

HSBC Bank Middle East Limited

Annual Report and Accounts 2025



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Presentation of Information

This document comprises the Annual Report and Accounts 2025 for HSBC Bank Middle East Limited ('the bank') and its subsidiary undertakings (together 'the group'). It contains the Report of the Directors, Financial Statements together with the Auditor's report and Additional information. References to 'HSBC' or 'the HSBC Group' or 'the Group' within this document mean HSBC Holdings plc together with its subsidiaries.

Refer the HSBC Group Annual Report and Accounts 2025 for disclosures related to Environment, Social and Governance ('ESG').

Report of the Directors | Independent Auditor's Report to the Shareholder of HSBC Bank Middle East Limited

Board of Directors

Abdulfattah Sharaf, Chairman
Amina Alrustamani, Deputy Chair
Samir Assaf
Paul Lawrence

Selim Kervanci
John Bartlett
Majed Najm

Change in Directors

- Daniel Hankinson, Executive Director stepped down effective 11 December 2025.
 - Selim Kervanci appointed to the Board of Directors and Chief Executive Officer, MENAT region effective 01 January 2025.
-

Principal activities

The group through its branch network and subsidiary undertakings provides a range of banking and related financial services in the Middle East and North Africa.

Attributable profit and dividends

The profit attributable to the shareholder of the parent company amounted to US\$856m (2024: US\$868m) as set out in the consolidated income statement on page 7.

During the year, there were three dividend payments of US\$100m declared on 24 April 2025, US\$310m declared on 30 July 2025 and US\$105m declared on 23 October 2025. In 2024, there were four dividend payments of US\$300m declared on 22 May 2024, US\$75m declared on 30 September 2024, US\$500m declared on 16 December 2024 and US\$120m declared on 18 December 2024.

Going concern statement

The Board, having made appropriate enquiries, is satisfied that the group as a whole has adequate resources to continue operations for a period of at least twelve months from the date of this report, and it therefore continues to adopt the going concern basis in preparing the financial statements.

In making their going concern assessment, the Directors have considered a range of detailed information relating to present and potential conditions, including projections for profitability, cash flows, capital requirements, capital resources and the impact of stressed scenarios on the group's operations.

Registered office

The bank is registered by continuation as a company limited by shares in the Dubai International Financial Centre ('DIFC') under the Companies Law, DIFC Law No. 2 of 2009, on 30 June 2016 with registered number 2199. Its head office and registered office is located at Level 4, Gate Precinct Building 2, Dubai International Financial Centre, Dubai, United Arab Emirates.

Auditor

PricewaterhouseCoopers Limited has expressed its willingness to continue in office and the Board recommends that it be reappointed. A resolution proposing the reappointment of PricewaterhouseCoopers Limited as auditor of the group and giving authority to the Directors to determine its remuneration will be submitted to the forthcoming Annual General Meeting.

On behalf of the Board

Tunde Darvai Taylor
Company Secretary

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of HSBC Bank Middle East Limited (the 'company') and its subsidiaries (together the 'group') as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ('IASB') and as adopted by the United Kingdom ('UK').

What we have audited

The group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2025;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information on pages 12 to 69.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as applicable to audits of financial statements of public interest entities and the ethical requirements that are relevant to our audit of the consolidated financial statements in the Dubai Financial Services Authority ('DFSA'). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our Audit approach

Overview

Group scoping	The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the financial significance of the components and other qualitative factors.
Materiality	Overall group materiality: USD 54.4 million, which represents 5% of the profit before tax. Performance materiality: USD 40.8 million.
Key audit matter	The key audit matter identified during the year is Expected credit losses - Impairment on loans and advances to customers.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry and the geographical locations in which the group operates.

The risks that the group faces are diverse, with the interdependencies between group entities being numerous and complex. In performing our risk assessment we engaged with a number of stakeholders to ensure we appropriately understood and considered these risks and their interrelationships. This included external factors across the geopolitical, macroeconomic, regulatory and the accounting landscape as well as the internal control environment at the group.

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PricewaterhouseCoopers Limited is registered with Dubai Financial Services Authority

Our Audit approach (continued)

How we tailored our group audit scope (continued)

Through our risk assessment, we tailored our scoping approach as to which entities and balances we needed to perform testing over to support our group opinion, taking into consideration the complex and disaggregated group structure, the accounting processes and controls as well as the industry in which the group operates. The risks of material misstatement can be reduced to an acceptable level by testing the most financially significant locations within the group and those that drive particular significant risks identified as part of our risk assessment. This ensures that sufficient coverage has been obtained for each Financial Statement Line Item ("FSLI"). We continually assessed risks and changed the scope of our audit where necessary.

A significant amount of the group's operational processes which are critical to financial reporting, such as expected credit losses, are undertaken in operations centres. The audit work over the operations centres' processes and controls was performed by PwC member firms in each of the global operations centres, with oversight from us. This work enabled us to evaluate the effectiveness of the controls over key processes that supported material balances, classes of transactions and disclosures within the group consolidated financial statements, and to consider the implications on our audit work. In aggregate, the audit work performed across the locations provided us with the audit evidence required to form an opinion on the consolidated financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall materiality	USD 54.4 million.
How we determined it	5% of profit before tax.
Rationale for the materiality benchmark applied	We used profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users and is a generally accepted benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to USD 40.8 million.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that 75%, which is at the upper end of our normal range, was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above USD 2.7 million, calculated at 5% of the overall materiality, as well as omitted disclosures and misstatements that, in our view, warranted reporting for qualitative reasons.

