	**40.0**	**3.1**	**225**	**222**	**9**	**(8)**
– 30.00 to <100.00	**24**	**68**	**16.9**	**36**	**63.3**	**18**	**36.3**	**1.6**	**47**	**131**	**8**	**—**
100.00 (Default)	**697**	**89**	**53.5**	**652**	**100.0**	**76**	**40.0**	**2.5**	**5**	**1**	**261**	**(281)**
Sub-total	**18,965**	**64,880**	**34.3**	**39,136**	**15.5**	**5,921**	**40.3**	**2.3**	**20,879**	**53**	**411**	**(370)**
FIRB – Total at 30 Jun 2026	**20,735**	**66,201**	**22.0**	**40,981**	**12.8**	**6,213**	**28.7**	**1.5**	**21,295**	**52**	**416**	**(370)**

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 162 of HSBC Continental Europe's Universal Registration Document 2025.

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

Table 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)	**912**	**1,765**		**1.4**	**3,748**	**3,748**	**3,748**	**1,164**
IMM (for derivatives and SFTs)			**6,147**	**1.4**	**8,606**	**8,606**	**8,606**	**3,273**
– of which: securities financing transactions netting sets			**—**		**—**	**—**	**—**	**—**
derivatives and long settlement transactions netting sets			**6,147**		**8,606**	**8,606**	**8,606**	**3,273**
Financial collateral comprehensive method (for SFTs)					**3,051**	**3,081**	**3,081**	**447**
Total at 30 Jun 2026					**15,405**	**15,435**	**15,435**	**4,884**

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											
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
	Exposure classes	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
1	Central governments or central banks	**1,754**	**—**	**—**	**—**	**62**	**7**	**—**	**—**	**—**	**—**	**—**	**1,823**
2	Regional government or local authorities	**4**	**—**	**—**	**—**	**147**	**43**	**—**	**—**	**—**	**—**	**—**	**194**
3	Public sector entities	**159**	**—**	**—**	**—**	**272**	**14**	**—**	**—**	**—**	**—**	**—**	**445**
4	Multilateral development banks	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
5	International organisations	**111**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**111**
6	Institutions	**—**	**2,490**	**—**	**—**	**650**	**1**	**—**	**—**	**—**	**—**	**133**	**3,274**
7	Corporates	**—**	**—**	**—**	**—**	**4**	**2,261**	**—**	**26**	**681**	**1**	**—**	**2,973**
11	**Total exposure value at 30 Jun 2026**	**2,028**	**2,490**	**—**	**—**	**1,135**	**2,326**	**—**	**26**	**681**	**1**	**133**	**8,820**
1	Central governments or central banks	3,964	—	—	—	45	1	—	—	—	—	—	4,010
2	Regional government or local authorities	—	—	—	—	71	—	—	—	—	—	—	71
3	Public sector entities	—	—	—	—	1	74	—	—	—	—	—	75
4	Multilateral development banks												
5	International organisations	—	—	—	—	—	—	—	—	—	—	—	—
6	Institutions	—	1,739	—	—	131	1	—	—	—	—	594	2,465
7	Corporates	—	—	—	—	5	2,469	—	16	504	2	—	2,996
11	Total exposure value at 31 Dec 2025	3,964	1,739	—	—	253	2,545	—	16	504	2	594	9,617

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 CRR3.

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

30 Jun 2026	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 %
PD scale							
FIRB – Corporates							
0.00 to <0.15	**4,484**	**0.06**	**1,873**	**43.7**	**1.0**	**653**	**14.6**
0.15 to <0.25	**454**	**0.19**	**220**	**42.6**	**1.0**	**147**	**32.4**
0.25 to <0.50	**407**	**0.31**	**152**	**40.9**	**1.0**	**160**	**39.4**
0.50 to <0.75	**93**	**0.63**	**160**	**43.8**	**0.0**	**58**	**62.3**
0.75 to <2.50	**682**	**1.73**	**513**	**42.1**	**1.0**	**629**	**92.3**
2.50 to <10.00	**318**	**4.15**	**236**	**41.9**	**1.0**	**394**	**124.2**
10.00 to <100.00	**27**	**68.37**	**134**	**40.9**	**1.0**	**32**	**121.0**
100.00 (Default)	**1**	**100.00**	**3**	**40.0**	**1.0**	**—**	**—**
Sub-total	**6,466**	**0.77**	**3,291**	**43.1**	**1.0**	**2,073**	**32.1**
FIRB – Institutions							
0.00 to <0.15	**2,084**	**0.07**	**174**	**45.0**	**1.0**	**337**	**16.2**
0.15 to <0.25	**248**	**0.20**	**45**	**45.0**	**1.0**	**96**	**38.7**
0.25 to <0.50	**75**	**0.35**	**16**	**45.0**	**1.0**	**41**	**54.3**
0.50 to <0.75	**71**	**0.59**	**21**	**45.0**	**0.0**	**44**	**61.6**
0.75 to <2.50	**85**	**1.96**	**36**	**45.0**	**1.0**	**83**	**97.9**
2.50 to <10.00	**72**	**2.73**	**9**	**45.0**	**0.0**	**69**	**96.3**
10.00 to <100.00	**6**	**75.00**	**22**	**45.0**	**1.0**	**8**	**124.6**
100.00 (Default)	**—**	**—**	**0**	**—**	**0.0**	**—**	**—**
Sub-total	**2,641**	**0.41**	**323**	**45.0**	**1.0**	**678**	**25.7**
FIRB – Total at 30 Jun 2026	**9,107**	**0.67**	**3,614**	**43.7**	**1.0**	**2,751**	**30.2**
Total (all portfolios) at 30 Jun 2026	**9,107**	**0.67**	**3,614**	**43.7**	**1.0**	**2,751**	**30.2**

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

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

		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Collateral type	Segregated €m	Un-segregated €m	Segregated €m	Un-segregated €m	Segregated €m	Un-segregated €m	Segregated €m	Un-segregated €m
1	Cash – domestic currency	**—**	**25,788**	**—**	**18,690**	**—**	**74**	**—**	**181**
2	Cash – other currencies	**—**	**3,101**	**—**	**3,619**	**—**	**9**	**—**	**7**
3	Domestic sovereign debt	**103**	**1,970**	**1**	**25**	**—**	**24,620**	**—**	**21,851**
4	Other sovereign debt	**1,764**	**10,089**	**1,088**	**349**	**—**	**103,396**	**—**	**101,708**
5	Government agency debt	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
6	Corporate bonds	**98**	**6,617**	**181**	**—**	**—**	**13,479**	**—**	**1,985**
7	Equity securities	**—**	**4,032**	**—**	**—**	**—**	**416**	**—**	**2,862**
8	Other collateral	**—**	**1,113**	**—**	**—**	**—**	**1,205**	**—**	**250**
9	**Total at 30 Jun 2026**	**1,965**	**52,710**	**1,270**	**22,683**	**—**	**143,199**	**—**	**128,844**

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 2026	
	Exposure value €m	RWA €m
Exposures to QCCPs (total)		**311**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which:	**348**	**7**
(i) OTC derivatives	**81**	**2**
(ii) Exchange-traded derivatives	**52**	**1**
(iii) SFTs	**215**	**4**
(iv) Netting sets where cross-product netting has been approved	**—**	**—**
Segregated initial margin	**—**	
Non-segregated initial margin	**2,141**	**43**
Prefunded default fund contributions	**692**	**261**

Market risk

Overview

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

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

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

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

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

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

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

		30 Jun 2026		31 Dec 2025	
		RWAs	Capital required	RWAs	Capital required
		€m	€m	€m	€m
	Outright products				
1	Interest rate risk (general and specific)[1]	—	—	—	—
3	Foreign exchange risk	85	7	88	7
9	**Total**	85	7	88	7

1 HSBC Continental Europe does not have specific risk positions related to securitisation at 31 December 2025 and 30 June 2026.

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 2026		31 Dec 2025	
		RWAs	Capital required	RWAs	Capital required
		€m	€m	€m	€m
1	**VaR (higher of values a and b)**	658	53	638	51
(a)	Previous day's VaR ('VaRt-1')	183	15	163	13
(b)	Multiplication factor (mc) x average of previous 60 working days ('VaRavg')	658	53	638	51
2	**Stressed VaR (higher of values a and b)**	1,727	138	1,599	128
(a)	Latest available SVaR ('SVaRt-1')	615	49	732	59
(b)	Multiplication factor (ms) x average of previous 60 working days ('sVaRavg')	1,727	138	1,599	128
3	**Incremental risk charge (higher of values a and b)**	1,224	98	968	77
(a)	Most recent IRC value	1,224	98	918	73
(b)	Average IRC value	1,109	89	968	77
5	**Other**	776	62	655	52
6	**Total**	4,385	351	3,860	309

Non-Financial Risk

Overview

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

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

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

The risk of loss could be materialised under the seven non-financial risk categories as defined in the HSBC Group taxonomy: Financial Reporting and Tax Risk, Financial Crime, Regulatory Compliance Risk, Legal Risk, Resilience Risk, Model Risk and People Risk.

▶ Further explanation of HSBC Continental Europe's approach to managing operational risk can be found on pages 171 to 174 of HSBC Continental Europe's Universal Registration Document 2025.

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

The table below presents 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')

	BI and its subcomponents	**2025 €m**	2024 €m	2023 €m	Average value €m
1	**Interest, lease and dividend component ('ILDC')**				1,618
EU-1	**ILDC related to the individual institution/consolidated Group (excluding entities considered by Article 314(3)**				1,618
1a	Interest and lease income	**6,888**	8,763	5,743	7,131
1b	Interest and lease expense	**5,571**	7,224	3,899	5,564
1c	Total assets/Asset component[1]	**190,476**	171,692	171,663	177,944
1d	Dividend income/ dividend component	**83**	43	26	51
2	**Services component ('SC')**				1,952
2a	Fee and commission income	**1,872**	1,790	1,731	1,798
2b	Fee and commission expense	**682**	564	487	578
2c	Other operating income	**276**	100	88	155
2d	Other operating expense[2]	**13**	20	(1)	11
3	**Financial component ('FC')**				696
3a	Net profit or loss applicable to trading book ('TB')	**846**	651	513	670
3b	Net profit or loss applicable to banking book ('BB')	**20**	41	16	26
EU-3c	Approach followed to determine the TB/BB boundary (PBA or accounting approach)				Accounting Approach
4	**Business Indicator ('BI')**				4,266
5	**Business indicator component ('BIC')**				610

	Disclosure on the BI:	
6a	BI gross of excluded divested activities	**4,184**
6b	Reduction in BI due to excluded divested activities	**(82)**
EU-6c	Impact in BI of mergers/acquisitions	**—**

1 Total Assets/Asset component are computed on basis article 314(2) of 2024/1623.
2 The 2025 figure has been corrected following a post-publication review.

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')

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

The EBA has kept ILM as 1 for 2026.

Liquidity and funding

Liquidity management across the group

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

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

Strategies and processes in the management of liquidity risk

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

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

Structure and organisation of the liquidity risk management function

The 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 day liquidity stress scenario. In accordance with Regulation EU 2019/876 of the European Parliament ('CRR3'), the average LCR for the twelve month-ends to 30 June 2026 was 151% (31 December 2025: 147%).

The average LCR HQLA for 30 June 2026 of €bn 91.9 (31 December 2025: €bn 87.9) was held in a range of asset classes and currencies. The liquid asset buffer remains highly liquid, being mainly comprised of cash held at the central bank, and government bonds. As at 30 June 2026, the HBCE HQLA buffer is €bn 89.8 which includes €bn 41.2 of cash at central bank (46%) and €bn 43.6 of Level 1 liquid assets (49%). This composition supports the bank's ability to meet rapid outflows, with a substantial proportion of the buffer immediately available as central bank cash.

During the period from 31 December 2025 to 30 June 2026, the LCR remained above regulatory requirements and within internal risk appetite. Average month-end liquidity surplus was EUR 31.5bn over the period (surplus HQLA less stressed net cash outflows).

Funding is primarily derived from customer deposits as the main source, complemented by wholesale debt issuances and secured funding. HSBC Continental Europe maintains a market presence through multiple issuance channels, including vanilla senior unsecured programmes alongside client-driven issuance via structured notes programmes. Deposit funding is sourced across a broad set of products and client segments, including operational and non-operational deposits, a mix of sight and term accounts across currencies, and access to retail cash via the brokered deposit policy. This diversified mix helps reduce reliance on any single funding channel or counterparty segment.

The table below presents the average of the previous twelve month-end balances for each reporting date. As such, the LCR values reported below do not represent the point-in-time ratios at the end of the period.

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

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

	Quarter ended							
	30 Jun 2026		31 Mar 2026		31 Dec 2025		30 Sep 2025	
	Total unweighted value	**Total weighted value**	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
	€m	**€m**	€m	€m	€m	€m	€m	€m
Number of data points used in the calculation of averages	**12**		12		12		12	
High-quality liquid asset								
Total high-quality liquid assets ('HQLA')		**91,854**		91,322		87,884		83,195
Cash – Outflows	**—**	**—**	—	—				
Retail deposits and small business funding	**7,861**	**771**	8,157	815	8,370	844	8,618	877
– of which:								
stable deposits	**3,926**	**196**	3,981	199	4,035	202	4,100	205
less stable deposits	**3,935**	**575**	4,176	616	4,335	642	4,518	672
Unsecured wholesale funding	**102,107**	**47,806**	101,569	47,996	99,883	47,347	98,409	46,744
– Operational deposits (all counterparties) and deposits in networks of cooperative banks	**34,433**	**8,517**	34,000	8,414	32,386	8,015	31,617	7,824
– Non-operational deposits (all counterparties)	**66,364**	**37,979**	66,249	38,262	66,283	38,118	65,904	38,032
– Unsecured debt	**1,310**	**1,310**	1,320	1,320	1,214	1,214	888	888
Secured wholesale funding		**868**		839		803	—	617
Additional requirements	**71,008**	**18,124**	71,390	18,371	69,816	18,130	66,576	17,772

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

	Quarter ended							
	30 Jun 2026		31 Mar 2026		31 Dec 2025		30 Sep 2025	
	Total unweighted value	**Total weighted value**	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
	€m	**€m**	€m	€m	€m	€m	€m	€m
– Outflows related to derivative exposures and other collateral requirements	**5,183**	**4,760**	5,577	5,222	5,562	5,243	5,560	5,242
– Outflows related to loss of funding on debt products	**—**	**—**	—	—	—	—	—	—
– Credit and liquidity facilities	**65,825**	**13,364**	65,813	13,149	64,254	12,887	61,016	12,530
Other contractual funding obligations	**36,313**	**26,868**	34,542	25,507	32,153	23,189	30,739	22,081
Other contingent funding obligations	**30,751**	**1,537**	30,090	1,504	30,903	1,545	33,652	1,682
Total cash outflows		**95,974**		95,032		91,858	—	89,773
Cash – Inflows	**—**	**—**	—	—	—	—	—	—
Secured lending transactions (including reverse repos)	**89,757**	**1,363**	83,516	1,285	75,898	1,159	70,859	1,111
Inflows from fully performing exposures	**5,062**	**4,259**	4,774	3,974	4,616	3,812	4,890	4,057
Other cash inflows	**36,836**	**29,489**	36,127	28,680	34,776	26,928	34,686	26,189
(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	**131,655**	**35,111**	124,417	33,939	115,290	31,899	110,435	31,357
Fully exempt inflows	**—**	**—**	—	—	—	—	—	—
Inflows subject to 90% cap	**—**	**—**	—	—	—	—	—	—
Inflows subject to 75% cap	**131,655**	**35,111**	124,417	33,938	115,290	31,899	110,435	31,357
Total adjusted value	**—**	**—**	—	—		—		
Liquidity buffer		**91,854**		91,322		87,884		83,195
Total net cash outflows		**60,863**		61,093		59,959		58,416
Liquidity coverage ratio %[1]		**151**		149		147		142

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 160 per cent as at 30 June 2026. 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				
	No maturity	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	**Weighted value**
	€m	**€m**	**€m**	**€m**	**€m**
At 30 Jun 2026					
Available stable funding ('ASF') Items					
Capital items and instruments	**12,247**	**—**	**—**	**1,921**	**14,167**
Own funds	**12,247**	**—**	**—**	**1,921**	**14,167**
Retail deposits	**—**	**7,613**	**—**	**—**	**7,045**
Stable deposits	**—**	**3,866**	**—**	**—**	**3,673**
Less stable deposits	**—**	**3,747**	**—**	**—**	**3,372**
Wholesale funding	**—**	**134,929**	**2,756**	**18,127**	**66,671**
Operational deposits	**—**	**33,186**	**—**	**—**	**16,593**
Other wholesale funding	**—**	**101,743**	**2,756**	**18,127**	**50,078**
Interdependent liabilities	**—**	**—**	**—**	**—**	**—**
Other liabilities	**—**	**40,791**	**—**	**71**	**71**
NSFR derivative liabilities	**—**	**—**	**—**	**—**	**—**
All other liabilities and capital instruments not included in the above categories	**—**	**40,791**	**—**	**71**	**71**
Total available stable funding ('ASF')	**—**	**—**	**—**	**—**	**87,954**
Required stable funding ('RSF') Items	**—**	**—**	**—**	**—**	**—**
Total high-quality liquid assets ('HQLA')	**—**	**—**	**—**	**—**	**4,311**
Assets encumbered for more than 12m in cover pool	**—**	**—**	**—**	**—**	**—**
Deposits held at other financial institutions for operational purposes	**—**	**—**	**—**	**—**	**—**
Performing loans and securities:	**—**	**55,911**	**4,518**	**32,083**	**37,199**
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	**—**	**25,622**	**41**	**—**	**21**