Key audit matter

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the consolidated financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our Audit approach (continued)

Key audit matter (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Expected credit losses – Impairment on loans and advances to customers</p> <p>We focused on the Expected Credit Losses ('ECL') for loans and advances to customers due to the materiality of the loan balances and the associated allowances for ECL. In addition, the compliance with IFRS in this area involves management judgement and is subject to a high degree of estimation uncertainty.</p> <p>As disclosed in note 30, the allowance for ECL for loans and advances to customers as at 31 December 2025, is USD 753 million. The largest loan portfolios and significant ECL allowances are in the UAE and Qatar.</p> <p>Management makes various assumptions when estimating ECL. The significant assumptions that we focused on in our audit included those with greater levels of management judgement which had the most significant impact on ECL. These included assumptions made in:</p> <ul style="list-style-type: none"> – the application and determination of forward looking economic scenarios and their probability weights; – estimating material management judgemental adjustments; and – estimating expected cash flows for credit impaired wholesale exposures. <p>The level of estimation uncertainty and judgement has remained high during 2025 as a result of the uncertain macroeconomic and geopolitical environment and a change in global interest rate environment. Economic conditions vary between territories and industries, leading to uncertainties around judgements made in determining the severity and probability weighting of macroeconomic variable forecasts across the different economic scenarios used in ECL models.</p> <p>The modelling methodologies used to estimate ECL are developed using historical experience. The impact of the prevailing economic conditions has resulted in certain inherent limitations in the use of these methodologies to forecast the extent and timing of expected customer defaults and therefore on estimation of ECL. In addition, modelling methodologies do not incorporate all factors that are relevant to estimating ECL, such as differing impact of economic conditions on industry sectors. These limitations are addressed with management adjustments, the measurement of which is inherently judgmental and subject to a high level of estimation uncertainty.</p> <p>Management makes other assumptions which are less judgmental or for which variations have a less significant impact on ECL. These assumptions include:</p> <ul style="list-style-type: none"> – quantitative scorecards used in determining customer risk ratings ('CRRs'); and – quantitative and qualitative criteria used to assess significant increases in credit risk. 	<p>We assessed the design and operating effectiveness of governance and controls over the estimation of ECL.</p> <p>We observed management's review and challenge at governance forums where we observed assessment of ECL for Retail and Wholesale portfolios, including the assessment of model limitations and any resulting management judgmental adjustments.</p> <p>We also tested controls over:</p> <ul style="list-style-type: none"> – Credit reviews that determine customer risk ratings for wholesale customers; – the identification of credit impairment triggers; – the input of critical data into source systems, and the flow and transformation of critical data from source systems to the impairment calculation engine; – the calculation and approval of management judgmental adjustments to modelled outcomes; and – approval of significant individual impairments. <p>We involved our modelling experts in assessing the appropriateness of modelling methodologies that were enhanced during the year. We also assessed the appropriateness of modelling methodologies that did not change during the year and whether post model adjustments were needed.</p> <p>In addition, we performed substantive testing over:</p> <ul style="list-style-type: none"> – appropriateness and application of the quantitative and qualitative criteria used to assess significant increase in credit risk; – a sample of critical data used in the year-end ECL calculation and management judgmental adjustments; – a sample of credit reviews to determine that Credit Risk Ratings were appropriately applied to wholesale exposures. <p>We obtained reporting from PricewaterhouseCoopers LLP (PwC UK) containing the results of certain centralised audit procedures in respect of ECL. We reviewed the reporting received in the context of the appropriateness of the nature, timing and extent of the work performed for the purpose of our audit. Their work included:</p> <ul style="list-style-type: none"> – the compliance of ECL methodologies and assumptions with the requirements of IFRS 9; – testing of model validation and monitoring controls; – observing the review and challenge at governance forum's discussions around the determination of macroeconomic variable ('MEV') forecasts and their likelihood for different economic scenarios; – testing of the calculation and approval of management judgmental adjustments to modelled outcomes; and – assessment of the significant assumptions made in determining the severity and probability weighting of MEV forecasts using the PwC UK member firm's economic experts. <p>We performed independent credit assessments for a sample of wholesale exposures, by assessing the quantitative and qualitative factors, including an assessment of the financial performance of the customer, the source of repayments and its history, and other relevant risk factors.</p> <p>For a sample of Stage 3 wholesale customers, we assessed:</p> <ul style="list-style-type: none"> – the appropriateness of discounted cash flows, including the discount rates used and the probable scenario analysis; and – the robustness of the group's processes/controls with respect to the valuation and enforceability of collateral, including the underlying assumptions. <p>We assessed the disclosures included in the relevant notes to the consolidated financial statements and assessed their compliance with the requirements of applicable IFRS Accounting Standards.</p>

Other information

The Directors are responsible for the other information. The other information comprises the Report of the Directors and Additional information on pages 70 – 82 (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our Audit approach (continued)

Other information (continued)

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and those charged with governance for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB and as adopted by the United Kingdom ('UK') and their preparation in accordance with the applicable regulatory requirements of the DFSA, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- plan and perform the group audit to obtain sufficient appropriate evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on legal and other regulatory requirements

As required by the applicable provisions of the DFSA Rulebook, we report that the consolidated financial statements have been properly prepared in accordance with the applicable requirements of the DFSA.