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

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	€m	€m	€m	€m	€m
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	—	**15,444**	**2,210**	**6,882**	**9,072**
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs,	—	**12,391**	**1,990**	**17,913**	**23,339**
– of which: with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	—	**126**	**70**	**4,022**	**3,619**
Performing residential mortgages	—	**361**	**62**	**2,098**	—
– of which: with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	—	**34**	**35**	**1,342**	—
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	—	**2,093**	**215**	**5,190**	**4,767**
Interdependent assets	—	—	—	—	—
Other assets:	—	**28,191**	—	**5,568**	**7,125**
Physical traded commodities	—	—	—	**72**	**61**
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	—	—	—	—	**735**
NSFR derivative assets	—	**1,513**	—	—	**1,513**
NSFR derivative liabilities before deduction of variation margin posted	—	**10,120**	—	—	**506**
All other assets not included in the above categories	—	**16,558**	—	**5,496**	**4,310**
Off-balance sheet items	—	**11,596**	**7,047**	**79,394**	**6,285**
Total RSF	—	—	—	—	**54,920**
Net Stable Funding Ratio (%)					**160**

At 31 Mar 2026					
Available stable funding ('ASF') Items					
Capital items and instruments	12,242	—	—	1,903	14,146
Own funds	12,242	—	—	1,903	14,146
Other capital instruments	—	—	—	—	—
Retail deposits	—	7,594	—	—	7,029
Stable deposits	—	3,899	—	—	3,704
Less stable deposits	—	3,695	—	—	3,325
Wholesale funding	—	131,550	2,629	18,700	66,127
Operational deposits	—	35,442	—	—	17,721
Other wholesale funding	—	96,108	2,629	18,700	48,406
Interdependent liabilities	—	—	—	—	—
Other liabilities	—	41,697	—	80	80
NSFR derivative liabilities	—	—	—	—	—
All other liabilities and capital instruments not included in the above categories	—	41,697	—	80	80
Total available stable funding ('ASF')	—	—	—	—	87,382
Required stable funding ('RSF') Items	—	—	—	—	—
Total high-quality liquid assets ('HQLA')	—	—	—	—	5,350
Assets encumbered for more than 12m in cover pool	—	—	—	—	—
Deposits held at other financial institutions for operational purposes	—	—	—	—	—
Performing loans and securities:	—	50,100	6,021	31,405	36,539
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	—	26,326	507	—	654
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	—	10,618	2,675	6,400	8,462
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs	—	10,992	2,636	18,082	23,069
– of which: with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	—	87	82	4,055	3,646
Performing residential mortgages	—	259	72	2,123	—
– of which: with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	—	34	36	1,370	—
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	—	1,905	131	4,800	4,354
Interdependent assets	—	—	—	—	—
Other assets:	—	25,766	—	5,601	6,104
Physical traded commodities	—	—	—	102	86
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	—	—	—	—	651
NSFR derivative assets	—	639	—	—	639
NSFR derivative liabilities before deduction of variation margin posted	—	9,937	—	—	497
All other assets not included in the above categories	—	15,190	—	5,499	4,231
Off-balance sheet items	—	11,651	7,348	78,352	6,195
Total RSF	—	—	—	—	54,187
Net Stable Funding Ratio (%)					161

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 the Liquidity and funding risk may be found on pages 168 to 169 of HSBC Continental Europe's Universal Registration Document 2025.

Interest rate risk in the banking book

Interest rate risk in the banking book ('IRRBB') refers to the potential negative impact impact to earnings or capital due to fluctuations in market interest rates or changes in expected repricing of client products. This risk arises from the non-traded assets and liabilities, specifically loans, deposits and financial instruments that are not held for trading intent or in order to hedge positions held with trading intent.

Risk management and governance

HSBC Continental Europe's global IRRBB risk management framework is designed to identify, measure, manage and monitor all material sources of IRRBB. HSBC Continental Europe has established policies and frameworks to help ensure comprehensive oversight.

The primary driver of interest rate risk in the banking book in HBCE Continental Europe is the repricing mismatch between interest rate sensitive assets, and rate insensitive liabilities and equity. To help manage this risk and provide more stable earnings, HSBC Continental Europe uses a structural hedge, which is a portfolio of fixed rate assets such as bonds, derivatives and customer loans. The size and duration of this hedge may be limited in certain currencies and locations, depending on available financial resources and market conditions. To reduce accounting mismatches, HSBC Continental Europe mostly hedges with amortised cost financial instrument or hedge-accounted derivatives. However, bonds measured at fair value through other comprehensive income are also used.

HSBC Continental Europe utilises a combination of economic value and earnings based measures to help manage IRRBB effectively. These measures are used to assess IRRBB risks across the banking book, supporting the overall monitoring against risk appetite. They include:

- 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 HSBC Continental Europe's BNII (excluding insurance) follows the currency specific Parallel Up and Down EBA shock scenarios (200bps for EUR).

The EVE sensitivities are based on the 6 EBA Supervisory Outlier Tests ('SOT'): 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 HSBC Continental Europe includes 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.
- Non-maturing deposits ('NMD') are deposits that have no explicit maturity and no explicit repricing date, thus behaviouralisation 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.

The average repricing maturity for core non-maturity deposits ('NMDs') as of 30 June 2026 was 42 months, compared with 40 months as of 31 December 2025. The longest repricing maturity for NMDs as of 3o June 2026, was 84 months.

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 Parallel shock down with respect to Banking Net Interest Income and Parallel shock up with respect to Economic Value of Equity.

The table below discloses the 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')

	EVE sensitivity		BNII sensitivity	
	30 Jun 2026	31 Dec 2025	**30 Jun 2026**	31 Dec 2025
	€m	€m	**€m**	€m
Parallel shock up	**(1,074)**	(1,154)	**107**	140
Parallel shock down	**604**	638	**(156)**	(160)
Steepener shock	**(34)**	(48)		
Flattener shock	**(159)**	(163)		
Short rates shock up	**(484)**	(514)		
Short rates shock down	**253**	266		

As at 30 June 2026, 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 (156) million.

As at 30 June 2026, the maximum decline in EVE was in the parallel shock up at EUR (1,074) million. This translates to 9.8 per cent 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 the strategy and modelling improvements.

ESG risks

Qualitative information on environmental risk

Strategy and Business processes

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

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

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

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

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

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

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

HSBC Continental Europe's approach to sustainability is aligned to the HSBC Group's strategy, taking into account local regulatory requirements. In early 2026, HSBC Continental Europe established its Prudential Transition Plan ('PTP') as a risk management tool. The PTP is aligned with the European Banking Authority ('EBA') guidelines on ESG risk management and is intended to complement the HSBC Group's Net Zero Transition Plan, which sets out the strategic direction and level of ambition. It strengthens governance, accountability, and oversight within the Bank in relation to the identified material risks. The entity-level actions taken by HSBC Continental Europe include: the way that it supports its customers, both through customer engagement and the provision of financing solutions; the way that it operates as an organisation, including risk management, policies and own operations, and how it partners externally in support of systemic change.

Become a net zero bank

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

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

Thermal coal phase-out policy

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

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

As of 30 June 2026, the HSBC Continental Europe's total exposure to fossil fuel sectors (coal, oil, and gas extraction) is EUR 1,215 million.

Energy Policy

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

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

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

Financed emissions

Financed emissions is one of the key metrics the HSBC Group uses to measure progress on the transition of its portfolio. As part of its ambition to become a net zero bank by 2050, the HSBC Group has set financed emissions targets for 2030. Financed emissions link the financing provided to customers and their activities in the real economy and provide an indication of the GHG emissions associated with those activities. They form part of the scope 3 emissions, that include emissions associated with the use of a company's products and services. HSBC Continental Europe assesses and discloses financed emissions in its portfolio.

▶ For more information, refer to 'GHG Financed Emissions' on page 64.

Net zero in own operations

The HSBC Group has the ambition to become a net zero bank by 2050, which includes its operations. In order to contribute to this ambition, HSBC Continental Europe is focused on the following key objectives:

- Reducing greenhouse gas emissions

In Germany and France, the office buildings continue to be operated with the vast majority of electricity consumption being obtained from renewable energy sources. HSBC Continental Europe also remains engaged to reduce overall travel emissions year on year and updated its travel policy in 2025, which now includes specific elements for Germany and France to incentivise train travel over air.

- Improving energy efficiency

In Malta, following the completion of the construction project named HSBC HUB in 2024, HSBC Continental Europe continued to deliver initiatives to reduce CO_2 emissions and increase the Green Energy quotient. As an example, the new operations centre located in Qormi has been redeveloped and achieved LEED gold certification. Additionally, in France and Germany, there has been an ongoing focus on reduction of office footprint (project to reduce floor space at Coeur Défense in France, preparation for sub-leasing of areas at Hansaallee in Germany).

- Partnering with suppliers

HSBC Continental Europe continued gathering carbon emission data from its suppliers through CDP and leveraged an additional data collection source introduced in 2024 to simplify and expand supplier outreach for scope 3 data collection.

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.

In the first half of 2026 HSBC Continental Europe provided and facilitated USD 19.2 billion of sustainable finance and investments (as defined in the HSBC Group's Sustainable Finance and Investment Data Dictionary 2025), bringing HSBC Continental Europe's cumulative amount since 2020 to USD 171.7 billion, which represents 31 per cent of the HSBC Group's total progress to date.

Corporate and Institutional Banking ('CIB')

In Corporate and Institutional Banking customers include businesses of all sizes – from some of the largest companies across sectors such as real estate, power and utilities, energy transport and manufacturing, to medium-sized and small business customers with widely differing transition needs.

CIB's approach is to leverage the HSBC Group's global reach, balance sheet and role in international trade corridors to support CIB customers' transition, while embedding net zero into the way CIB operates and working with partners to support the enabling environments that can accelerate capital flows.

HSBC Continental Europe lending to corporate and institutional customers makes up the majority of its balance sheet and financed emissions, so the role played by the Bank with these customers is critical to achieving the HSBC Group's net zero ambition.

To help deliver against these priorities, the HSBC Group has refreshed its sustainability strategy for CIB and customers. This new approach leverages the advantages of a simplified structure through the formation of the new CIB business. This provides a joined-up commercial strategy that is solutions led rather than sector led, helping to unlock banking solutions that span sectors and markets. CIB intends to become:

- the leading bank for fast-growing transition ecosystems, with a focus on clean power, electrification of transport, and data centres and Artificial Intelligence ('AI');
- a strategic transition partner for all customers, enabling investment in innovation and opportunity, across sectors and their value chains;
- the bank of choice to catalyse emerging climate tech, from international expansion to first-of-a-kind infrastructure projects.

To deliver on these strategic priorities and meet the transition needs of HSBC Continental Europe's CIB customers, a broad suite of sustainable finance and advisory products are provided. CIB sustainable finance and transition strategy includes products and services counting towards the USD 750 billion to USD 1 trillion sustainable finance and investment ambition, in addition to other core areas of HSBC Continental Europe business such as advisory services, blended finance and partnerships to help support customers in their journey to net zero, as well as nature and adaptation-related activities. Where there are relevant industry standards, the Bank will look to align to them. This includes the International Capital Markets Association's ('ICMA') Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and Sustainability-Linked Bond Principles, the Loan Market Association's ('LMA'), Asia Pacific Loan Market Association's ('APLMA'), the Loan Syndications and Trading Association's ('LTSA'), Green Loan Principles and Sustainability-Linked Loan Principles. This helps to ensure credibility and investor confidence in labelled sustainable finance instruments.

The Bank also recognises the importance of safeguarding the natural environment and its role in a net zero transition. The HSBC Group's emerging approach to nature focuses on considering how it develops its understanding of its exposure, its approach to risk management and identifying opportunities to support customers, as well as how to build the skills and data capacities that are needed.

In HSBC Continental Europe, CIB's strategy reflects the overarching objective to support clients in their transition to net zero and is informed by integrated capability to assess financed emissions, customer transition plans, strategic alignment, financial metrics, and climate and nature risk management. It provides a forward-looking perspective and enables the business to take action dynamically at portfolio, customer, and transaction level, to seek to ensure the Bank stays within its risk appetite for progressing towards the net zero ambition and financed emissions targets. Net zero considerations and their impact on the Bank's business risks and opportunities are also woven into the annual and medium-term financial planning processes. This is further informed by the outputs of internal climate and nature scenario analysis (for further information see the section:"Tools for identification, measurement and management of environmental risks"). CIB is also in the process of assessing the potential forward-looking impact on revenue and profitability due to climate- and nature-related risks and alignment to the HSBC Group's net zero ambition.

HSBC Continental Europe intentionally has not set any quantitative targets or limits which, at this time, would call into question individual customer relationships due only to higher environmental risks/low climate scores. For those clients where a low climate score implies a negative credit outlook and therefore increased concern on a client's ability to meet their financial obligations, HSBC Continental Europe has implemented an additional quarterly 'pockets of environmental risk' credit risk review process.

International Wealth and Premier Banking ('IWPB') strategy

The overall IWPB's ambition 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 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 end-to-end advisory process enables the client-facing teams to hold meaningful conversations with their clients on ESG and Sustainable Investing.

Objectives, targets and limits to assess and address environmental risk

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

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

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

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

EU Taxonomy-aligned activities

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

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

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

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

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

The HSBC Group's Sustainability Risk Policies Framework provides an overview of how the HSBC Group identifies, evaluates and manages risks related to the delivery of its sustainability approach and sets out in one place its sector specific sustainability risk approach covering: Energy, Agricultural Commodities, Forestry, Metals and Mining and Project Related Financing. It also includes Thermal Coal Phase-Out Policy. These policies cover the wholesale lending and financing activities.

Sustainability risk management in CIB mandates that relationship managers ('RMs') assess climate and nature risk factors in credit applications for new lending requests and during annual credit reviews. The HSBC Group's credit policies also require manual credit risk rating overrides if climate and nature are deemed to have a material impact on credit risk under 12 months if not already captured under the original risk rating. HSBC Continental Europe has also started to incorporate nature into wholesale credit risk management processes and developed tools to further understand and assess its corporate book, including completing a pilot nature scenario analysis stress test. The Bank continues to refine and enhance its capabilities, methodologies and tools, in line with evolving regulatory and reporting expectations.

The information collected is used to assess customers' sustainability and net-zero performance, and HSBC Continental Europe undertakes an enhanced assessment of the transition plans of customers in scope of financed emissions targets and associated policies. For those counterparties, when RMs provide commentary within New Money requests, they must also assess the impact of new facilities on the Bank's own financed emissions via the use of a calculator for credit decisioning, embedded in the pricing tool. This is in place for the oil and gas and power and utilities sectors since 2023 and has been extended to the other high transition risk sectors in 2025: aviation, cement, automotive, and iron and steel.

This helps inform HSBC Continental Europe's financial decision making, and highlights areas where further development of the plan may be needed, which is built into the Bank's ongoing engagement with the customer. It also allows the Bank to better engage its customers in their transition plans and identify opportunities where it can support through advice, solutions, and financing to help its customers to develop the new capabilities, technology and infrastructure they need. It also helps inform HSBC Continental Europe ongoing portfolio management and risk assessment activities, as it embeds financed emissions and climate and nature risk considerations into its decision making and evaluation of individual customers and transactions, leveraging the customer transition information collected.

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

Governance

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

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

It also describes:

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

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

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

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

Responsibilities of the management body

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

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

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

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

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

The Board of Directors of HSBC Continental Europe, its Risk Committee and its Audit Committee from time to time receive updates on sustainability-related matters. In the first half of 2026, the Board approved the updated HSBC Continental Europe Sustainability Strategy and the new HSBC Continental Europe Prudential Transition Plan, and received updates on ESG-related matters. The Risk Committee reviewed risk indicators that also relate to ESG factors and were briefed on specific sustainability risks. The Audit Committee regularly discussed sustainability-related regulatory disclosures. The Chief Executive Officer and the Deputy Chief Executive Officers, supported by the Operating Committee, formulate the ESG strategy of HSBC Continental Europe and receive regular updates on sustainability-related matters.