PricewaterhouseCoopers Limited

25 February 2026

Jigesh Ashokkumar Shah
Audit Principal, Reference Number I021019
Dubai, United Arab Emirates

Financial Statements

Consolidated income statement for the year ended 31 December

Notes	2025 US\$000	2024 US\$000
Net interest income	1,524,094	1,589,948
– interest income ¹	2,703,777	2,672,415
– interest expense ²	(1,179,683)	(1,082,467)
Net fee income	554,761	508,184
– fee income	772,633	692,096
– fee expense	(217,872)	(183,912)
Net income from financial instruments held for trading or managed on a fair value basis	338,625	315,879
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	9,730	4,844
Gains less losses from financial investments	1,055	1,108
Other operating income	181,995	83,985
Net operating income before change in expected credit losses and other credit impairment charges	2,610,260	2,503,948
Change in expected credit losses and other credit impairment charges	(185,815)	(197,768)
Net operating income	2,424,445	2,306,180
Employee compensation and benefits	(637,634)	(593,962)
General and administrative expenses	(585,923)	(502,412)
Depreciation and impairment of property, plant and equipment and right-of-use assets	(30,295)	(29,211)
Amortisation and impairment of intangible assets	(80,500)	(65,971)
Total operating expenses	(1,334,352)	(1,191,556)
Operating profit	1,090,093	1,114,624
Share of loss in associate	(114)	(92)
Profit before tax	1,089,979	1,114,532
Tax expense	(233,769)	(246,596)
Profit for the year	856,210	867,936
Attributable to:		
– shareholder of the parent company	856,210	867,936
Profit for the year	856,210	867,936

- 1 Interest income includes \$2,336m (2024: \$2,288m) of interest recognised on financial assets measured at amortised cost and \$368m (2024: \$383m) of interest recognised on financial assets measured at fair value through other comprehensive income.
- 2 Interest expense includes \$1,169m (2024: \$1,070m) of interest on financial liabilities measured at amortised cost, excluding interest on financial liabilities held for trading or designated or otherwise mandatorily measured at fair value.

The accompanying notes on pages 12 to 69 form an integral part of these financial statements.

Financial statements

Consolidated statement of comprehensive income for the year ended 31 December

	2025	2024
	US\$000	US\$000
Profit for the year	856,210	867,936
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Debt instruments at fair value through other comprehensive income	33,151	8,899
– fair value gains	40,575	11,537
– fair value (gains) transferred to the income statement on disposal	(1,055)	(1,108)
– expected credit losses/(gains) recognised in income statement	739	(1,741)
– income taxes	(7,108)	211
Cash flow hedges	24,024	(12,731)
– fair value losses/(gains)	23,543	(44,483)
– fair value losses reclassified to the income statement	5,082	30,345
– income taxes	(4,601)	1,407
Exchange differences	9,216	(3,053)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit liability	25,250	(15,940)
Fair value gains on equity instruments designated at fair value through other comprehensive income	6,912	8,213
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	(3,675)	(5,570)
Other comprehensive income/(expense) for the year, net of tax	94,878	(20,182)
Total comprehensive income for the year	951,088	847,754
Attributable to:		
– shareholder of the parent company	951,088	847,754
Total comprehensive income for the year	951,088	847,754

The accompanying notes on pages 12 to 69 form an integral part of these financial statements.

Financial statements

Consolidated statement of financial position at 31 December

	Notes	2025 US\$000	2024 US\$000
Assets			
Cash and balances at central banks		1,062,245	646,989
Trading assets	9	2,577,231	1,923,099
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss		68,992	34,127
Derivatives	12	911,921	952,893
Loans and advances to banks	26	11,286,279	11,682,290
Loans and advances to customers	26	22,618,419	20,440,155
Reverse repurchase agreements – non-trading	26	9,197,094	7,878,210
Financial investments	13	14,403,237	11,592,083
Prepayments, accrued income and other assets	17	1,768,731	1,677,151
Current tax assets		440	8
Interests in associates	15	2,147	2,261
Intangible assets	18	280,534	265,025
Deferred tax assets	6	117,922	120,359
Total assets		64,295,192	57,214,650
Liabilities and equity			
Liabilities			
Deposits by banks	26	9,022,406	6,499,507
Customer accounts	19	37,039,075	34,828,268
Repurchase agreements – non-trading		4,788,142	2,936,075
Trading liabilities	20	1,204,203	837,253
Financial liabilities designated at fair value	21	1,108,009	1,238,466
Derivatives	12	779,081	785,326
Debt securities in issue	22	537,241	808,480
Accruals, deferred income and other liabilities	23	2,709,298	2,511,551
Current tax liabilities		287,628	238,625
Provisions	24	164,169	233,764
Subordinated liabilities	25	946,337	945,751
Total liabilities		58,585,589	51,863,066
Equity			
Called up share capital	29	931,055	931,055
Share premium account	29	61,346	61,346
Other equity instruments	29	990,000	990,000
Other reserves		(137,769)	(210,589)
Retained earnings		3,864,971	3,579,772
Total equity		5,709,603	5,351,584
Total liabilities and equity		64,295,192	57,214,650

The accompanying notes on pages 12 to 69 form an integral part of these financial statements.

Abdulfattah Sharaf
Chairman

Selim Kervanci
Chief Executive Officer / Director

Financial statements

Consolidated statement of cash flows

for the year ended 31 December

	2025 US\$000	2024 US\$000
Cash flows from operating activities		
Profit before tax	1,089,979	1,114,532
Adjustments for non-cash items		
Net (gain) from investing activities	(758)	(1,244)
Share of loss in associates	114	92
Depreciation, amortisation and impairment	110,674	95,182
Share-based payment expense	19,270	15,736
Gain on disposal of business	(71,434)	—
Change in expected credit losses gross of recoveries and other credit impairment charges	204,192	213,900
Provisions including pensions	40,799	36,052
Other non-cash items included in profit before tax	(192,361)	(249,286)
Elimination of exchange differences ¹	(40,612)	30,185
Changes in operating assets and liabilities		
Change in other assets	(36,389)	(310,789)
Change in net trading securities and derivatives	(223,830)	(217,307)
Change in loans and advances to banks and customers	(3,069,712)	(1,202,424)
Change in reverse repurchase agreements – non-trading	(490,184)	(853,405)
Change in financial assets designated at fair value	(34,865)	(1,497)
Change in other liabilities	(69,089)	28,992
Change in deposits by banks and customer accounts	5,416,585	5,565,218
Change in debt securities in issue	(271,239)	(234,837)
Change in financial liabilities designated at fair value	(134,132)	(196,386)
Change in repurchase agreements – non-trading	1,852,067	1,134,710
Tax paid	(195,320)	(174,465)
Net cash generated from operating activities	3,903,755	4,792,959
Cash flows from investing activities		
Purchase of financial investments	(9,048,812)	(9,203,758)
Proceeds from the sale and maturity of financial investments	6,190,669	8,196,899
Net cash flows from the purchase and sale of property, plant and equipment	(24,181)	(14,607)
Net investment in intangible assets	(96,839)	(83,685)
Net cash outflow on disposal of business	(441,049)	—
Net cash generated (used) in investing activities	(3,420,212)	(1,105,151)
Cash flows from financing activities		
Issue of other equity instruments	—	250,000
Redemption of other equity instruments	—	(225,000)
Subordinated loan capital issued	—	945,751
Subordinated loan capital repaid	—	(475,000)
Dividends paid	(581,581)	(1,066,010)
Net cash generated (used in) financing activities	(581,581)	(570,259)
Net increase in cash and cash equivalents	(98,038)	3,117,549
Cash and cash equivalents at 1 Jan	10,129,699	7,026,635
Exchange differences in respect of cash and cash equivalents	22,644	(14,485)
Cash and cash equivalents at 31 Dec	10,054,305	10,129,699
Cash and cash equivalents comprise:		
– Cash and balances at central banks	1,062,245	646,989
– Loans and advances to banks of one month or less	7,421,363	8,285,272
– Reverse repurchase agreement with banks of one month or less	1,853,275	1,024,575
– Cash collateral, net settlement accounts and items in course of collection from/transition to other banks	(329,046)	(197,710)
– Treasury bills, other bills and certificates of deposit of less than three months	46,468	370,573
Total cash and cash equivalents	10,054,305	10,129,699

Interest received was US\$2,599m (2024: US\$2,564m) and interest paid was US\$1,313m (2024: US\$1,103m).

1 Adjustment to bring changes between opening and closing balance sheet amounts to average rates. This is not done on a line-by-line basis, as details cannot be determined without unreasonable expense.

The accompanying notes on pages 12 to 69 form an integral part of these financial statements.

Financial statements

Consolidated statement of changes in equity

for the year ended 31 December

	Called up share capital and share premium		Retained earnings	Other reserves				Total equity	
	US\$000	US\$000		US\$000	Financial assets at FVOCI reserves	Cash flow hedging reserve	Foreign exchange reserve		Merger and other reserves ¹
At 1 Jan 2025	992,401	990,000	3,579,772	(40,494)	(10,268)	(144,474)	(15,353)	5,351,584	
Profit for the year	—	—	856,210	—	—	—	—	856,210	
Other comprehensive income – net of tax	—	—	22,058	40,216	24,024	8,580	—	94,878	
– debt instruments at fair value through other comprehensive income	—	—	—	33,151	—	—	—	33,151	
– equity instruments designated at fair value through other comprehensive income	—	—	—	6,912	—	—	—	6,912	
– cash flow hedges	—	—	—	—	24,024	—	—	24,024	
– changes in fair value of financial liabilities designated at fair value arising from changes in own credit risk	—	—	(3,675)	—	—	—	—	(3,675)	
– remeasurement of defined benefit asset/liability	—	—	25,250	—	—	—	—	25,250	
– exchange differences	—	—	483	153	—	8,580	—	9,216	
Total comprehensive income for the year	—	—	878,268	40,216	24,024	8,580	—	951,088	
New issuance	—	—	—	—	—	—	—	—	
Dividends	—	—	(581,581)	—	—	—	—	(581,581)	
Redemption of securities	—	—	—	—	—	—	—	—	
Other movements	—	—	(11,488)	—	—	—	—	(11,488)	
At 31 Dec 2025	992,401	990,000	3,864,971	(278)	13,756	(135,894)	(15,353)	5,709,603	
At 1 Jan 2024	992,401	967,500	3,799,973	(57,558)	2,463	(142,280)	(15,353)	5,547,146	
Profit for the year	—	—	867,936	—	—	—	—	867,936	
Other comprehensive (expense) – net of tax	—	—	(22,322)	17,065	(12,731)	(2,194)	—	(20,182)	
– debt instruments at fair value through other comprehensive income	—	—	—	8,899	—	—	—	8,899	
– equity instruments designated at fair value through other comprehensive income	—	—	—	8,213	—	—	—	8,213	
– cash flow hedges	—	—	—	—	(12,731)	—	—	(12,731)	
– changes in fair value of financial liabilities designated at fair value arising from changes in own credit risk	—	—	(5,570)	—	—	—	—	(5,570)	
– remeasurement of defined benefit asset/liability	—	—	(15,940)	—	—	—	—	(15,940)	
– exchange differences	—	—	(812)	(47)	—	(2,194)	—	(3,053)	
Total comprehensive income for the year	—	—	845,614	17,065	(12,731)	(2,194)	—	847,754	
New Issuance	—	250,000	—	—	—	—	—	250,000	
Dividends	—	—	(1,066,010)	—	—	—	—	(1,066,010)	
Redemption of securities	—	(225,000)	—	—	—	—	—	(225,000)	
Other movements	—	(2,500)	195	(1)	—	—	—	(2,306)	
At 31 Dec 2024	992,401	990,000	3,579,772	(40,494)	(10,268)	(144,474)	(15,353)	5,351,584	

1 The merger reserve pertains to the acquisition of HBME Algeria in 2009.

The accompanying notes on pages 12 to 69 form an integral part of these financial statements.