Integration of environmental factors within business lines and internal control functions

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

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

Measures to manage environmental risk

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

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

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

Board	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.
Executive 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. – Operating Committee is responsible, together with the CEO, for the development and implementation of the ESG Strategy. – SEG sets strategic direction, provides oversight of ESG risk activities, oversees the DMA, IROs and PATs. – Risk Management Meeting supports the CRO on enterprise-wide management of all risks, including key policies and frameworks for climate and nature-related risk management and frameworks on social and governance matters. – Disclosure Steering Committee approves the financial and non-financial disclosures, including those related to ESG.
Sustainability/ Climate Specific Forums	– Sustainable Finance Forums assess and approve products and transactions. – Some businesses/functions have specific sustainability/climate forums e.g. ESG Data, Net Zero Own Operations, etc.

Role of committees and lines of reporting

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

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

Risk Committee

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

Sustainability Execution Group ('SEG')

The SEG, chaired by the HSBC Continental Europe CEO and co-chaired by the Head of ESG, provides oversight of the sustainability strategy and the Prudential Transition Plan, in line with the HSBC Group and regulatory expectations. It oversees the implementation of ESG strategy, ESG regulatory requirements, ESG-related risk management activities, and the DMA process, including the identification and management of Impacts, Risks and Opportunities ('IROs') and the associated Policies, Actions and Targets ('PATs'). The SEG reviews and addresses ESG-related shortcomings, including risks and issues escalated by sustainability and climate forums reporting to it.

The SEG receives quarterly updates on key sustainability risk information, e.g. Risk Appetite Statement ('RAS'), Key Management Information ('KMI') and Key Risk Indicators ('KRI').

The SEG meets at least six times per year and reports to the Operating Committee and the Risk Management Meeting.

Alignment of remuneration policy

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

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

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

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

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

For instance, in 2026 all staff across HSBC Continental Europe were assigned an objective to complete at least three environmental-related training modules, one on climate and two on nature and biodiversity, out of 24, to improve collective awareness and understanding of environmental risks.

In addition, for HSBC Continental Europe in France, the new profit-sharing agreement, signed in 2026, includes for the fifth year an environmental dimension through three climate-related objectives, namely the reduction of carbon emission (scope 1), 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 three objectives is accompanied by a specific profit-sharing financial pool implemented on a progressive basis according to the level of achievement of each objective.

Risk management

This section describes:

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

- the limits that HSBC Continental Europe sets on environmental risks (as drivers of prudential risks), and the processes for escalation and exclusion in the event of limit breaches; and
- the mechanisms through which environmental risks may translate into credit risk, liquidity and funding risk, market risk, operational risk and reputational risk.

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

HSBC Continental Europe manages climate and nature-related risks across its businesses and is incorporating environmental considerations within its traditional risk types in line with the HSBC

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

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

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

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

<table>
<tr><th colspan="2">Risk drivers</th><th>Details</th><th>Potential Impacts</th><th>Time horizons</th></tr>
<tr><td rowspan="4">Physical risk</td><td>Climate – Acute</td><td>Increased frequency and severity of weather events causing disruption to business operations.</td><td rowspan="8">– Decreased real estate values
– Decreased household income and wealth
– Increased costs of legal and compliance
– Increased public scrutiny
– Decreased profitability
– Lower asset performance</td><td rowspan="8">Short term
Medium term
Long term</td></tr>
<tr><td>Climate – Chronic</td><td>Longer-term shifts in climate patterns (e.g. sustained higher temperatures, sea level rise, shifting monsoons or chronic heat waves).</td></tr>
<tr><td>Nature – Acute</td><td>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.</td></tr>
<tr><td>Nature – Chronic</td><td>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).</td></tr>
<tr><td rowspan="4">Transition risk</td><td>Policy and legal</td><td>Mandates on, and regulation of, existing products and services an/or policy support for low-carbon alternatives. Litigation from parties who have suffered loss and damage from the e impacts of climate change and nature degradation.</td></tr>
<tr><td>Technology</td><td>Replacement of existing products with lower emission options.</td></tr>
<tr><td>End-demand (market)</td><td>Changing consumer demand from individuals and corporates.</td></tr>
<tr><td>Reputational</td><td>Increased scrutiny following a change in stakeholder perceptions of climate and nature-related action or inaction.</td></tr>
</table>

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

Risk of greenwashing	**Firm**	Making inaccurate, unclear, misleading, or unsubstantiated claims in relation to HSBC sustainability ambition, targets and commitments, as well as the reporting of its performance towards them.
	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.

Climate and nature-related risks annual materiality assessment helps HSBC Continental Europe to understand how environmental risk may impact across its risk taxonomy. It assesses the type of impact, likelihood and severity over a 12-month period, and also considers forward looking risk impacts. It is used to support policy, control enhancements, and scenario analysis.

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

Climate/Nature risk drivers	Credit risk	Traded risk	Reputational risk	Regulatory compliance risk	Resilience risk	Other financial and non-financial risk types
Physical risk	◆	◆			◆	◆
Transition risk	◆	◆	◆	◆	◆	◆
◆ Material impact on Taxonomy Risk Type						

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

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

Definitions, methodologies and standards

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

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

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

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

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

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

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

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

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

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

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

The management of environmental risk is also supported by:

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

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

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

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

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

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

Key resources implemented in HSBC Continental Europe include:

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

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

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

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

HSBC Continental Europe applies, where relevant, the HSBC Group's Sustainability Risk Policies Framework ('Framework'), which is an important mechanisms for managing risks, including delivering the HSBC Group's net zero ambition. These policies focus on mitigating reputational, credit, legal and other risks related to the Bank's customers' environmental and social impacts and impose restrictions on certain financing activities that may have material negative impacts on nature.

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

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

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

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

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

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

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

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

Climate and nature risk management

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

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

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

Activities, commitments and exposures contributing to mitigate environmental risks

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

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

In the first half of 2026, HSBC Continental Europe continued to actively engage with clients on their climate strategies and risks, leveraging the revised Global Sustainable Finance & Transition strategy, with sustainable finance as its most crucial pillar. Through collaboration with corporate and institutional clients, CIB achieved significant sustainable finance volumes including high profile ESG coordination mandates in both the ESG Bond and Sustainable Lending markets.

Partnerships for systemic change

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

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

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 2026, HSBC Continental Europe renewed its partnership with ONF - Agir pour la Forêt foundation across multiple biodiversity conservation programmes that aims to raise awareness of Nature-Based Solutions among the Bank's employees through outdoor volunteering fieldwork. The Bank also continues to support research programmes on monitoring climate change and the resilience of forests to thrive in warmer and drier climates.

Tools for identification, measurement and management of environmental risks

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

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

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

Examples of recent policy and control enhancements include:

– updates of credit risk policies to assess and manage climate and nature risks; and

– development of climate and nature risk guidelines for relationship managers to further embed environmental risk considerations into credit risk assessments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The ICAAP published in Q1 2026 on 2025 year-end data included both the impact on economic capital of ICSA and INSA outputs, as well as an assessment that short term physical and transition risks remain within risk appetite.

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

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

Liquidity risk assessment

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

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

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

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

The Bank's analysis indicates that the short-term impact of climate and nature risks remains limited, primarily due to its well-diversified exposures across industries and geographies, and relatively low concentrations in higher-risk sectors such as oil and gas, metals and mining, or agriculture and soft commodities. However, risk levels may increase over the medium to long term as regulatory requirements intensify and nature-related events become more frequent.

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

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

In the ICAAP published in Q1 2026 on 2025 year-end data, the impact of climate on credit risk, market risk and operational risk on Economic Capital has been assessed by leveraging enhanced ICSA and INSA outputs, as well as an assessment that short term physical and transition risks remain within risk appetite. The impact of climate risk on capital is currently not considered material over the capital planning horizon (less than 1 per cent of total EC) but it has the potential to grow and remains an area of focus.

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

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

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

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

Building a centralised ESG data capability
The HSBC Group continues to strengthen its ESG data and analytics capability, delivering trusted data assets, dashboards, AI, and advanced analytics solutions that help support initiatives like financed emissions, climate scenario analysis, stress testing, sustainable finance and portfolio optimisation. Feedback received from regulators and stakeholders continues to help inform improvements in the robustness of the HSBC Group processes and wider data strategy. The HSBC Group seeks to embrace new technology that enhances data quality monitoring and harness AI capabilities to help improve data gaps to achieve business outcomes.

HSBC Continental Europe leverages the ESG data and analytics capability to help streamline and support its sustainability related data needs, from regulatory reporting through to business use cases.

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

▶ Refer to the following sections for more information on data limitations of GHG financed emissions (page 65), transition risk alignment metrics (page 74) and exposures subject to physical risk (page 76).

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

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

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

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

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

In CIB, HSBC Continental Europe has developed and implemented a new climate risk measure, based on the exposure weighted average climate score for the sector. The measure ensures that the average sector exposure to lower scoring/higher risk clients does not increase beyond an agreed risk appetite threshold. Monitored quarterly by Corporate and Institutional Banking Portfolio Management, any breach of risk appetite requires corrective action to bring the exposure weighted average score back within risk appetite in an agreed timeframe.

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

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

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

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

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

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

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

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

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

ESG risks and factors, including climate change and nature-related impacts, may affect the Bank and its customers in addition to the wider society.

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

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

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

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

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

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

Qualitative information on social risk

Strategy and Business processes

This section describes how HSBC Continental Europe:

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

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

Social risk refers to the impact HSBC Continental Europe may have on its employees, customers and markets and communities within which it operates. Social considerations are integrated into the business model, strategic planning, and financial planning, and considered through 'Our conduct approach' framework focusing on five 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.

Creating the condition and the right environment to enable these outcomes to be achieved are:

- culture and behaviour: culture supports delivery of the conduct outcomes, and relies on Values, Code of Conduct, Risk Culture Framework, Decision-Making Framework;
- strategy and decision-making: strategy and Finance Resource Planning ('FRP') should focus on customers and market integrity; conduct is integral to commercial objectives; and
- governance and reporting: clear accountabilities, decision-making structures, transparent reporting; conduct considered in governance where decisions impact customers/markets.

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. Across global businesses, this approach includes:

- conducting robust testing during product design and development to confirm a clear and identifiable market need;
- assessing product complexity and potential financial risks to customers when defining the target market;
- maintaining a carefully selected product range, managed as formal product offerings to support ongoing suitability and fair value;
- ensuring relationship managers' variable remuneration is not linked to customer sales volumes;
- performing regular product reviews to confirm continued relevance and performance against expectations;

- enhancing or withdrawing products that no longer meet customer needs or required standards;
- using customer feedback, where feasible, to improve accessibility and overall customer outcomes;
- evaluating potential impacts on market integrity when introducing new products;
- completing a product-specific risk assessment for all products, including those with sustainable characteristics.

Corporate and Institutional Banking

The speed and scale of the transition to net zero will be influenced by how it impacts communities, and how communities view and support the transition in response. That is why the HSBC Group's approach to net zero considers how the Bank can support a just transition. HSBC Continental Europe is working to understand how best to engage with and inform its customers on the topic, as well as helping to ensure the transition to net zero can positively impact local communities.

In CIB, this translates into evolving its traditional banking functions to facilitate investment in sustainable sectors and address the growing ESG expectations of international corporate clients. The HSBC Group's commitment spans responsible conduct, from customer interaction and data integrity to human rights and anti-bribery measures, demonstrating a holistic approach to social impact across its operations.

CIB will continue to develop and deliver sustainable finance propositions that give small and medium size businesses access to incentivised green and sustainable financing, as well as financing and facilitating customer projects which benefit local communities, notably through blended finance solutions.

In HSBC Continental Europe, an emerging approach to social considerations is being developed. This work focuses on strengthening how CIB assesses and understands its exposure to social risk, enhances its risk management approach, and identifies opportunities to better support customers. It also aims to build the skills and data capabilities the HSBC Group needs. As part of this effort, CIB is developing its first-ever social risk heatmap, which will provide additional insight and help inform CIB's strategic direction.

HSBC Continental Europe equally recognises the importance of an inclusive culture in empowering the organisation to enable the Bank's strategic ambition and a lasting positive societal impact. This is driven through:

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

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

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

The Bank's Financial Crime Policy sets out the key principles and minimum control requirements for HSBC Continental Europe to mitigate bribery and corruption risk, comply with France's Sapin II Law, and maintain a zero-tolerance approach to corruption.

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

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

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

Objectives, targets and limits to assess and address social risk

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

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

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

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

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

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

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

- achieves regulatory compliance and good conduct outcomes across the full customer lifecycle;
- markets and sells products in a manner that recognises and reflects customers's needs and interests;

– meets customers' ongoing servicing requirements and reasonable expectations – including where HSBC Continental Europe performs these activities on a cross border basis;
– provides appropriate support to customers with enhanced care needs, ensuring they receive fair and effective assistance; and
– applies the appropriate expertise and judgement to discharge the Bank's fiduciary duties appropriately.

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 maintain effective controls to ensure sales journeys do not result in 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 and controls;
– where inappropriate sales outcomes are identified, Risk Owners must ensure timely and 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 that drive poor employee behaviour; and
– Risk Owners must have controls in place to determine whether selling products to customers outside of their country of residence could trigger entity licensing requirements arising, and to ensure any such requirements are identified and managed appropriately.

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

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

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

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

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

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

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

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

Governance

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

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

It also describes:

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

Responsibilities of the management body

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

Activities towards the community and society

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

Employee relationships and labour standards

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

Customer protection and product responsibility

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

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

Human rights

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

The Plan contains reasonable measures to identify relevant risks and prevent serious human rights violations, serious bodily injury, and environmental damage, and has been defined by HSBC Continental

Europe and implemented in accordance with France's law which came into effect in March 2017. The Plan covers risks relating to HSBC Continental Europe's employees, banking activities, including customers, as well as suppliers and subcontractors.

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

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

Measures to manage social factors and risks in internal governance arrangements

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

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

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

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

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

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

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

In CIB, the European Sustainable Finance Forum, chaired by the CIB Europe Head of Sustainable Finance and Transition, is responsible for reviewing the sustainability terms of transactions submitted for approval to determine whether the terms received meet the Bank's standards for qualification as sustainability-linked, green use of proceeds or social use of proceeds. Furthermore, the European ESG Bonds Committee reviews and assesses the labelling of debt capital markets ('DCM') transactions across wholesale banking, including appropriate labelling regarding social use of proceeds. Both committees include the senior first and second 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 CIB & HCIB Reputational Risk Committee ('RRC').

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

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

Identified potential human rights risks are incorporated into HSBC Continental Europe risk analysis, supported by its Approach to Manage Social Risk, which consider human rights and fundamental freedoms as a key social risk factor alongside health and safety and human capital.

Regarding internal capacity being built, HSBC Continental Europe's Board of Directors and Executive Management participated in training on social aspects of ESG in 2026, as well as on the Prudential Transition Plan requested by the EBA.

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

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

Lines of reporting

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

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

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

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

Alignment of the remuneration policy

Social risk is 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 on a regular basis in the different HSBC Continental Europe markets to ensure consistency and fair treatment among cohort of employees regardless of any demographic characteristic such as gender, age or disability. Moreover, specific fixed pay pools, at the HSBC Group or local level, are dedicated to pay equity. Regarding HSBC Continental Europe France, a specific fixed pay pool has been negotiated annually for more than 20 years, to review and adjust, where relevant, any unjustified gaps.

In addition, in the context of EU Pay Transparency, Transparency on Hire has been implemented in all HSBC Continental Europe markets from 7 June 2026. As a result, fixed pay ranges are shared in the job adverts for most positions and historical pay data are no more requested. Employee Right to Information has been implemented in the markets where this part of the Directive has been already transposed in local regulation (Italy and Malta), with other markets planned early 2027.

Furthermore, both the attrition rate and retention rate of the high performers are monitored per business line on a monthly basis and shared with HSBC Continental Europe's Operating Committee. Where the attrition rate for certain roles is high, HSBC Continental Europe can decide, if appropriate, to make compensation counter offers to potential leavers or take any appropriate mitigating actions.

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

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

Risk management

This section describes:

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

Definitions, methodologies and standards

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

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

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

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

Stakeholders affected by these social topics include:

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

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

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

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

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

HSBC Continental Europe has established a social risk approach that defines the governance, roles and responsibilities, and process for the identification, assessment and management of social risks. The approach has applied from January 2026 and will support the annual materiality assessment to identify and assess the most material social risks' impacts on HSBC Continental Europe. HSBC Continental Europe is developing an initial heatmap to support the assessment of material social-related risks associated with CIB counterparties.

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

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

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

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

The Bank continued to implement the Global Procurement human rights due diligence operating procedure that sets out how the HSBC Group aims to identify suppliers where the risk of human rights impact is considered to be higher and the process to be followed to review and seek to mitigate the associated risks.

A review of HSBC Continental Europe businesses and functions' Risk and Control Assessment is performed once a year to ensure that social risks identified under the French Duty of Care law are duly considered. These risks include forced labour, fair conditions of work, health and safety, inclusion, right to privacy, cultural and land rights, right to dignity and justice and whistleblowing.

Activities and commitments to mitigate social risk

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

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

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

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

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

The HSBC Group continued to focus in the first half of 2026 on human rights risk management practices relating to the goods and services it buys from third parties and in respect of its business customers.

Suppliers

The Code sets out its ambitions on the environment, inclusion and human rights. The Code outlines the minimum standards expected from its suppliers on these issues. In 2025, the Code was refreshed to include principles on responsible use of AI. In addition, HSBC Continental Europe aims at reinforcing its capabilities to identify supplier practices which do not align with its standards, by including clauses supporting the right to audit in supplier contracts. As of June 2026, 97.7 per cent of HSBC Continental Europe's contracted suppliers have signed the Code or have an accepted equivalent (compared with 98.4 per cent in December 2025).

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

The HSBC Group's Global Procurement team is also developing a Human Rights Due Diligence 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 the HSBC Group applies and HSBC Supplier Code of Conduct: 'www.hsbc.com/who-we-are/esg-and-responsible-business/ working-with-suppliers'.

Workforce

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

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

- permissions to work: completeness of work permission records;
- employment law and regulatory developments: implementation of legislative or regulatory changes;
- external reporting submissions: quality checks on external reporting submissions;

- employee representative bodies: inventory of agreements and authority to create binding agreements;
- Material Risk Taker ('MRT') remuneration: completeness of MRT population and accuracy of remuneration delivered;
- working hours and overtime: completeness and accuracy of working hours and overtime records;
- employee concerns and complaints handling procedure: annual review to confirm it remains valid and authorisation of changes;
- employee investigations: closure accuracy and completeness checks; and
- performance and reward sanctions: accurate capture of performance and reward adjustments aligned to the conduct and consequence management guidelines.

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

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

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

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

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

Customers

In CIB, HSBC Continental Europe aims to engage with its customers and support them in adopting more sustainable practices. As part of the European Wholesale Sustainable Finance Forum, 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.

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

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

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

Investments

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

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

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

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

Tools for identification and management of social risk

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

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

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

Corporate and institutional Banking

In CIB, HSBC Continental Europe monitors its client engagement on social aspects through the products and services it offers.

CIB has already several tools in place to identify and manage social risk on its counterparties:

- where a client is identified as in scope of one of the HSBC Group's sustainability risk policy, an assessment must be performed to determine whether the client's activities are compliant with the relevant policy. This assessment is performed via completion of a Policy Compliance Questionnaire ('PCQ');
- CIB is responsible for the ongoing monitoring and reporting of clients to proactively manage sustainability risk, supported by screening of material ESG Negative News, monitoring of any conditions of approval, annual review of client level risk assessments, or any trigger review of risk assessments where increased risk is identified;
- at portfolio level, a heatmap is also being developed by HSBC Continental Europe to support a first quantitative social materiality assessment for CIB counterparties.

Suppliers

To identify and manage social risks in its supply chain, HSBC Continental Europe applies the HSBC Group Sustainable Procurement Procedures. These procedures help identify and, where appropriate, escalate potential human rights issues, and support alignment with the human rights provisions of the Code. They also include enhanced due diligence, including a supplier human rights residual risk questionnaire.

Employees

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

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

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

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

HSBC Continental Europe identifies social-related controversies involving corporate customers using independent adverse media data, including human rights coverage, which may trigger additional review and escalation to the Reputational Risk managers and in case of material issue to the relevant Reputational Risk Committee.

For transactions, social risk is considered within the limitations process through case-by-case assessment, following established internal approval and escalation frameworks as part of the deal approval process, with escalation to the Reputational Risk managers and, in case of material issue, to the relevant Reputational Risk Committee.

▶ 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

Social risks are considered potential drivers of financial risk categories. The assessment of social risks is embedded within the ESG risk management framework through an annual materiality assessment, designed to evaluate their potential impact on the institution's risk profile. At the current stage, scenario-based qualitative analysis is applied to non-financial risks and reputational risk to assess the transmission channels and resulting risks impacts.

In parallel, a social heatmap is being developed to identify material social factors relevant to the institution. The outcomes of this exercise are expected to provide the basis for the development of methodologies to assess the potential impacts of social risks on financial risks.

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

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

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

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

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

Qualitative information on governance risk

This section describes how HSBC Continental Europe:

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

Governance

The integration of counterparty governance performance within HSBC Continental Europe's governance framework

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

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

- 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.

When required, reputational risk related matters are escalated to the Group Reputational Risk Committee with local HBCE CRO endorsement.

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

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

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

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

The assessment of environmental factors is based on the TEQ, a tool developed with the HSBC Group to assess the maturity of the transition plans of wholesale customers in high risk sectors on climate and nature risk. HSBC Continental Europe leverages key information from the TEQ together with contextual client information to review the transition plans, including the role of the client's highest governance body in the production of such transition plan and/or other sustainability reports.

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

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

The integration of counterparty governance performance within HSBC Continental Europe's governance framework, 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. The HSBC Group's sustainability risk policies consider human rights issues such as forced labour, harmful or exploitative child labour, workers' rights, health and safety of communities and land rights.

Strategy and risk management

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

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

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

Inclusiveness

HSBC Continental Europe, as part of the HSBC Group, values difference and believes that it makes the business stronger.

HSBC Continental Europe supports clients' social agendas through balance sheet financing, such as social loans and qualified lending, as well as by facilitating social bonds. These products can embed sustainability performance targets around inclusivity and transparency. The HSBC Group's detailed approach around sustainable finance and investment classification can be found in HSBC Sustainable Finance and Investment Data Dictionary.

HSBC Continental Europe supports the CRESUS Foundation Association through its philanthropic programme, to help prevent social and financial exclusion arising from over-indebtedness and limited financial illiteracy.

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 its activities in accordance with applicable laws and regulations relating to financial crime risks. In assessing the transparency of counterparties, HSBC Continental Europe considers, among other factors, the clarity and reliability of information provided on identity, beneficial ownership and control, source of wealth and funds, and the purpose and nature of the relationship.

Furthermore, this is supported by the HSBC Group's Financial Crime compliance framework, including policies and controls relating to anti-money laundering, anti-bribery and corruption, sanctions compliance and anti-tax evasion facilitation. Key controls include risk-based due diligence and integrity assessments of customers and third parties; screening and monitoring processes; review of new or significantly modified products and strategic transactions; the drafting of contractual clauses in contracts with third parties, controls over supplier processes; employee training (global and where appropriate local); and mechanisms to raise concerns, including whistleblowing channels.

Management of conflict of interest

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

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

- HSBC Continental Europe and its Clients: HSBC versus Client;
- HSBC Continental Europe and its Workers: Worker versus HSBC;
- HSBC Continental Europe Workers and HSBC Continental Europe Clients: Worker versus Client;
- HSBC Continental Europe Clients: Client versus Client; or
- One part of HSBC Continental Europe and another: HSBC versus HSBC.

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

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

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

Internal communication on critical concerns

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

Risk management

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

Counterparty ethical considerations, strategy and risk management as well as transparency are considered as part of HSBC Continental Europe's due diligence processes outlined in the above section 'The integration of counterparty governance within HSBC Continental Europe's governance framework'.

The reputational risk of counterparties is considered by specific committees. For more information, refer to the above section 'The integration of counterparty governance within HSBC Continental Europe's governance framework'.

HSBC Continental Europe has established a governance risk approach that defines governance, roles and responsibilities, and process for the identification, assessment and management of governance risks. The approach applies from January 2026 and will support the annual materiality assessment to identify and assess the most material governance impacts at HSBC Continental Europe.

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

Scope of ESG reporting

The information reported in Tables 49 to 53 below relates to the principal operating entities within HSBC Continental Europe's prudential scope of consolidation, including all HSBC branches and subsidiaries at 30 June 2026. Subsidiaries engaged in insurance activities are excluded from the prudential consolidation. These tables provide information on non-trading book exposures.

Exposures and assets classified as held for sale or held for trading are excluded from the Pillar 3 ESG disclosures. Accordingly, following the classification of HSBC Bank Malta plc as held for sale, the related Maltese exposures are not included in the ESG Pillar 3 templates (Tables 40 to 44) for the interim reporting period ended 30 June 2026.

The prior-year comparative figures haven't been restated.

EU Taxonomy-aligned activities

This Pillar 3 report as at 30 June 2026 has been prepared under the current Pillar 3 disclosures framework and, in line with current supervisory expectations, excludes ESG templates 6 to 10, template 1 (column c), and template 4 (column c) under Regulation (EU) 2024/3172, which pertains to EU Taxonomy and GAR related disclosures.

This Approach reflects the publication of the European Banking Authority ('EBA') no-action letter in August 2025, and its subsequent endorsement and operationalisation through the European Central Bank ('ECB') supervisory clarification and FAQs issued in December 2025,under which banks are not expected to prioritise the disclosure of certain ESG Pillar 3 templates relating to the EU Taxonomy and the Green Asset Ratio ('GAR') until the amended EBA disclosure implementing technical standards ('ITS') enter into force.

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

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

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

Identification of exposures towards companies excluded from EU-Paris aligned benchmark

HSBC Continental Europe is currently 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 1,935m (compared to EUR 1,294m at 31 December 2025).

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 CO_2e/kWh.

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

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

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

Approach to article 12.2

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

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

Data limitation

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

Identification of clients excluded from with the EU Paris-Benchmark is done on a best-efforts basis based on available third-party data, vendor data or relevant sector classification. The coverage of available information on counterparty exposures is expected to improve over time.

Identification of environmentally sustainable exposures ('CCM')

HSBC Continental Europe does not disclose column c of Template 1, "of which environmentally sustainable ('CCM')", until the amendments to the EBA disclosure implementing technical standards ('ITS') are adopted by the EC and enter into force. This approach aligns with the EBA's no-action letter and ECB supervisory guidance, which recommend not prioritising enforcement of these specific disclosures, as outlined above.

NACE classification update

The regulatory expectations, in line with the Joint Bank Reporting Committee ('JBRC') recommendations, are that institutions subject to Pillar 3 disclosure requirements apply the NACE Rev. 2.1 classification from 1 January 2026.

However, the current ESG Pillar 3 ITS templates applicable to interim 2026 reporting remain calibrated to NACE Rev. 2.0 labels and have not been formally updated following the EBA's recent revisions to the ESG Pillar 3 framework, which are expected to apply from 1 December 2026 reference date (i.e. for YE'2026).

Accordingly, the Bank has prepared its interim 2026 ESG Pillar 3 disclosures using the NACE Rev. 2.0 classification. Where counterparties are classified under NACE Rev. 2.1 in source systems, these classifications have been mapped to NACE Rev. 2.0, using the internal mapping solution aligned with the mapping prescribed by the European Council and JBRC for reporting purposes. This approach reflects the current template requirements and supports consistency and comparability across reporting frameworks.

GHG financed emissions

Background

As part of the HSBC Group's ambition to become a net zero bank by 2050, the HSBC Group has set financed emissions targets for 2030. As stated in the 2025 Net Zero Transition Plan, the HSBC Group has undertaken a detailed review of each of the interim 2030 financed emissions targets to ensure the HSBC Group's approach continues to reflect the evolving external context, including developments in policy, technology, climate science, customer actions, available data and methodologies.

The HSBC Group has updated its targets for all in-scope carbon intensive sectors, apart from thermal coal mining. The thermal coal mining target remains unchanged, in alignment with the HSBC Group's thermal coal phase-out policy and thermal coal financing drawn balance exposure reporting.

Its analysis of financed emissions comprises on-balance sheet financed emissions which include emissions related to on-balance sheet lending, such as project finance and direct lending.

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

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

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

In 2026, the HSBC Group will intend to continue to review the approach for regional regulatory reporting.

Coverage of the analysis – the HSBC Group

For each sector, the analysis focuses on the parts of the value chain where HSBC believes most of the emissions are produced to help reduce double counting of emissions. By estimating emissions and setting targets for customers that directly account for, or indirectly influence the majority of emissions in each of the most carbon-emissive sectors, HSBC can focus its engagement and resources where the Bank believes the potential for change is highest. For each sector, the reported emissions now typically include all the major greenhouse gases, including carbon dioxide, methane and nitrous oxide, among others. These are reported as tonnes of CO_2 equivalent ('tCO_2e').

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

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

To calculate annual on-balance sheet financed emissions, the HSBC Group uses drawn balances as at 31 December in the year of analysis related to wholesale credit and lending, which include business loans and project finance, as the value of finance provided to customers.

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

The PCAF provides guidance on estimating emissions using different data sources. Emissions can be estimated using data on production, revenue, or outstanding loan amounts in combination with emission factors specific to that data. The HSBC Group endeavours to use the best available dataset according to PCAF, based on internal data sources and third-party vendor data.

The PCAF recommends that financial institutions should, in line with the GHG Protocol Corporate Value Chain (scope 3) Accounting and Reporting Standard requirement, aim to score, disclose data quality scores and seek to improve data quality over time.

For further details on the financed emissions approach including the data sources, data and methodology limitations and sectoral approach refer to:

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

HSBC Continental Europe Financed Emissions

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

To calculate annual on-balance sheet financed emissions, HSBC Continental Europe used drawn balances as at 30 June 2026 related to wholesale loans and advances to customers (corporate loans) and financial assets that are not insurance related (corporate debt). HSBC Continental Europe also utilises NACE codes at individual obligor level aligned with the approach to the sectoral classification for balance sheet exposure. Given there is limited data availability at an individual obligor level, HSBC Continental Europe has estimated emissions figures based upon industry averages, derived based on data from Institutional Shareholder Services group of companies ('ISS') at NACE level aligned to PCAF data quality score 5.

Plans to enhance methods to estimate counterparties' emission

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

HSBC Continental Europe understands the need to provide early transparency on climate disclosures but this needs to be balanced with the recognition that the existing data and reporting processes require significant enhancements. Estimates were used as granular client-reported data is not available. As data improves for client reported emissions, the Bank's reliance on estimate will continue to reduce.

Data and methodology limitations

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

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

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

30 Jun 2026		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)[3]							
			of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which: Scope 3 financed emissions	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																	
1	**Exposures towards sectors that highly contribute to climate change[1]**	20,963	1,892	—	2,882	933	(400)	(32)	(349)	21,440,200	19,593,576	0	18,934	1,376	626	27	2.0
2	**A – Agriculture, forestry and fishing**	153	—	—	12	17	(4)	—	(4)	403,408	373,567	0	151	2	—	—	1.4
3	**B – Mining and quarrying**	216	151	—	—	—	—	—	—	481,293	430,766	0	216	—	—	—	0.4
4	B.05 – Mining of coal and lignite	—	—	—	—	—	—	—	—	—	—	0	—	—	—	—	—
5	B.06 – Extraction of crude petroleum and natural gas	35	35	—	—	—	—	—	—	126,526	112,802	0	35	—	—	—	—
6	B.07 – Mining of metal ores	52	—	—	—	—	—	—	—	29,422	22,605	0	52	—	—	—	1.3
7	B.08 – Other mining and quarrying	129	116	—	—	—	—	—	—	325,345	295,359	0	129	—	—	—	0.1
8	B.09 – Mining support service activities	—	—	—	—	—	—	—	—	—	—	0	—	—	—	—	—
9	**C – Manufacturing**	8,049	122	—	1,022	414	(170)	(7)	(153)	8,621,245	7,875,097	0	7,895	142	—	12	1.2
10	C.10 – Manufacture of food products	858	—	—	139	7	(6)	(1)	(4)	983,337	921,906	0	855	3	—	—	1.1
11	C.11 – Manufacture of beverages	131	—	—	4	—	—	—	—	34,630	30,108	0	131	—	—	—	0.2
12	C.12 – Manufacture of tobacco products	67	—	—	—	—	—	—	—	2,343	2,176	0	67	—	—	—	1.0
13	C.13 – Manufacture of textiles	66	—	—	2	9	(4)	—	(4)	79,361	63,129	0	40	26	—	—	2.8
14	C.14 – Manufacture of wearing apparel	6	—	—	2	2	(1)	—	(1)	1,353	1,200	0	6	—	—	—	0.6
15	C.15 – Manufacture of leather and related products	63	—	—	—	—	—	—	—	9,924	8,953	0	63	—	—	—	2.8
16	C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	89	—	—	2	—	—	—	—	112,009	99,938	0	89	—	—	—	2.1
17	C.17 – Manufacture of paper and paper products	94	—	—	11	3	(1)	—	(1)	76,447	58,006	0	94	—	—	—	1.0
18	C.18 – Printing and reproduction of recorded media	80	—	—	—	1	—	—	—	41,776	36,668	0	80	—	—	—	3.1
19	C.19 – Manufacture of coke and refined petroleum products	168	23	—	—	—	—	—	—	1,439,323	1,308,962	0	168	—	—	—	0.6
20	C.20 – Manufacture of chemicals and chemical products	536	—	—	140	30	(14)	(1)	(13)	686,878	569,364	0	536	—	—	—	1.4