Notes on the financial statements

1 Legal status and principal activities

The bank has its place of incorporation in Dubai International Financial Centre ('DIFC'), in the United Arab Emirates, under a category 1 licence issued by the Dubai Financial Services Authority ('DFSA').

The bank's head office and registered office is Level 4, Gate Precinct Building No. 2, Dubai International Financial Centre, Dubai, United Arab Emirates.

The group through its branch network and subsidiary undertakings provides a range of banking and related financial services in the Middle East and North Africa.

The immediate parent company of the group is HSBC Middle East Holdings B.V. and the ultimate parent company of the group is HSBC Holdings plc, which is incorporated in England.

2 Basis of preparation and material accounting policies

2.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB') ('IFRS Accounting Standards'), including interpretations issued by the IFRS Interpretations Committee. These financial statements are also compliant with IFRS Accounting Standards adopted by the United Kingdom ('UK') as there are no applicable differences from IFRS Accounting Standards as issued by the IASB for the periods presented. There were no unendorsed standards effective for the year ended 31 December 2025 affecting these consolidated financial statements.

IFRS Accounting Standards adopted during the year ended 31 December 2025

There were no new standards, amendments to standards or interpretations that had a significant effect on these financial statements. Accounting policies have been applied consistently.

(b) Future accounting developments

Minor amendments to IFRSs Accounting Standards

The IASB has published a number of minor amendments to IFRS Accounting Standards that are effective from 1 January 2026. Management expects they will have an insignificant effect, when adopted, on the consolidated financial statements of the group.

Other amendments and new IFRS Accounting Standards

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

In May 2024, the IASB issued amendments to 'IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures', effective for annual reporting periods beginning on, or after, 1 January 2026. In addition to guidance as to when certain financial liabilities can be deemed settled when using an electronic payment system, the amendments also provide further clarification regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arising from ESG-related contingencies, and financial assets with certain non-recourse features. The group does not expect any material impact from these amendments.

IFRS 18 'Presentation and Disclosure in Financial Statements'

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

While IFRS 18 will not change recognition criteria or measurement bases, it will have an impact on presenting information in the financial statements, in particular the income statement and to a lesser extent in the cash flow statement. The group is currently evaluating impacts and ensuring data readiness is adequate in anticipation of implementation.

(c) Going concern

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

(d) Foreign currencies

The group's consolidated financial statements are presented in US dollars because the US dollar and currencies linked to it form the major currency bloc in which the group transacts and funds its business. The US dollar is also HSBC Bank Middle East Limited's functional currency because the US dollar and currencies linked to it are the most significant currencies relevant to the underlying transactions, events and conditions, as well as representing a significant proportion of its funds generated from financing activities.

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date, except non-monetary assets and liabilities measured at historical cost, which are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised. In the consolidated financial statements, the assets and liabilities of branches, subsidiaries, joint ventures and associates whose functional currency is

Notes on the financial statements

not US dollars are translated into the group's presentation currency at the rate of exchange at the balance sheet date, while their results are translated into US dollars at the average rates of exchange for the reporting period. Exchange differences arising are recognised in other comprehensive income. On disposal of a foreign operation, exchange differences previously recognised in other comprehensive income are reclassified to the income statement.

(e) Critical estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items highlighted as the critical estimates and judgements in section 2.2 below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different estimates and judgements from those reached by management for the purposes of these financial statements. Management's selection of the group's accounting policies which contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

(f) Segmental analysis

The HSBC Bank Middle East Limited – Operating Committee ('OpCo') has been identified as the Chief Operating Decision Maker ('CODM') for the purpose of identifying the group's operating segments. The OpCo supports the Chief Executive Officer in the day-to-day management of the group and is responsible for reviewing the performance of the group's reportable segments, allocating resources, and making strategic decisions. Segment information is reported in a manner consistent with the internal management reporting reviewed by the CODM.

Measurement of segmental assets, liabilities, income and expenses is in accordance with the group's accounting policies. Segmental income and expenses include transfers between segments, and these transfers are conducted at arm's length. Shared costs are included in segments on the basis of the actual recharges made.

Our business segments

Following the organisational announcement in October 2024, effective from 1 January 2025, the group's reporting segments under IFRS 8 'Operating Segments' comprise two businesses along with the Corporate Centre. These replace the group's previously reported operating segments up to 31 December 2024:

- Corporate and Institutional Banking ('CIB'): CIB is formed from the integration of group's Commercial Banking business with Global Banking and Markets business; and
- International Wealth and Premier Banking ('IWPB'): IWPB comprises Premier banking, Private Bank, and wealth manufacturing businesses of Asset Management.

Corporate Centre comprises interest in associate and central stewardship costs that support our businesses.

Based on the reorganisation, the reporting segments information is aligned to the revised businesses and accordingly, comparative information has been re-presented to reflect the revised segment structure.

(g) Composition of the group

The bank entered into a binding agreement to transfer its retail banking business in Bahrain to the Bank of Bahrain and Kuwait B.S.C in February 2025 and the transaction was concluded in November 2025. For further details, see Note 33. In addition, HSBC Middle East Securities L.L.C. is being liquidated. There were no other material changes in the composition of the group.