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 2026	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)[3]		percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
		of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which: Scope 3 financed emissions						
Sector/Subsector																
21 C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations	560	—	—	25	39	(14)	—	(14)	63,260	58,834	0	555	5	—	—	1.7
22 C.22 – Manufacture of rubber products	343	—	—	46	11	(2)	—	(1)	427,148	401,696	0	335	8	—	—	1.1
23 C.23 – Manufacture of other non-metallic mineral products	124	—	—	10	—	(1)	—	—	146,187	73,440	0	124	—	—	—	2.8
24 C.24 – Manufacture of basic metals	329	—	—	23	1	(1)	—	(1)	670,801	490,706	0	329	—	—	—	0.6
25 C.25 – Manufacture of fabricated metal products, except machinery and equipment	494	99	—	142	18	(10)	—	(9)	593,951	573,802	0	462	32	—	—	1.5
26 C.26 – Manufacture of computer, electronic and optical products	462	—	—	43	3	(5)	(1)	(3)	235,807	229,281	0	456	6	—	—	1.1
27 C.27 – Manufacture of electrical equipment	437	—	—	17	25	(12)	—	(12)	592,672	566,945	0	406	31	—	—	2.1
28 C.28 – Manufacture of machinery and equipment n.e.c.	358	—	—	61	21	(8)	(1)	(6)	576,219	569,710	0	358	—	—	—	1.7
29 C.29 – Manufacture of motor vehicles, trailers and semi-trailers	425	—	—	7	207	(63)	—	(63)	1,248,357	1,223,086	0	420	5	—	—	1.6
30 C.30 – Manufacture of other transport equipment	183	—	—	64	—	(1)	(1)	—	434,337	431,103	0	170	13	—	—	2.6
31 C.31 – Manufacture of furniture	—	—	—	—	—	—	—	—	—	—	0	—	—	—	—	—
32 C.32 – Other manufacturing	2,170	—	—	284	36	(27)	(2)	(21)	159,547	150,668	0	2,145	13	—	12	0.5
33 C.33 – Repair and installation of machinery and equipment	6	—	—	—	1	—	—	—	5,578	5,416	0	6	—	—	—	0.4
34 **D – Electricity, gas, steam and air conditioning supply**	1,614	1,016	—	96	36	(8)	—	(7)	1,512,438	1,222,443	0	1,149	263	187	15	4.2
35 D35.1 – Electric power generation, transmission and distribution	1,081	515	—	96	36	(8)	—	(7)	816,597	566,925	0	815	105	146	15	4.0
36 D35.11 – Production of electricity	507	83	—	2	25	(1)	—	—	359,444	264,906	0	249	97	146	15	7.2
37 D35.2 – Manufacture of gas; distribution of gaseous fuels through mains	533	501	—	—	—	—	—	—	695,841	655,518	0	334	158	41	—	4.7
38 D35.3 – Steam and air conditioning supply	—	—	—	—	—	—	—	—	—	—	0	—	—	—	—	—

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 2026		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)[3]							
			of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which: Scope 3 financed emissions	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																	
39	**E – Water supply; sewerage, waste management and remediation activities**	187	—	—	—	—	(5)	—	(4)	34,716	7,623	0	185	2	—	—	0.4
40	**F – Construction**	479	16	—	28	7	(6)	—	(3)	229,906	218,393	0	436	36	7	—	2.4
41	F.41 – Construction of buildings	232	—	—	25	4	(4)	—	(2)	77,394	76,159	0	211	21	—	—	1.3
42	F.42 – Civil engineering	220	15	—	1	1	(1)	—	—	130,805	121,707	0	199	14	7	—	3.8
43	F.43 – Specialised construction activities	27	1	—	2	2	(1)	—	(1)	21,707	20,527	0	26	1	—	—	0.5
44	**G – Wholesale and retail trade; repair of motor vehicles and motorcycles**	4,065	279	—	1,152	171	(112)	(13)	(98)	8,727,066	8,459,216	0	4,048	17	—	—	0.9
45	**H – Transportation and storage**	2,213	308	—	325	3	(6)	(4)	(1)	1,239,137	826,102	0	1,494	421	298	—	4.1
46	H.49 – Land transport and transport via pipelines	342	—	—	39	1	(2)	—	(1)	113,302	92,875	0	252	66	24	—	3.2
47	H.50 – Water transport	1,218	266	—	142	—	(3)	(3)	—	725,223	477,301	0	610	334	274	—	6.0
48	H.51 – Air transport	159	—	—	37	—	—	—	—	176,200	48,052	0	145	14	—	—	1.9
49	H.52 – Warehousing and support activities for transportation	493	42	—	107	2	(1)	(1)	—	224,182	207,703	0	486	7	—	—	0.9
50	H.53 – Postal and courier activities	1	—	—	—	—	—	—	—	230	171	0	1	—	—	—	0.8
51	**I – Accommodation and food service activities**	236	—	—	5	8	(3)	—	(3)	25,499	20,403	0	218	18	—	—	3.6
52	**L – Real estate activities**	3,751	—	—	242	277	(86)	(8)	(76)	165,492	159,966	0	3,142	475	134	—	2.9
53	**Exposures towards sectors other than those that highly contribute to climate change[1]**	9,248	43	—	1,011	269	(161)	(34)	(115)				8,715	395	27	111	2.3
54	**K – Financial and insurance activities**	—	—	—	—	—	—	—	—				—	—	—	—	—
55	**Exposures to other sectors (NACE codes J, M – U)**	9,248	43	—	1,011	269	(161)	(34)	(115)				8,715	395	27	111	2.3
56	**Total**	30,211	1,935	—	3,893	1,202	(561)	(66)	(464)	21,440,200	19,593,576	0	27,649	1,771	653	138	2.1

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.

3 Financed emissions for Interim reporting 2026, compared to the year-end 2025 figures, reflect a net increase of 13 per cent. This increase is primarily driven by changes in exposure, partially offset by a decrease resulting from foreign exchange (FX) rate movement and HSBC Malta held-for-sale classification.

4 Malta was classified as held for sale as at 30 June 2026 and is therefore excluded from the HSBC Continental Europe consolidation for Interim 2026 reporting. The prior-period comparative figures have not been restated.

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 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)							
			of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which: Scope 3 financed emissions	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																	
1	Exposures towards sectors that highly contribute to climate change	20,057	1,271	—	2,315	1,013	(373)	(28)	(321)	19,009,435	17,183,344	0	17,756	1,640	633	28	2.3
2	A – Agriculture, forestry and fishing	102	—	—	13	17	(1)	(1)	—	273,442	255,658	0	100	2	—	—	1.9
3	B – Mining and quarrying	102	43	—	1	—	—	—	—	193,516	172,608	0	102	—	—	—	1.0
4	B.05 – Mining of coal and lignite	—	—	—	—	—	—	—	—	—	—	0	—	—	—	—	—
5	B.06 – Extraction of crude petroleum and natural gas	1	1	—	—	—	—	—	—	2,698	2,417	0	1	—	—	—	0.9
6	B.07 – Mining of metal ores	44	—	—	—	—	—	—	—	26,412	20,268	0	44	—	—	—	1.7
7	B.08 – Other mining and quarrying	56	42	—	1	—	—	—	—	144,816	131,005	0	56	—	—	—	0.4
8	B.09 – Mining support service activities	1	—	—	—	—	—	—	—	19,590	18,918	0	1	—	—	—	—
9	C – Manufacturing	7,370	46	—	778	378	(152)	(7)	(136)	8,946,544	8,139,828	0	7,151	202	5	12	1.5
10	C.10 – Manufacture of food products	953	—	—	128	7	(5)	—	(5)	1,020,116	907,260	0	901	50	2	—	1.9
11	C.11 – Manufacture of beverages	115	—	—	5	—	—	—	—	31,022	27,140	0	115	—	—	—	0.3
12	C.12 – Manufacture of tobacco products	111	—	—	—	—	—	—	—	4,011	3,726	0	111	—	—	—	1.5
13	C.13 – Manufacture of textiles	96	—	—	3	9	(5)	—	(5)	114,430	94,224	0	70	26	—	—	2.4
14	C.14 – Manufacture of wearing apparel	7	—	—	1	2	(1)	—	(1)	1,453	1,313	0	7	—	—	—	0.4
15	C.15 – Manufacture of leather and related products	58	—	—	—	—	—	—	—	9,338	8,435	0	58	—	—	—	3.0
16	C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	99	—	—	2	—	—	—	—	128,297	113,920	0	98	1	—	—	2.0
17	C.17 – Manufacture of paper and paper products	87	—	—	—	3	(1)	—	(1)	73,490	56,202	0	87	—	—	—	1.0
18	C.18 – Printing and reproduction of recorded media	74	—	—	43	1	(1)	—	—	42,291	36,738	0	74	—	—	—	3.2
19	C.19 – Manufacture of coke and refined petroleum products	135	23	—	—	—	—	—	—	1,186,984	1,079,477	0	135	—	—	—	0.8
20	C.20 – Manufacture of chemicals and chemical products	606	—	—	63	22	(15)	(1)	(13)	826,622	675,930	0	606	—	—	—	1.3
21	C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations	751	—	—	12	—	—	—	—	63,235	58,192	0	725	26	—	—	1.4

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 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)							
			of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which: Scope 3 financed emissions	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																	
22	C.22 – Manufacture of rubber products	388	—	—	17	13	(2)	—	(1)	648,321	620,181	0	388	—	—	—	1.3
23	C.23 – Manufacture of other non-metallic mineral products	181	—	—	4	1	(1)	—	—	208,378	109,615	0	180	1	—	—	2.1
24	C.24 – Manufacture of basic metals	302	—	—	38	1	(1)	—	(1)	611,891	456,588	0	302	—	—	—	0.7
25	C.25 – Manufacture of fabricated metal products, except machinery and equipment	399	23	—	55	27	(9)	(1)	(8)	407,410	392,683	0	364	35	—	—	1.8
26	C.26 – Manufacture of computer, electronic and optical products	438	—	—	21	3	(5)	(1)	(3)	231,428	225,341	0	433	5	—	—	1.2
27	C.27 – Manufacture of electrical equipment	303	—	—	30	23	(11)	—	(11)	497,084	482,385	0	283	20	—	—	2.2
28	C.28 – Manufacture of machinery and equipment n.e.c.	349	—	—	53	25	(7)	(1)	(6)	617,413	611,870	0	341	6	2	—	2.1
29	C.29 – Manufacture of motor vehicles, trailers and semi-trailers	557	—	—	5	216	(61)	—	(60)	1,654,320	1,619,012	0	557	—	—	—	1.7
30	C.30 – Manufacture of other transport equipment	189	—	—	69	—	(2)	(1)	—	471,701	468,317	0	171	18	—	—	2.8
31	C.31 – Manufacture of furniture	3	—	—	—	—	—	—	—	2,832	2,635	0	2	1	—	—	3.8
32	C.32 – Other manufacturing	1,162	—	—	229	24	(24)	(2)	(20)	88,829	83,189	0	1,137	13	—	12	0.9
33	C.33 – Repair and installation of machinery and equipment	7	—	—	—	1	(1)	—	(1)	5,648	5,455	0	6	—	1	—	0.6
34	D – Electricity, gas, steam and air conditioning supply	1,530	826	—	110	33	(9)	(3)	(5)	1,156,184	829,649	0	1,253	133	128	16	3.1
35	D35.1 – Electric power generation, transmission and distribution	1,479	826	—	110	33	(9)	(3)	(5)	1,112,082	794,464	0	1,202	133	128	16	3.2
36	D35.11 – Production of electricity	755	246	—	40	21	(4)	(3)	—	528,461	400,011	0	487	124	128	16	5.1
37	D35.2 – Manufacture of gas; distribution of gaseous fuels through mains	51	—	—	—	—	—	—	—	44,102	35,185	0	51	—	—	—	2.2
38	D35.3 – Steam and air conditioning supply	—	—	—	—	—	—	—	—	—	—	0	—	—	—	—	—
39	E – Water supply; sewerage, waste management and remediation activities	160	—	—	1	37	(5)	—	(5)	30,385	6,677	0	158	2	—	—	0.6
40	F – Construction	548	15	—	8	71	(15)	—	(14)	280,562	268,138	0	430	69	49	—	3.4
41	F.41 – Construction of buildings	330	—	—	3	67	(12)	—	(12)	127,405	125,200	0	239	51	40	—	3.5
42	F.42 – Civil engineering	168	15	—	2	1	(1)	—	—	109,616	102,067	0	144	17	7	—	3.8

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 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)							
			of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818	of which: environmentally sustainable (CCM)	of which: stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures		of which: Scope 3 financed emissions	percentage of GHG emissions (column i) derived from company-specific reporting (%)	<= 5 years (€m)	> 5 year <= 10 years (€m)	> 10 year <= 20 years (€m)	> 20 years (€m)	Average weighted maturity (years)
Sector/Subsector																	
43	F.43 – Specialised construction activities	50	—	—	3	3	(2)	—	(2)	43,541	40,871	0	47	1	2	—	0.6
44	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	3,556	43	—	603	204	(106)	(4)	(99)	6,592,279	6,408,642	0	3,457	92	7	—	1.3
45	H – Transportation and storage	2,202	298	—	497	3	(8)	(5)	(1)	1,314,804	893,753	0	1,375	535	292	—	4.5
46	H.49 – Land transport and transport via pipelines	265	—	—	1	1	(1)	—	(1)	91,550	72,660	0	167	68	30	—	4.5
47	H.50 – Water transport	1,198	290	—	348	—	(2)	(2)	—	726,097	479,060	0	514	422	262	—	6.3
48	H.51 – Air transport	158	—	—	43	—	(1)	(1)	—	178,517	49,480	0	128	30	—	—	2.7
49	H.52 – Warehousing and support activities for transportation	581	8	—	105	2	(4)	(2)	—	318,640	292,553	0	566	15	—	—	1.4
50	H.53 – Postal and courier activities	—	—	—	—	—	—	—	—	—	—	0	—	—	—	—	—
51	I – Accommodation and food service activities	320	—	—	25	13	(8)	—	(5)	38,280	31,296	0	298	22	—	—	3.4
52	L – Real estate activities	4,167	—	—	279	257	(69)	(8)	(56)	183,439	177,095	0	3,432	583	152	—	3.1
53	Exposures towards sectors other than those that highly contribute to climate change	10,253	23	—	737	247	(145)	(34)	(95)				9,445	555	41	212	2.5
54	K – Financial and insurance activities	—	—	—	—	—	—	—	—				—	—	—	—	—
55	Exposures to other sectors (NACE codes J, M – U)	10,253	23	—	737	247	(145)	(34)	(95)				9,445	555	41	212	2.5
56	Total	30,310	1,294	—	3,052	1,260	(518)	(62)	(416)	19,009,435	17,183,344	0	27,201	2,195	674	240	2.4

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

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

During the year, EPCs were requested from corporate and retail customers to enable reporting of the level of energy efficiency and the corresponding EPC labels, for both residential and commercial property collateral. In some countries, EPC labels are not mandatory. Where EPCs do not incorporate a specific label, the EPC label is not estimated as per the current reporting requirements.

However, the energy consumption level used, for the score, has been estimated. To estimate energy levels for Germany, the average energy values of EPCs collected from each portfolio were used when specific data was unavailable. For France and Malta, where estimation is required, the level of energy has been estimated using a few different methods according to the data availability. The majority of energy level estimation is based on a mapping of property types with government statistics. In this context, for Malta, the information published in the paper 'Long Term Renovation Strategy 2050', issued by the Maltese Ministry for the environment-climate change and planning, has been leveraged while for French residential properties, information published in the paper 'The housing stock by level of energy category as of 1 January 2022' issued by the French Ministry of Ecological Transition, which provides average level of energy consumption, has been used. However, for French commercial properties, the ADEME (Agence De l'Environnement et de la Maîtrise de l'Energie) database named 'DPE Tertiaire depuis 2021', including EPCs established from July 2021, has been utilised to perform estimations on the level of energy consumption of commercial properties. The average level of energy consumption has been computed for each type of commercial asset (offices, education, restaurants, etc) to map and allocate them to the appropriate bucket of level of energy consumption.

1 As defined in Part 1 of Annex V of Commission Implementing Regulation (EU) 2021/451.
2 As defined in Article 2(12) of 2010/31/EU for EU countries, or in the relevant regulation for those exposures outside the EU. Energy Performance of Buildings Directive 2010/31/EU10 ('EPBD') and the Energy Efficiency Directive 2012/27/EU promote policies that aim to achieve a highly energy efficient and decarbonised building stock by 2050. The EPBD introduced energy performance certificates ('EPC') as instruments for improving the energy performance of buildings.

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

The comparative figures presented in Template 2 for the year ended 2025 include loan exposure collateralized by immovable property relating to Malta portfolio amounting to EUR 1.9bn. During the year, the Malta portfolio was classified as held for sale. Consequently, these exposures fall outside the scope of the disclosure and have been excluded from the interim 2026 reporting.

The prior-year comparative figures haven't been restated.

The energy efficiency estimation methodology described above in respect of the Malta applies solely to the 2025 comparative figures presented in Template 2.

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

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

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

	Total gross carrying amount															
		Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
Counterparty sector		**0; <= 100**	**>100; <= 200**	**>200; <= 300**	**>300; <= 400**	**>400; <= 500**	**> 500**	**A**	**B**	**C**	**D**	**E**	**F**	**G**		**of which: energy efficiency (EP score in kWh/m² of collateral) estimated**
30 Jun 2026	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**%**
1 **Total EU area**	**5,104**	**1,059**	**795**	**2,190**	**626**	**89**	**345**	**330**	**301**	**356**	**458**	**261**	**37**	**87**	**3,274**	**92**
2 – of which: Loans collateralised by commercial immovable property	**3,765**	**778**	**533**	**1,610**	**444**	**74**	**326**	**259**	**243**	**254**	**272**	**140**	**28**	**74**	**2,495**	**89**
3 – of which: Loans collateralised by residential immovable property	**1,339**	**281**	**262**	**580**	**182**	**15**	**19**	**71**	**58**	**102**	**186**	**121**	**9**	**13**	**779**	**100**
4 – of which: Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5 – of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	**3,326**	**503**	**224**	**1,927**	**414**	**42**	**216**								**3,003**	**100**
6 **Total non-EU area**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7 – of which: Loans collateralised by commercial immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8 – of which: Loans collateralised by residential immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9 – of which: Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10 – of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	—	—	—	—	—	—	—								—	—
31 Dec 2025																
1 Total EU area	7,722	1,299	2,576	2,688	647	103	409	526	365	350	391	263	49	87	5,691	89
2 – of which: Loans collateralised by commercial immovable property	4,709	990	685	2,089	473	79	393	432	334	261	256	151	39	75	3,161	85
3 – of which: Loans collateralised by residential immovable property	3,011	309	1,890	599	174	24	15	94	31	89	135	112	10	12	2,528	95
4 – of which: Collateral obtained by taking possession: residential and commercial immovable properties	2	—	1	—	—	—	1	—	—	—	—	—	—	—	2	100
5 – of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	5,349	444	1,801	2,387	428	55	234								5,073	100
6 Total non-EU area	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7 – of which: Loans collateralised by commercial immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8 – of which: Loans collateralised by residential immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9 – of which: Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10 – of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated	—	—	—	—	—	—	—								—	—

Banking book – Climate change transition risk: Alignment metrics

Setting targets

The HSBC Group's initial approach to target setting used a single reference scenario – the 2021 International Energy Agency ('IEA') Net Zero Emissions by 2050 Scenario ('NZE 2021'). In November 2025, as part of the updated Net Zero Transition Plan, the HSBC Group introduced a target range for all in-scope carbon intensive sectors informed by IEA's 2024 Net Zero Emissions ('NZE') and Announced Pledges Scenarios ('APS'). The thermal coal mining target remains unchanged, in alignment with the thermal coal phase-out policy and thermal coal financing drawn balance exposure reporting.

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

Methodology for alignment metrics

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

The alignment metric is the unit used for target tracking for the respective sector for the HSBC Group. HSBC has calculated the sector level emission intensity for HSBC Continental Europe using a portfolio weighted approach. The alignment metric proxy has then been used to calculate the distance to the IEA 2030 NZE2050 scenario based on IEA's NZE 2024 scenario. This scenario does not disaggregate by region and therefore HSBC has adopted a global pathway as the chosen reference scenario for the alignment metrics.

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

The underlying assumption with this calculation is that the emissions intensity of financing activities is the same across regions and, as a result, that HSBC Continental Europe's financed emissions are apportioned at the same ratio as HSBC Continental Europe's portion of loan balances used in the HSBC Group's calculations. This may result in an over or under statement of financed emissions attributable to HSBC Continental Europe since the Bank would expect emissions intensity in this region may not always be consistent with a global average.

An evolving approach

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

The Bank continues to engage with regulators, standard setters and industry bodies to help shape its approach to target setting and management portfolio alignment to support the transition to net zero in the global economy.

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

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

Data and methodology limitations

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

- Sector targets and progress metrics are calculated at the HSBC Group level and are set for HSBC's global portfolio. They are managed at the HSBC Group level with the recognition that regions and companies will decarbonise at different rates and that there are different strategies to achieve its global targets.
- The HSBC 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 HSBC Group calculated the sector level emissions intensity metrics using a portfolio-weighted approach. Due to data limitations, HSBC is unable to obtain production data for all of the clients. It therefore calculates an emissions intensity figure using the 75th percentile of available data points to meet this data gap, as the HSBC Group considers this as a conservative approach.
- The scope of clients analysed is primarily determined by internal sector classifications and only rely on NACE codes in specific circumstances where internal client sector classifications are not available. Internal sector classifications are assigned using expert judgement from global relationship managers and are based on their relationship and knowledge of the customer's activity. NACE codes are assigned to a counterparty at the counterparty group level by calculating the NACE with the highest or second-highest approved lending limits.
- The calculation and methodology of financed emissions calculations are dependent upon the availability of data. For the calculation of financed emissions, where the allocation of the emissions data is required at the subsidiary level but company reported emissions data may only be available at the consolidated level of a counterparty and not at the legal entity level of a counterparty, HSBC has used the counterparty Group level information.
- Sectors for on-balance sheet reporting are assigned at an individual obligor level and may therefore differ between the counterparty Group sectors used for financed emission reporting.
- HSBC Continental Europe's disclosures in Template 3 are aligned with the HSBC Group's methodology as financed emission's targets are set at a global level and the calculation needs to be consistent across geographies. In Template 1, the report is stand-alone for HSBC Continental Europe and therefore the methodology aims at achieving maximum coverage and complying with regulatory requirements.

- The financed emissions calculation aims to cover the total in-scope exposure that comprises of loans and advances to customers as of the year of reporting, reflecting the most material part of the financing activity. Debt and equity holdings represent 1 per cent of the banking book exposure as of 30 June 2026.
- Due to the time lag for emissions data from counterparties, the alignment metrics and the financed emissions are based on both balance sheet and emission figures from 2024 year-end.
- Third party datasets that feed into the analysis may have up to a two-year lag in reported emission figures.
- Mapping external datasets to the internal client entities is challenging due to complex company ownership structures.
- The latest thermal coal mining financed emissions is disclosed at the HSBC Group level for year-end 2023 and 2024 but there has been no disclosure in this EBA Pillar 3 report as there is no exposure for HSBC Continental Europe for both years.
- Most clients do not yet report the full scope of greenhouse gas emissions included in the analysis, in particular scope 3 emissions. In the absence of client-reported emissions, the HSBC Group estimated emissions using proxies based on company production and revenue figures. As data improves and coverage expands, estimates can be replaced with reported figures.
- The operating environment for climate analysis and portfolio alignment is maturing and HSBC continues to work to improve the data management processes.
- For this interim report, the Template 3 disclosure is prepared using the same methodology and data inputs as HSBC Group's year-end target setting approach published in HSBC'S 2025 Annual Report and Accounts. However, Malta was classified as held for sale as at 30 June 2026 and is therefore excluded from the HSBC Continental Europe consolidation for Interim 2026 reporting; prior-period comparative figures have not been restated. 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.

► For further details see HSBC Financed Emissions and Thermal Coal Exposures Methodology at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

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

	Sector	NACE Sectors	Gross carrying amount (€m)[2]	Alignment metric[3]	Reference year	Distance to IEA NZE2050 as %[4]	Target (year of reference + 3 years)[8]
	30 Jun 2026[1]						
1	**Power**	**3511**	**581**	**277 tCO_2e/Gwh**	**2024**	**42**	**Not available**
2	**Fossil fuel combustion**	**0610; 0620**	**747**	**2.3 $MtCO_2e$**	**2024**	**Not available[5]**	**Not available**
3	**Automotive**	**2910; 3091**	**373**	**150.7 tCO_2e/million vkm**	**2024**	**130**	**Not available**
4	**Aviation**	**5110; 7735**	**334**	**737 tCO_2e/million rtk**	**2024**	**4**	**Not available**
5	**Maritime transport[6]**	**Not available**	**Not available**	**Not available**	**Not available**	**Not available**	**Not available**
6	**Cement, clinker and lime production**	**2351**	**15**	**0.65 tCO_2e/t cement**	**2024**	**37**	**Not available**
7	**Iron and steel, coke, and metal ore production**	**2410**	**240**	**0.87 tCO_2e/t steel**	**2024**	**(32)**	**Not available**
8	**Chemicals[7]**	**Not available**	**Not available**	**Not available**	**Not available**	**Not available**	**Not available**
	31 Dec 2025[1]						
1	Power	3511	645	298 tCO_2e/Gwh	2024	53	Not available
2	Fossil fuel combustion	0610; 0620	799	2.4 $MtCO_2e$	2024	Not available[5]	Not available
3	Automotive	2910; 3091	373	150.7 tCO_2e/million vkm	2024	130	Not available
4	Aviation	5110; 7735	334	737 tCO_2e/million rtk	2024	4	Not available
5	Maritime transport[6]	Not available	Not available	Not available	Not available	Not available	Not available
6	Cement, clinker and lime production	2351	15	0.65 tCO_2e/t cement	2024	37	Not available
7	Iron and steel, coke, and metal ore production	2410	240	0.87 tCO_2e/t steel	2024	(32)	Not available
8	Chemicals[7]	Not available	Not available	Not available	Not available	Not available	Not available

1 Malta was classified as held for sale as at 30 June 2026 and is therefore excluded from the HSBC Continental Europe consolidation for Interim 2026 reporting (IR'26 table). The prior-period comparative figures have not been restated (YE'25 table).
2 The gross carrying amount is reported as at December 2024.
3 For the oil and gas sector, absolute emissions are measured in million tonnes of carbon dioxide equivalent ('Mt CO_2e'); for the power and utilities sector, intensity is measured in tonnes of carbon dioxide equivalent per gigawatt hour ('tCO_2e/GWh'); for the cement sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of cement ('tCO_2e/t cement'); for the iron and steel sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of steel ('tCO_2e/t steel'); for the aviation sector, intensity is measured in tonnes of carbon dioxide equivalent per million revenue tonne kilometres ('tCO_2e/million rtk') and for the automotive sector, intensity is measured in tonnes of carbon dioxide equivalent per million vehicle kilometres ('tCO_2e/million vkm').
4 Point-in-Time ('PiT') distance to 2030 NZE2050 scenario in per cent (for each metric). The benchmarking scenario for EBA Pillar 3 is the IEA NZE 24 scenario. This is the chosen benchmarking scenario as outlined by EBA Pillar 3 Template 3 and does not refer to HSBC's Group targets.
5 The HSBC Group's Oil & Gas target is defined as a percentage reduction from 2019 sector emissions. Calculating progress towards the IEA NZE 2050 pathway requires a 2019 baseline for HSBC Continental Europe. As there is no target setting or baseline for HSBC Continental Europe, it is not possible to determine a specific 2030 reference point and assess the distance to IEA NZE 2050.
6 Following a reduction in the HSBC 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.
7 Given Chemicals is not currently aligned to the in-scope sectors for the HSBC Group disclosures, it is not able to publish alignment metric for HSBC Continental Europe.
8 For financed emissions the HSBC Group did not set 2026 targets and do not plan to set 2027 targets and have set interim 2030 targets in line with the industry guidance.

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

This table provides information on exposures to the top 20 most carbon-intensive firms in the world by comparing the corporate counterparties of the operating entities in the loan book against a list of top 20 carbon-intensive firms. The disclosure seeks to include exposure to any company that belongs to the group of any of the top 20 emitters. HSBC Continental Europe has updated the data source and methodology for identifying high-emitting firms, transitioning Climate Accountability Institute ('CAI') to Carbon Majors Database, adopting a 30-year rolling cumulative emissions list. This update ensures the Bank's reporting presents a stable, long-term perspective on corporate carbon responsibility, smoothing out short-term annual fluctuations and enhancing the comparability of the climate risk disclosures. As the total amount of reported companies is materially consistent with the previous list, comparative figures have not been restated.

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

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

For the interim reporting period ended 30 June 2026 HSBC Continental Europe does not include the disclosure of the taxonomy aligned exposures ('CCM' column) – until the amendments to the EBA disclosure implementing technical standards ('ITS') are formally adopted by the EC and enter into force. This approach is in line with the EBA's no-action letter and ECB Supervisory guidance, which recommend not prioritizing enforcement of these specific disclosures, as outlined above.

The year end 2025 comparative figures in Template 4 included EUR 51m of loan exposures linked to top 20 carbon-intensive firms in the Malta portfolio. During the year, the Malta portfolio was classified as held for sale, as a result, is out of scope and has been excluded from the interim 2026 reporting. The prior-year comparative figures haven't been restated.

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

		Gross carrying amount €m (aggregate)	Gross carrying amount to the Top 20 counterparties compared to total gross carrying amount (aggregate)[1]	of which: environmentally sustainable (CCM)	Weighted average maturity (years)	Number of top 20 polluting firms included
1	**30 Jun 2026**	**470**	**0.38 %**	**N/A**	**0.17**	**4**
1	31 Dec 2025	450	0.43 %	N/A	0.28	4

1 For counterparties among the top 20 carbon emitting companies in the world.
2 The CCM column is not disclosed for YE'25, pending the amended EBA ITS adaptation. This approach is consistent with the no-action letter from the EBA and guidance from the ECB.

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

Scope

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

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

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

Methodology

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

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

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

Data limitations

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

For retail loans, residential addresses were also considered. Where the counterparty's loan is backed by more than one collateral in the form of immovable property, the physical risk of each has been assessed and the highest physical risk is reported against that contract. Also, based on the available data, the physical risk has been calculated 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.

Malta -related physical risk methodology described above applies only to the 2025 comparative figures presented in Template 5. Malta has since been classified as held for sale and is therefore out of scope for interim 2026 reporting. The year-end 2025 comparative figures in this template (Other geographical areas and Total sections) included EUR 682m of gross loan exposures in the Malta portfolio, of which EUR 262m were sensitive to acute climate change events. The prior-year comparative figures haven't been restated.

The climate data from the ThinkHazard tool for France provides the maximum hazard level for France departments. As an example, 94 out of the 96 French departments have a high wildfire risk as indicated in the ThinkHazard database. As a result, this conservative view made France extremely sensitive to wildfire risk, which contributes to majority of French departments in the available dataset having the level of exposures reported as "sensitive to impact from acute climate change events" during interim reporting as at 30 June 2023. From 31 December 2023, in order to apply a more comprehensive physical risk data assessment to allow for a refined view of the impact to the portfolio, the Bank engaged with internal experts from Stress Testing and Property Portfolio Managers to develop management overlays on this wildfire risk.

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

For EUR52m (0.2 per cent) of the total amount analysed in table 44 as at June 2026 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 EUR297m representing 1 per cent in December 2025).