2.2 Summary of material accounting policies

(a) Consolidation and related policies

Consolidation

The group consolidates entities that it controls as demonstrated by power over the investee, exposure to variable returns, and the ability to use its power to affect the amount of its returns. Where an entity is governed by voting rights, the group generally has power leading to control when it holds – directly or indirectly – the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including contractual arrangements.

Business combinations are accounted for using the acquisition method. The amount of non-controlling interest is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. This election is made for each business combination.

Investments in subsidiaries

The banks' investments in subsidiaries are stated at cost less impairment losses. Where the investment in a subsidiary is designated in a fair value hedging relationship for foreign currency risk, the carrying value is adjusted for any associated hedge adjustment arising therefrom.

Impairment testing of investments in subsidiaries is performed where there is an indication of impairment. Indicators of impairment include both external and internal sources of information. Similarly, assessments are made as to whether an impairment loss recognised in prior periods may no longer exist or may have decreased. Where this is the case, such an impairment loss is reversed if there has been a change in the estimate used to determine the relevant recoverable amount since the last impairment loss was recognised.

Interests in associates and joint arrangements

Joint arrangements are investments in which the group, together with one or more parties, has joint control. Depending on the group's rights and obligations, the joint arrangement is classified as either a joint operation or a joint venture. The group classifies investments in entities over which it has significant influence but not control or joint control as associates.

The group recognises its share of the assets, liabilities and results in a joint operation. Investments in associates are recognised using the equity method. Under this method, the attributable share of net assets, results and reserves are included in the consolidated financial statements of group based on either financial statements made up to 31 December or pro-rated amounts adjusted for any material transactions or events occurring between the date the financial statements are available and 31 December. Investments in associates are assessed at each reporting date and tested for impairment when there is an indication that the investment may be impaired, by comparing the recoverable amount of the relevant investment to its carrying amount.

Notes on the financial statements

(b) Net operating income

Interest income and expense

Interest income and expense for all financial instruments, excluding those classified as held for trading or designated at fair value, is recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method. However, as an exception to this, interest on debt instruments issued by the group for funding purposes that are designated under the fair value option to reduce an accounting mismatch and on derivatives managed in conjunction with those debt instruments is included in interest expense.

Interest on credit-impaired financial assets is recognised by applying the effective interest rate to the amortised cost (i.e. gross carrying amount of the asset less allowance for Expected Credit Losses ("ECL")).

Non-interest income and expense

The group generates fee income from services provided over time, such as account service and card fees, or when the group delivers a specific transaction at the point in time, such as broking services and import/export services. Where fees are variable, for example certain fund management and performance fees, such fees are recognised when the associated uncertainties are resolved.

The group acts as principal in the majority of contracts with customers, with the exception of broking services. For most brokerage trades the group acts as agent in the transaction and recognises broking income net of fees payable to other parties in the arrangement.

The group recognises fees earned on transaction-based arrangements at a point in time when it has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

Where the group offers a package of services that contains multiple non-distinct performance obligations, such as those included in account service packages, the promised services are treated as a single performance obligation. If a package of services contains distinct performance obligations, the corresponding transaction price is allocated to each performance obligation based on the estimated stand-alone selling prices.

Dividend income is recognised when the right to receive payment is established.

Net income/(expense) from financial instruments measured at fair value through profit or loss includes the following:

- 'Net income from financial instruments held for trading or managed on a fair value basis': This comprises net trading activities, which includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading and other financial instruments managed on a fair value basis, together with the related interest income, interest expense and dividend income, excluding the effect of changes in the credit risk of liabilities managed on a fair value basis. It also includes all gains and losses from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities measured at fair value through profit or loss.
- Other gains and losses from financial instruments measured as at fair value through profit or loss include changes in the fair value of designated debt instruments under the fair value option and related derivatives where such designation reduces an accounting mismatch. Interest on such debt instruments and interest cash flows on related derivatives is presented in interest expense. Also included are the changes in fair value of other financial instruments mandatorily measured as at fair value through profit or loss which includes interest on instruments that fail the solely payments of principal and interest ('SPPI') test, see (d) below.

(c) Valuation of financial instruments

Financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and on initial recognition is generally the transaction price. However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the group recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction, until the transaction matures, is closed out, the valuation inputs become observable or the group enters into an offsetting transaction.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the group manages a group of financial assets and liabilities according to its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis but the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the IFRS Accounting Standard offsetting criteria. Financial instruments are classified into one of three fair value hierarchy levels, described in Note 10, 'Fair values of financial instruments carried at fair value'.

Critical estimates and judgements

The majority of valuation techniques employ only observable market data. However, certain financial instruments are classified on the basis of valuation techniques that feature one or more significant market inputs that are unobservable, and for them, the measurement of fair value is more judgemental:

Judgements	Estimates
<ul style="list-style-type: none">– An instrument in its entirety is classified as valued using significant unobservable inputs if, in the opinion of management, greater than 5% of the instrument's valuation is driven by unobservable inputs.– 'Unobservable' in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no data available at all upon which to base a determination of fair value (consensus pricing data may, for example, be used).	<ul style="list-style-type: none">– Details on the group's level 3 financial instruments and the sensitivity of their valuation to the effect of applying reasonably possible alternative assumptions in determining their fair value are set out in Note 10.

(d) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets include most loans and advances to banks and customers and some debt securities. In addition, most financial liabilities are measured at amortised cost. The group accounts for regular way amortised cost financial instruments using trade date accounting. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

Notes on the financial statements

The group may commit to underwriting loans on fixed contractual terms for specified periods of time. When the loan arising from the lending commitment is expected to be sold shortly after origination, the commitment to lend is recorded as a derivative. When the group intends to hold the loan, the loan commitment is generally not recognised but is subject to expected credit loss considerations.