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. The Bank's 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										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average Weighted maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures
		€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m
	30 Jun 2026														
	France														
1	A – Agriculture, forestry and fishing	**147**	**105**	**—**	**—**	**—**	**1.8**	**—**	**105**	**—**	**12**	**3**	**(1)**	**—**	**—**
2	B – Mining and quarrying	**159**	**159**	**—**	**—**	**—**	**0.5**	**—**	**105**	**54**	**—**	**—**	**—**	**—**	**—**
3	C – Manufacturing	**4,316**	**3,734**	**65**	**—**	**—**	**1.5**	**—**	**3,423**	**376**	**600**	**103**	**(35)**	**(5)**	**(27)**
4	D – Electricity, gas, steam and air conditioning supply	**1,336**	**881**	**207**	**140**	**12**	**4.2**	**—**	**1,172**	**68**	**2**	**11**	**(8)**	**—**	**(7)**
5	E – Water supply; sewerage, waste management and remediation activities	**24**	**20**	**—**	**—**	**—**	**1.3**	**—**	**14**	**6**	**—**	**—**	**—**	**—**	**—**
6	F – Construction	**374**	**260**	**17**	**7**	**—**	**2.9**	**—**	**284**	**—**	**4**	**2**	**(1)**	**—**	**(1)**
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	**2,870**	**2,163**	**16**	**—**	**—**	**1.2**	**—**	**2,058**	**121**	**690**	**79**	**(69)**	**(13)**	**(55)**
8	H – Transportation and storage	**1,352**	**1,038**	**192**	**32**	**—**	**2.8**	**—**	**773**	**489**	**81**	**2**	**(2)**	**(1)**	**(1)**
9	L – Real estate activities	**2,644**	**2,163**	**281**	**76**	**—**	**3.2**	**—**	**2,520**	**—**	**207**	**221**	**(70)**	**(5)**	**(63)**
10	Loans collateralised by residential immovable property	**643**	**598**	**36**	**—**	**—**	**3.2**	**—**	**631**	**3**	**60**	**30**	**(9)**	**—**	**(9)**
11	Loans collateralised by commercial immovable property	**3,519**	**2,943**	**330**	**59**	**—**	**2.8**	**—**	**3,332**	**—**	**384**	**204**	**(60)**	**(4)**	**(53)**
12	Repossessed collateral	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	**Other relevant sectors (breakdown below where relevant)**	**7,847**	**5,692**	**340**	**23**	**109**	**2.7**	**—**	**5,864**	**300**	**651**	**182**	**(136)**	**(29)**	**(97)**
14	I – Accommodation and food service activities	**208**	**194**	**7**	**—**	**—**	**3.6**	**—**	**201**	**—**	**4**	**6**	**(3)**	**—**	**(2)**
15	J – Information and communication	**1,054**	**851**	**63**	**—**	**—**	**2.7**	**—**	**879**	**35**	**135**	**8**	**(7)**	**(2)**	**(3)**
16	K – Financial and insurance activities	**—**	**—**	**—**	**—**	**—**		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
17	M – Professional scientific and technical activities	**2,787**	**1,327**	**140**	**8**	**—**	**2.6**	**—**	**1,422**	**53**	**118**	**93**	**(58)**	**(3)**	**(52)**
18	N – Administrative and support service activities	**3,474**	**3,112**	**111**	**—**	**109**	**2.7**	**—**	**3,120**	**212**	**360**	**68**	**(67)**	**(24)**	**(39)**
19	O – Public administration and defence compulsory social security	**2**	**2**	**—**	**—**	**—**	**3.1**	**—**	**2**	**—**	**1**	**—**	**—**	**—**	**—**
20	P – Education	**6**	**1**	**5**	**—**	**—**	**5.1**	**—**	**6**	**—**	**—**	**—**	**—**	**—**	**—**
21	Q – Human health and social work activities	**43**	**42**	**—**	**—**	**—**	**3.5**	**—**	**42**	**—**	**1**	**2**	**—**	**—**	**—**
22	R – Arts, entertainment and recreation	**94**	**64**	**13**	**15**	**—**	**4.8**	**—**	**92**	**—**	**—**	**1**	**—**	**—**	**—**
23	S – Other service activities	**179**	**99**	**1**	**—**	**—**	**0.4**	**—**	**100**	**—**	**32**	**4**	**(1)**	**—**	**(1)**
	Other geographical areas														
1	A – Agriculture, forestry and fishing	**6**	**4**	**1**	**—**	**—**	**1.7**	**—**	**5**	**—**	**—**	**—**	**—**	**—**	**—**
2	B – Mining and quarrying	**57**	**57**	**—**	**—**	**—**	**—**	**—**	**57**	**—**	**—**	**—**	**—**	**—**	**—**
3	C – Manufacturing	**3,733**	**3,219**	**78**	**—**	**12**	**0.8**	**—**	**3,220**	**89**	**293**	**126**	**(32)**	**(1)**	**(30)**
4	D – Electricity, gas, steam and air conditioning supply	**278**	**212**	**—**	**38**	**3**	**3.8**	**—**	**121**	**132**	**94**	**—**	**—**	**—**	**—**
5	E – Water supply; sewerage, waste management and remediation activities	**163**	**163**	**—**	**—**	**—**	**0.2**	**—**	**163**	**—**	**—**	**—**	**—**	**—**	**—**
6	F – Construction	**105**	**105**	**—**	**—**	**—**	**0.5**	**—**	**105**	**—**	**—**	**—**	**—**	**—**	**—**

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: <= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average Weighted maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	of which: Stage 2 exposures	of which: non-performing exposures
		€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	**1,195**	**1,137**	**—**	**—**	**—**	**0.2**	**—**	**1,132**	**5**	**279**	**35**	**(17)**	**—**	**(17)**
8	H – Transportation and storage	**861**	**364**	**227**	**266**	**—**	**6.4**	**—**	**597**	**260**	**238**	**—**	**(2)**	**(2)**	**—**
9	L – Real estate activities	**1,107**	**896**	**139**	**52**	**—**	**2.2**	**—**	**1,087**	**—**	**—**	**44**	**(3)**	**—**	**(2)**
10	Loans collateralised by residential immovable property	**696**	**541**	**89**	**58**	**—**	**3.0**	**—**	**688**	**—**	**—**	**2**	**—**	**—**	**—**
11	Loans collateralised by commercial immovable property	**246**	**178**	**63**	**5**	**—**	**2.4**	**—**	**246**	**—**	**—**	**34**	**(2)**	**—**	**(2)**
12	Repossessed collateral	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
13	**Other relevant sectors (breakdown below where relevant)**	**1,637**	**1,473**	**20**	**2**	**1**	**1.0**	**—**	**1,320**	**176**	**267**	**63**	**(5)**	**(3)**	**(2)**
14	I – Accommodation and food service activities	**28**	**17**	**11**	**—**	**—**	**3.8**	**—**	**28**	**—**	**1**	**2**	**—**	**—**	**—**
15	J – Information and communication	**347**	**310**	**—**	**—**	**1**	**1.0**	**—**	**282**	**29**	**37**	**—**	**(1)**	**(1)**	**—**
16	K – Financial and insurance activities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
17	M – Professional scientific and technical activities	**650**	**571**	**—**	**—**	**—**	**0.9**	**—**	**427**	**144**	**153**	**22**	**(2)**	**—**	**(2)**
18	N – Administrative and support service activities	**335**	**332**	**—**	**—**	**—**	**1.3**	**—**	**329**	**3**	**41**	**33**	**(1)**	**(1)**	**—**
19	O – Public administration and defence compulsory social security	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
20	P – Education	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
21	Q – Human health and social work activities	**35**	**35**	**—**	**—**	**—**	**1.0**	**—**	**35**	**—**	**22**	**—**	**(1)**	**(1)**	**—**
22	R – Arts, entertainment and recreation	**7**	**5**	**—**	**—**	**—**	**1.5**	**—**	**5**	**—**	**—**	**—**	**—**	**—**	**—**
23	S – Other service activities	**235**	**203**	**9**	**2**	**—**	**0.6**	**—**	**214**	**—**	**13**	**6**	**—**	**—**	**—**
	Total														
1	A – Agriculture, forestry and fishing	**153**	**109**	**1**	**—**	**—**	**1.8**	**—**	**110**	**—**	**12**	**3**	**(1)**	**—**	**—**
2	B – Mining and quarrying	**216**	**216**	**—**	**—**	**—**	**0.4**	**—**	**162**	**54**	**—**	**—**	**—**	**—**	**—**
3	C – Manufacturing	**8,049**	**6,953**	**143**	**—**	**12**	**1.2**	**—**	**6,643**	**465**	**893**	**229**	**(67)**	**(6)**	**(57)**
4	D – Electricity, gas, steam and air conditioning supply	**1,614**	**1,093**	**207**	**178**	**15**	**4.1**	**—**	**1,293**	**200**	**96**	**11**	**(8)**	**—**	**(7)**
5	E – Water supply; sewerage, waste management and remediation activities	**187**	**183**	**—**	**—**	**—**	**0.3**	**—**	**177**	**6**	**—**	**—**	**—**	**—**	**—**
6	F – Construction	**479**	**365**	**17**	**7**	**—**	**2.3**	**—**	**389**	**—**	**4**	**2**	**(1)**	**—**	**(1)**
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	**4,065**	**3,300**	**16**	**—**	**—**	**0.9**	**—**	**3,190**	**126**	**969**	**114**	**(86)**	**(13)**	**(72)**
8	H – Transportation and storage	**2,213**	**1,402**	**419**	**298**	**—**	**4.3**	**—**	**1,370**	**749**	**319**	**2**	**(4)**	**(3)**	**(1)**
9	L – Real estate activities	**3,751**	**3,059**	**420**	**128**	**—**	**2.9**	**—**	**3,607**	**—**	**207**	**265**	**(73)**	**(5)**	**(65)**
10	Loans collateralised by residential immovable property	**1,339**	**1,139**	**125**	**58**	**—**	**3.1**	**—**	**1,319**	**3**	**60**	**32**	**(9)**	**—**	**(9)**
11	Loans collateralised by commercial immovable property	**3,765**	**3,121**	**393**	**64**	**—**	**2.8**	**—**	**3,578**	**—**	**384**	**238**	**(62)**	**(4)**	**(55)**
12	Repossessed collateral	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

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										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average Weighted maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures
		€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m
13	**Other relevant sectors (breakdown below where relevant)**	**9,484**	**7,165**	**360**	**25**	**110**	**2.4**	**—**	**7,184**	**476**	**918**	**245**	**(141)**	**(32)**	**(99)**
14	I – Accommodation and food service activities	**236**	**211**	**18**	**—**	**—**	**3.6**	**—**	**229**	**—**	**5**	**8**	**(3)**	**—**	**(2)**
15	J – Information and communication	**1,401**	**1,161**	**63**	**—**	**1**	**2.3**	**—**	**1,161**	**64**	**172**	**8**	**(8)**	**(3)**	**(3)**
16	K – Financial and insurance activities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
17	M – Professional scientific and technical activities	**3,437**	**1,898**	**140**	**8**	**—**	**2.1**	**—**	**1,849**	**197**	**271**	**115**	**(60)**	**(3)**	**(54)**
18	N – Administrative and support service activities	**3,809**	**3,444**	**111**	**—**	**109**	**2.6**	**—**	**3,449**	**215**	**401**	**101**	**(68)**	**(25)**	**(39)**
19	O – Public administration and defence compulsory social security	**2**	**2**	**—**	**—**	**—**	**3.1**	**—**	**2**	**—**	**1**	**—**	**—**	**—**	**—**
20	P – Education	**6**	**1**	**5**	**—**	**—**	**5.1**	**—**	**6**	**—**	**—**	**—**	**—**	**—**	**—**
21	Q – Human health and social work activities	**78**	**77**	**—**	**—**	**—**	**2.4**	**—**	**77**	**—**	**23**	**2**	**(1)**	**(1)**	**—**
22	R – Arts, entertainment and recreation	**101**	**69**	**13**	**15**	**—**	**4.6**	**—**	**97**	**—**	**—**	**1**	**—**	**—**	**—**
23	S – Other service activities	**414**	**302**	**10**	**2**	**—**	**0.5**	**—**	**314**	**—**	**45**	**10**	**(1)**	**—**	**(1)**
	31 Dec 2025														
	France														
1	A – Agriculture, forestry and fishing	101	83	1	—	—	2.0	—	84	—	13	2	(1)	(1)	—
2	B – Mining and quarrying	55	54	—	—	—	1.7	—	2	52	1	—	—	—	—
3	C – Manufacturing	4,084	3,401	101	—	—	1.7	—	3,150	352	447	44	(25)	(4)	(16)
4	D – Electricity, gas, steam and air conditioning supply	1,120	889	44	81	13	2.6	—	935	92	5	12	(6)	—	(5)
5	E – Water supply; sewerage, waste management and remediation activities	32	27	—	—	—	1.2	—	20	7	1	—	—	—	—
6	F – Construction	498	297	49	47	—	3.5	—	393	—	5	59	(2)	—	(1)
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	2,434	1,955	71	—	—	1.4	—	1,899	127	387	93	(56)	(3)	(51)
8	H – Transportation and storage	1,360	1,028	196	46	—	3.1	—	742	528	50	2	(3)	(1)	(1)
9	L – Real estate activities	2,941	2,360	378	57	—	3.3	—	2,795	—	179	159	(59)	(5)	(49)
10	Loans collateralised by residential immovable property	693	675	5	4	—	3.5	—	680	4	54	31	(8)	—	(8)
11	Loans collateralised by commercial immovable property	4,180	3,427	464	74	—	3.0	—	3,965	—	245	200	(49)	(4)	(42)
12	Repossessed collateral	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	9,041	6,500	422	28	181	2.8	—	6,879	252	531	184	(123)	(30)	(83)
14	I – Accommodation and food service activities	242	228	8	—	—	3.7	—	236	—	23	7	(4)	—	(3)
15	J – Information and communication	1,319	1,037	141	3	—	3.1	—	1,166	15	13	8	(5)	—	(4)
16	K – Financial and insurance activities	—	—	—	—	—		—	—	—	—	—	—	—	—

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										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk – acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average Weighted maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures
		€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m
17	M – Professional scientific and technical activities	2,926	1,568	125	8	—	2.2	—	1,642	59	103	41	(21)	(4)	(14)
18	N – Administrative and support service activities	3,819	3,168	131	1	181	3.2	—	3,314	167	359	67	(92)	(26)	(62)
19	O – Public administration and defence compulsory social security	2	2	—	—	—	3.4	—	2	—	—	—	—	—	—
20	P – Education	7	2	5	—	—	4.9	—	7	—	1	—	—	—	—
21	Q – Human health and social work activities	42	38	3	—	—	1.5	—	33	8	1	3	—	—	—
22	R – Arts, entertainment and recreation	98	71	8	16	—	4.9	—	95	—	—	1	(1)	—	—
23	S – Other service activities	586	386	1	—	—	0.6	—	384	3	31	57	—	—	—
	Other geographical areas														
1	A – Agriculture, forestry and fishing	1	—	1	—	—	8.0	—	1	—	—	—	—	—	—
2	B – Mining and quarrying	47	47	—	—	—	0.1	—	47	—	—	—	—	—	—
3	C – Manufacturing	3,286	2,661	99	4	12	1.2	—	2,652	124	217	121	(40)	(1)	(35)
4	D – Electricity, gas, steam and air conditioning supply	410	308	—	38	3	3.4	—	204	145	69	—	—	—	—
5	E – Water supply; sewerage, waste management and remediation activities	128	127	—	—	—	0.4	—	127	—	—	37	—	—	—
6	F – Construction	50	31	—	—	—	2.6	—	31	—	—	1	(1)	—	(1)
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	1,122	952	1	1	—	0.3	—	946	8	201	46	(22)	—	(22)
8	H – Transportation and storage	842	257	326	245	—	6.9	—	560	268	441	—	(2)	(2)	—
9	L – Real estate activities	1,226	929	118	69	—	2.4	—	1,116	—	74	84	(4)	—	(3)
10	Loans collateralised by residential immovable property	2,318	430	114	154	133	8.8	—	831	—	19	43	(3)	—	(3)
11	Loans collateralised by commercial immovable property	529	261	69	13	—	2.7	—	343	—	1	51	(4)	—	(4)
12	Repossessed collateral	2	2	—	—	—	1.0	—	2	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	1,532	1,259	29	5	31	1.4	—	1,209	115	174	31	(7)	(2)	(3)
14	I – Accommodation and food service activities	78	33	13	—	—	2.9	—	46	—	—	2	(1)	—	(1)
15	J – Information and communication	356	330	5	—	2	1.5	—	301	36	19	—	(1)	—	—
16	K – Financial and insurance activities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
17	M – Professional scientific and technical activities	677	532	2	3	29	1.1	—	488	78	81	22	(2)	—	(2)
18	N – Administrative and support service activities	254	230	—	—	—	1.8	—	229	1	44	—	(2)	(1)	—
19	O – Public administration and defence compulsory social security	—	—	—	—	—	—	—	—	—	—	—	—	—	—
20	P – Education	5	—	—	—	—	—	—	—	—	—	—	—	—	—
21	Q – Human health and social work activities	39	33	—	—	—	1.5	—	33	—	30	2	(1)	(1)	—
22	R – Arts, entertainment and recreation	7	5	—	—	—	1.6	—	5	—	—	—	—	—	—
23	S – Other service activities	116	96	9	2	—	1.5	—	107	—	—	5	—	—	—

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										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk – acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average Weighted maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2 exposures	of which: non-performing exposures		of which: Stage 2 exposures	of which: non-performing exposures
		€m	€m	€m	€m	€m	years	€m	€m	€m	€m	€m	€m	€m	€m
	Total														
1	A – Agriculture, forestry and fishing	102	83	2	—	—	2.1	—	85	—	13	2	(1)	(1)	—
2	B – Mining and quarrying	102	101	—	—	—	1.0	—	49	52	1	—	—	—	—
3	C – Manufacturing	7,370	6,062	200	4	12	1.5	—	5,802	476	664	165	(65)	(5)	(51)
4	D – Electricity, gas, steam and air conditioning supply	1,530	1,197	44	119	16	2.8	—	1,139	237	74	12	(6)	—	(5)
5	E – Water supply; sewerage, waste management and remediation activities	160	154	—	—	—	0.5	—	147	7	1	37	—	—	—
6	F – Construction	548	328	49	47	—	3.4	—	424	—	5	60	(3)	—	(2)
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	3,556	2,907	72	1	—	1.1	—	2,845	135	588	139	(78)	(3)	(73)
8	H – Transportation and storage	2,202	1,285	522	291	—	4.6	—	1,302	796	491	2	(5)	(3)	(1)
9	L – Real estate activities	4,167	3,289	496	126	—	3.0	—	3,911	—	253	243	(63)	(5)	(52)
10	Loans collateralised by residential immovable property	3,011	1,105	119	158	133	6.4	—	1,511	4	73	74	(11)	—	(11)
11	Loans collateralised by commercial immovable property	4,709	3,688	533	87	—	3.0	—	4,308	—	246	251	(53)	(4)	(46)
12	Repossessed collateral	2	2	—	—	—	1.0	—	2	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	10,573	7,759	451	33	212	2.6	—	8,088	367	705	215	(130)	(32)	(86)
14	I – Accommodation and food service activities	320	261	21	—	—	3.6	—	282	—	23	9	(5)	—	(4)
15	J – Information and communication	1,675	1,367	146	3	2	2.8	—	1,467	51	32	8	(6)	—	(4)
16	K - Financial and insurance activities	—	—	—	—	—		—	—	—	—	—	—	—	—
17	M – Professional scientific and technical activities	3,603	2,100	127	11	29	1.9	—	2,130	137	184	63	(23)	(4)	(16)
18	N – Administrative and support service activities	4,073	3,398	131	1	181	3.1	—	3,543	168	403	67	(94)	(27)	(62)
19	O – Public administration and defence compulsory social security	2	2	—	—	—	3.4	—	2	—	—	—	—	—	—
20	P – Education	12	2	5	—	—	4.9	—	7	—	1	—	—	—	—
21	Q – Human health and social work activities	81	71	3	—	—	1.5	—	66	8	31	5	(1)	(1)	—
22	R – Arts, entertainment and recreation	105	76	8	16	—	4.7	—	100	—	—	1	(1)	—	—
23	S – Other service activities	702	482	10	2	—	0.8	—	491	3	31	62	—	—	—

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 1H26, the French CCyB was 1 per cent, whereas the Portugal and Cyprus CCyB were increased to 0.75 per cent and 1.5 per cent respectively, 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 0.97 per cent in 2026.