Financial assets are reclassified only when the business model for their management changes. Such changes, which are expected to be infrequent, are determined by senior management as a result of external or internal changes and must be significant to operations and demonstrable to external parties. Reclassifications are applied prospectively from the first day of the first reporting period following the change of business model. Where a financial asset is reclassified out of the amortised cost measurement category and into a fair value through other comprehensive income measurement category, its fair value is measured at the date of reclassification. Any gain or loss arising from a difference between the previous amortised cost and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

Non-trading reverse repurchase, repurchase and similar agreements

When securities are sold subject to a commitment to repurchase them at a predetermined price ('repos'), they remain on the balance sheet and a liability is recorded in respect of the consideration received. Securities purchased under commitments to resell ('reverse repos') are not recognised on the balance sheet and an asset is recorded in respect of the initial consideration paid. Non-trading repos and reverse repos are measured at amortised cost. The difference between the sale and repurchase price or between the purchase and resale price is treated as interest and recognised in net interest income over the life of the agreement.

Contracts that are economically equivalent to reverse repurchase or repurchase agreements (such as sales or purchases of securities entered into together with total return swaps with the same counterparty) are accounted for similarly to, and presented together with, reverse repurchase or repurchase agreements.

(e) Financial assets measured at fair value through other comprehensive income ('FVOCI')

Financial assets managed within a business model that is achieved by both collecting contractual cash flows and selling and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily debt securities. They are generally recognised on the trade date when the group enters into contractual arrangements to purchase and are generally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value with changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement. Financial assets measured at FVOCI are included in impairment calculations and impairment is recognised in profit or loss.

(f) Equity securities measured at fair value with fair value movements presented in other comprehensive income ('OCI')

Equity securities for which fair value movements are shown in OCI are business facilitation and other similar investments where the group holds the investments other than to generate a capital return. Dividends from such investments are recognised in profit or loss. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss. Otherwise, equity securities are measured at fair value through profit or loss.

(g) Financial instruments designated at fair value through profit or loss

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- The use of the designation removes or significantly reduces an accounting mismatch.
- A group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- A financial liability that contains one or more non-closely related embedded derivatives.

Designated financial assets are recognised when the group enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognised when the group enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. Subsequent changes in fair values are recognised in the income statement except for the effect of changes in the liabilities' credit risk, which is presented in 'Other comprehensive income', unless that treatment would create or enlarge an accounting mismatch in profit or loss.

Under the above criterion, the main classes of financial instruments designated by the group are:

- Debt instruments for funding purposes that are designated to reduce an accounting mismatch: The interest and/or foreign exchange exposure on certain fixed-rate debt securities issued has been matched with the interest and/or foreign exchange exposure on certain swaps as part of a documented risk management strategy.
- Financial liabilities that contain both deposit and derivative components: These financial liabilities are managed and their performance evaluated on a fair value basis.

(h) Derivatives

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes embedded derivatives in financial liabilities which are bifurcated from the host contract when they meet the definition of a derivative on a stand-alone basis.

Where the derivatives are managed with debt securities issued by the group that are designated at fair value where doing so reduces an accounting mismatch, the contractual interest is shown in 'Interest expense' together with the interest payable on the issued debt.

Notes on the financial statements

Hedge accounting

When derivatives are not part of fair value designated relationships, if held for risk management purposes they are designated in hedge accounting relationships where the required criteria for documentation and hedge effectiveness are met. Group uses these derivatives or, where allowed, other non-derivative hedging instruments in fair value hedges, cash flow hedges or hedges of net investments in foreign operations as appropriate to the risk being hedged.

Fair value hedge

Fair value hedge accounting does not change the recording of gains and losses on derivatives and other hedging instruments, but results in recognising changes in the fair value of the hedged assets or liabilities attributable to the hedged risk that would not otherwise be recognised in the income statement. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued and the cumulative adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to the income statement on a recalculated effective interest rate, unless the hedged item has been derecognised, in which case it is recognised in the income statement immediately.

Cash flow hedge

The effective portion of gains and losses on hedging instruments is recognised in other comprehensive income and the ineffective portion of the change in fair value of derivative hedging instruments that are part of a cash flow hedge relationship is recognised immediately in the income statement. The accumulated gains and losses recognised in other comprehensive income are reclassified to the income statement in the same periods in which the hedged item affects profit or loss. When a hedge relationship is discontinued, or partially discontinued, any cumulative gain or loss recognised in other comprehensive income remains in equity until the forecast transaction is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the income statement.

(i) Impairment of amortised cost and FVOCI financial assets

Expected credit losses are recognised for loans and advances to banks and customers, non-trading reverse repurchase agreements, other financial assets held at amortised cost, debt instruments measured at FVOCI, and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance (or provision in the case of some loan commitments and financial guarantees) is recognised for ECL resulting from possible default events within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is recognised for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, and so are considered to be in default or otherwise credit-impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ('POCI') are treated differently as set out below.

Unimpaired and without significant increase in credit risk (stage 1)

ECL resulting from possible default events within the next 12 months ('12-month ECL') are recognised for financial instruments that remain in stage 1.

Significant increase in credit risk (stage 2)

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

The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower, and the geographical region. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk and these criteria will differ for different types of lending, particularly between retail and wholesale. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, wholesale loans that are individually assessed, which are typically corporate and commercial customers, and included on a watch or worry list are included in stage 2.