Table 45: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer ('CCyB1')

	General credit exposures		Trading book exposures		Securitisation exposures		Own funds requirements						
	SA	IRB	Sum of long/ short positions for SA	Internal models	Total exposure value of securiti-sation positions in the banking book	Total exposure value	of which: general credit exposures	of which: general trading book	of which: securiti-sation exposures	Total	Risk-weighted exposure amounts	Own funds require-ments weights	CCyB rate
Country	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	%	%
Albania	—	—	—	—	—	—	—	—	—	—	—	—	—
Algeria	7.2	—	—	—	—	7.2	0.6	—	—	0.6	7.5	0.02	—
Andorra	—	—	—	—	—	—	—	—	—	—	—	—	—
Argentina	—	—	—	—	—	—	—	—	—	—	—	—	—
Armenia	1.0	0.2	—	—	—	1.2	0.1	—	—	0.1	1.3	—	1.50
Australia	6.3	17.6	—	13.7	—	37.6	1.0	1.5	—	2.5	31.3	0.06	1.00
Austria	52.7	438.9	—	19.2	—	510.8	18.9	1.6	—	20.5	256.3	0.54	—
Azerbaijan	6.3	—	—	—	—	6.3	0.1	—	—	0.1	1.3	—	—
Bahamas	—	—	—	—	—	—	—	—	—	—	—	—	—
Bahrain	34.9	0.7	—	—	—	35.6	3.5	—	—	3.5	43.8	0.09	—
Bangladesh	0.1	0.1	—	—	—	0.2	—	—	—	—	—	—	—
Barbados	35.0	0.1	—	—	—	35.1	2.0	—	—	2.0	25.0	0.05	—
Belgium	526.5	423.1	—	27.9	—	977.5	72.4	2.3	—	74.7	932.1	1.96	1.00
Bermuda	—	—	—	—	—	—	—	—	—	—	—	—	—
Botswana	—	—	—	—	—	—	—	—	—	—	—	—	—
Brazil	0.3	8.6	—	—	—	8.9	0.8	—	—	0.8	10.0	0.02	—
Bulgaria	—	6.3	—	—	—	6.3	0.7	—	—	0.7	8.8	0.02	2.00
Cambodia	—	0.9	—	—	—	0.9	0.1	—	—	0.1	1.3	—	—
Canada	17.9	64.4	—	11.3	—	93.6	9.6	0.1	—	9.7	121.3	0.25	—
Cayman Islands	—	—	—	—	—	—	—	—	—	—	—	—	—
Chile	—	51.6	—	—	—	51.6	1.5	—	—	1.5	18.8	0.04	0.50
China	19.2	93.8	—	—	—	113.0	3.1	—	—	3.1	38.8	0.08	—
Colombia	—	3.8	—	—	—	3.8	0.3	—	—	0.3	3.8	0.01	—
Costa Rica	—	—	—	—	—	—	—	—	—	—	—	—	—
Côte D'Ivoire	—	—	—	—	—	—	—	—	—	—	—	—	—
Croatia	—	—	—	—	—	—	—	—	—	—	—	—	1.50
Curaçao	—	—	—	—	—	—	—	—	—	—	—	—	—
Cyprus	24.5	2.6	—	—	—	27.1	2.2	—	—	2.2	27.5	0.06	1.50
Czech Republic	162.3	203.5	—	6.2	—	372.0	23.0	0.2	—	23.2	290.0	0.61	1.25
Denmark	12.9	1,524.8	—	46.0	—	1,583.7	43.9	3.0	—	46.9	586.3	1.23	2.50
Dominican Republic	—	—	—	—	—	—	—	—	—	—	—	—	—
Ecuador	—	—	—	—	—	—	—	—	—	—	—	—	—
Egypt	0.5	6.5	—	—	—	7.0	0.7	—	—	0.7	8.8	0.02	—
Estonia	—	0.2	—	—	—	0.2	—	—	—	—	—	—	1.50
Faroe Islands	—	—	—	—	—	—	—	—	—	—	—	—	—
Finland	6.7	135.0	—	19.9	—	161.6	3.4	1.6	—	5.0	62.5	0.13	—
France	6,542.1	17,474.6	—	215.7	6,700.2	30,932.6	1,063.6	10.3	306.0	1,379.9	17,248.8	36.25	1.00
Germany	1,628.4	10,692.5	—	102.8	903.0	13,326.7	427.5	5.3	10.7	443.5	5,543.8	11.65	0.75
Ghana	—	—	—	—	—	—	—	—	—	—	—	—	—
Gibraltar	—	—	—	—	—	—	—	—	—	—	—	—	—
Greece	340.0	569.7	—	—	—	909.7	57.6	—	—	57.6	720.0	1.51	0.25
Guadeloupe	—	—	—	—	—	—	—	—	—	—	—	—	—
Guatemala	—	—	—	—	—	—	—	—	—	—	—	—	—
Guernsey	—	43.0	—	—	—	43.0	1.9	—	—	1.9	23.8	0.05	—

Table 45: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer ('CCyB1') (continued)

	General credit exposures		Trading book exposures		Securitisation exposures		Own funds requirements						
	SA	IRB	Sum of long/ short positions for SA	Internal models	Total exposure value of securiti-sation positions in the banking book	Total exposure value	of which: general credit exposures	of which: general trading book	of which: securiti-sation exposures	Total	Risk-weighted exposure amounts	Own funds require-ments weights	CCyB rate
Country	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	%	%
Hong Kong	2.9	82.7	—	—	—	85.6	1.5	—	—	1.5	18.8	0.04	0.50
Hungary	202.8	3.8	—	—	—	206.6	16.5	—	—	16.5	206.3	0.43	1.00
Iceland	—	—	—	—	—	—	—	—	—	—	—	—	2.50
India	0.3	3.3	—	—	—	3.6	—	—	—	—	—	—	—
Indonesia	7.6	1.8	—	—	—	9.4	0.7	—	—	0.7	8.8	0.02	—
Ireland	1,249.0	821.7	—	8.1	—	2,078.8	144.5	0.3	—	144.8	1,810.0	3.80	1.50
Isle Of Man	—	1.4	—	—	—	1.4	0.1	—	—	0.1	1.3	—	—
Israel	3.0	1.1	—	—	—	4.1	0.3	—	—	0.3	3.8	0.01	—
Italy	703.7	1,630.3	—	203.8	545.6	3,083.4	96.6	8.3	5.7	110.6	1,382.5	2.90	—
Japan	—	—	—	74.4	—	74.4	—	2.6	—	2.6	32.5	0.07	—
Jersey	—	—	—	—	—	—	—	—	—	—	—	—	—
Jordan	—	—	—	—	—	—	—	—	—	—	—	—	—
Kazakhstan	—	1.6	—	—	—	1.6	0.2	—	—	0.2	2.5	—	—
Kenya	—	—	—	—	—	—	—	—	—	—	—	—	—
Korea, Republic Of	96.3	21.6	—	—	—	117.9	—	—	—	—	—	—	1.00
Kuwait	—	—	—	—	—	—	—	—	—	—	—	—	—
Latvia	—	—	—	—	—	—	—	—	—	—	—	—	1.00
Lebanon	—	—	—	—	—	—	—	—	—	—	—	—	—
Liberia	—	—	—	—	—	—	—	—	—	—	—	—	—
Libya	—	—	—	—	—	—	—	—	—	—	—	—	—
Liechtenstein	—	—	—	—	—	—	—	—	—	—	—	—	—
Lithuania	0.6	—	—	—	—	0.6	—	—	—	—	—	—	1.00
Luxembourg	1,803.4	4,700.0	—	23.9	—	6,527.3	306.1	1.8	—	307.9	3,848.8	8.09	0.50
Macedonia	—	—	—	—	—	—	—	—	—	—	—	—	—
Malaysia	1.2	2.3	—	—	—	3.5	0.1	—	—	0.1	1.3	—	—
Malta	2,835.7	0.7	—	—	—	2,836.4	119.3	—	—	119.3	1,491.3	3.13	—
Marshall Islands	—	—	—	—	—	—	—	—	—	—	—	—	—
Martinique	—	—	—	—	—	—	—	—	—	—	—	—	—
Mauritania	—	—	—	—	—	—	—	—	—	—	—	—	—
Mauritius	—	—	—	—	—	—	—	—	—	—	—	—	—
Mexico	—	30.0	—	—	—	30.0	1.2	—	—	1.2	15.0	0.03	—
Monaco	—	—	—	—	—	—	—	—	—	—	—	—	—
Montenegro	1.9	—	—	—	—	1.9	0.2	—	—	0.2	2.5	—	—
Morocco	—	6.5	—	—	—	6.5	0.2	—	—	0.2	2.5	0.01	—
Netherlands	1,887.4	3,487.6	—	82.8	250.0	5,707.8	292.1	7.4	2.0	301.5	3,768.8	7.92	2.00
New Caledonia	—	—	—	—	—	—	—	—	—	—	—	—	—
New Zealand	0.2	26.0	—	—	—	26.2	0.8	—	—	0.8	10.0	0.02	—
Norway	10.6	242.1	—	42.6	—	295.3	6.0	3.3	—	9.3	116.3	0.24	2.50
Oman	—	30.4	—	—	—	30.4	1.1	—	—	1.1	13.8	0.03	—
Pakistan	—	—	—	—	—	—	—	—	—	—	—	—	—
Panama	—	—	—	—	—	—	—	—	—	—	—	—	—
Paraguay	0.1	—	—	—	—	0.1	—	—	—	—	—	—	—
Peru	—	—	—	—	—	—	—	—	—	—	—	—	—
Philippines	0.1	0.1	—	—	—	0.2	—	—	—	—	—	—	—
Poland	602.8	288.1	—	—	—	890.9	63.6	—	—	63.6	795.0	1.67	1.00
Portugal	9.6	90.0	—	36.7	—	136.3	3.4	1.7	—	5.1	63.8	0.13	0.75
Puerto Rico	0.1	—	—	—	—	0.1	—	—	—	—	—	—	—
Qatar	10.9	0.3	—	—	—	11.2	0.8	—	—	0.8	10.0	0.02	—
Réunion	—	—	—	—	—	—	—	—	—	—	—	—	—
Romania	0.3	2.4	—	—	—	2.7	0.2	—	—	0.2	2.5	—	1.00
Russian Federation	—	0.8	—	—	—	0.8	—	—	—	—	—	—	—
Saudi Arabia	6.5	—	—	—	—	6.5	0.7	—	—	0.7	8.8	0.02	1.00
Serbia	—	—	—	—	—	—	—	—	—	—	—	—	—
Seychelles	—	—	—	—	—	—	—	—	—	—	—	—	—
Sierra Leone	—	—	—	—	—	—	—	—	—	—	—	—	—
Singapore	69.6	108.6	—	—	—	178.2	12.8	—	—	12.8	160.0	0.34	—
Slovakia	16.2	—	—	—	—	16.2	1.3	—	—	1.3	16.3	0.03	1.50
Slovenia	2.1	—	—	—	—	2.1	0.2	—	—	0.2	2.5	—	1.00
South Africa	0.6	46.3	—	—	—	46.9	5.7	—	—	5.7	71.3	0.15	1.00

Table 45: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer ('CCyB1') (continued)

	General credit exposures		Trading book exposures		Securitisation exposures		Own funds requirements						
	SA	IRB	Sum of long/ short positions for SA	Internal models	Total exposure value of securiti-sation positions in the banking book	Total exposure value	of which: general credit exposures	of which: general trading book	of which: securiti-sation exposures	Total	Risk-weighted exposure amounts	Own funds require-ments weights	CCyB rate
Country	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**%**	**%**
Spain	**814.5**	**1,534.8**	**—**	**89.2**	**610.9**	**3,049.4**	**141.4**	**7.0**	**5.4**	**153.8**	**1,922.5**	**4.04**	**0.50**
Sri Lanka	**0.4**	**0.2**	**—**	**—**	**—**	**0.6**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Sweden	**111.2**	**829.8**	**—**	**40.7**	**—**	**981.7**	**52.8**	**4.3**	**—**	**57.1**	**713.8**	**1.50**	**2.00**
Switzerland	**142.1**	**958.5**	**—**	**73.0**	**—**	**1,173.6**	**52.9**	**3.5**	**—**	**56.4**	**705.0**	**1.48**	**—**
Taiwan, Province Of China	**—**	**2.8**	**—**	**—**	**—**	**2.8**	**0.2**	**—**	**—**	**0.2**	**2.5**	**—**	**—**
Thailand	**—**	**45.1**	**—**	**—**	**—**	**45.1**	**3.0**	**—**	**—**	**3.0**	**37.5**	**0.08**	**—**
Tunisia	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Turkey	**2.2**	**19.6**	**—**	**—**	**—**	**21.8**	**1.7**	**—**	**—**	**1.7**	**21.3**	**0.04**	**—**
Ukraine	**0.1**	**—**	**—**	**—**	**—**	**0.1**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
United Arab Emirates	**146.4**	**95.1**	**—**	**—**	**—**	**241.5**	**9.4**	**—**	**—**	**9.4**	**117.5**	**0.25**	**—**
United Kingdom	**3,554.2**	**1,548.7**	**—**	**43.7**	**153.1**	**5,299.7**	**219.4**	**1.3**	**2.1**	**222.8**	**2,785.0**	**5.93**	**2.00**
United States	**508.1**	**1,790.8**	**—**	**98.1**	**725.8**	**3,122.8**	**97.0**	**4.2**	**10.5**	**111.7**	**1,396.3**	**2.93**	**—**
Uruguay	**2.1**	**—**	**—**	**—**	**—**	**2.1**	**0.2**	**—**	**—**	**0.2**	**2.5**	**—**	**—**
Viet Nam	**—**	**3.4**	**—**	**—**	**—**	**3.4**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Virgin Islands, British	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Zambia	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total	**24,231.6**	**50,222.8**	**—**	**1,279.7**	**9,888.6**	**85,622.7**	**3,392.7**	**71.6**	**342.4**	**3,806.7**	**47,583.8**	**100.00**	

Table 46: Amount of institution specific countercyclical capital buffer ('CCyB2')

	30 Jun 2026	31 Dec 2025[1]
Total Risk Exposure Amount (€m)	**63,215**	63,141
Institution specific countercyclical capital buffer rate (%)	**0.97**	0.95
Institution specific countercyclical capital buffer requirement (€m)	**613**	600

1 The comparatives have been restated to reflect the impact of a correction on total risk-weighted assets ("RWAs") related to certain specific transactions.

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
CRR3	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
IWPB	International Wealth and Premier Banking
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
RRCSC	Reputational Risk and Client Selection Committee
RSF	Required stable funding
RWA[1]	Risk-weighted asset

S	
SA	Standardised Approach
Sep	September
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
U	
UFCP	Unfunded credit Protection
UK	United Kingdom
UNGC	United Nations Global Compact
V	
VaR[1]	Value at risk

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

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