For wholesale portfolios, the quantitative comparison assesses default risk using a lifetime probability of default ('PD') which encompasses a wide range of information including the obligor's customer risk rating ('CRR'), macroeconomic condition forecasts and credit transition probabilities. For origination CRRs up to 3.3, significant increase in credit risk is measured by comparing the average PD for the remaining term estimated at origination with the equivalent estimation at the reporting date. The quantitative measure of significance varies depending on the credit quality at origination as follows:

Origination CRR	Significance trigger – PD to increase by
0.1–1.2	15 bps
2.1–3.3	30 bps

For CRRs greater than 3.3 that are not impaired, a significant increase in credit risk is considered to have occurred when the origination PD has doubled. The significance of changes in PD was informed by expert credit risk judgement, referenced to historical credit migrations and to relative changes in external market rates.

Notes on the financial statements

For loans originated prior to the implementation of IFRS 9, the origination PD does not include adjustments to reflect expectations of future macroeconomic conditions since these are not available without the use of hindsight. In the absence of this data, origination PD must be approximated assuming through-the-cycle PDs and through-the-cycle migration probabilities, consistent with the instrument's underlying modelling approach and the CRR at origination. For these loans, and for all the loans, the quantitative comparison is supplemented with additional CRR deterioration based thresholds as set out in the table below:

Origination CRR	Additional significance criteria – Number of CRR grade notches deterioration required to identify as significant credit deterioration (stage 2) (> or equal to)
0.1	5 notches
1.1–4.2	4 notches
4.3–5.1	3 notches
5.2–7.1	2 notches
7.2–8.2	1 notch
8.3	0 notch

Further information about the 23-grade scale used for CRR can be found on page 54.

For retail portfolios, default risk is assessed using a reporting date 12-month PD derived from internally developed statistical models, which incorporate all available information about the customer. This PD is adjusted for the effect of macroeconomic forecasts for periods longer than 12 months and is considered to be a reasonable approximation of a lifetime PD measure. Retail exposures are first segmented into homogeneous portfolios, generally by country, product and brand. Within each portfolio, the stage 2 accounts are defined as accounts with an adjusted 12-month PD greater than the average 12-month PD of loans in that portfolio 12 months before they become 30 days past due.

The expert credit risk judgement is that no prior increase in credit risk is significant. This portfolio-specific threshold therefore identifies loans with a PD higher than would be expected from loans that are performing as originally expected and higher than that which would have been acceptable at origination. It therefore approximates a comparison of origination to reporting date PDs.

We continue to refine the retail transfer criteria approach for certain portfolios as additional data becomes available, in order to utilise a more relative approach. These enhancements take advantage of the increase in origination-related data in the assessment of significant increases in credit risk by comparing remaining lifetime PD to the comparable remaining term lifetime PD at origination based on portfolio-specific origination segments.

Credit-impaired (stage 3)

The group determines that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether contractual payments of either principal or interest are past due for more than 90 days, there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition, or the loan is otherwise considered to be in default.

If such unlikelihood to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due. Therefore, the definitions of credit impaired and default are aligned as far as possible so that stage 3 represents all loans that are considered defaulted or otherwise credit impaired.

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Forbearance

Loans are identified as forbore and classified as either performing or non-performing when we modify the contractual terms due to financial difficulty of the borrower. Non-performing forbore loans are stage 3 and classified as non-performing until they meet the cure criteria, as specified by applicable credit risk policy (for example, when the loan is no longer in default and no other indicators of default have been present for at least 12 months). Any amount written off as a result of any modification of contractual terms upon entering forbearance would not be reversed.

Performing forbore loans are initially stage 2 and remain classified as forbore until they meet applicable cure criteria (for example, they continue to not be in default and no other indicators of default are present for a period of at least 24 months). At this point, the loan is either stage 1 or stage 2 as determined by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

A forbore loan is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the forbore loan is a substantially different financial instrument. Any new loans that arise following derecognition events in these circumstances would generally be classified as POCI and will continue to be disclosed as forbore.

Loan modifications other than forbore loans

Loan modifications that are not identified as forbore are considered to be commercial restructurings. Where a commercial restructuring results in a modification (whether legalised through an amendment to the existing terms or the issuance of a new loan contract) such that group's rights to the cash flows under the original contract have expired, the old loan is derecognised and the new loan is recognised at fair value. The rights to cash flows are generally considered to have expired if the commercial restructure is at market rates and no payment-related concession has been provided. Modifications of certain higher credit risk wholesale loans are assessed for derecognition having regard to changes in contractual terms that either individually or in combination are judged to result in a substantially different financial instrument. Mandatory and general offer loan modifications that are not borrower specific, for example market-wide customer relief programmes generally do not result in derecognition, but their stage allocation is determined considering all available and supportable information under our ECL impairment policy.

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Purchased or originated credit impaired ('POCI')

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. This population includes new financial instruments recognised in most cases following the derecognition of forborne loans. The amount of change in lifetime ECL for a POCI loan is recognised in profit or loss until the POCI loan is derecognised, even if the lifetime ECL are less than the amount of ECL included in the estimated cash flows on initial recognition.

Movement between stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. In the case of non-performing forborne loans, such financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment and meet the curing criteria as described above.

Measurement of ECL

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money and considers other factors such as climate-related risks.

In general, the group calculates ECL using three main components, a PD, a loss given default ('LGD') and the exposure at default ('EAD').

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the PD occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

The group makes use of the IRB framework where possible, with recalibration to meet the differing IFRS 9 requirements as set out in the following table:

Model	Regulatory capital	IFRS 9
PD	<ul style="list-style-type: none"> – Represents long-run average PD throughout a full economic cycle. – Default backstop of 90+ days past due for all portfolios (includes unlikeliness to pay ("UTP") criteria in line with internal policy). – May be subject to a sovereign cap. 	<ul style="list-style-type: none"> – Represents current portfolio quality and performance, adjusted for the impact of multiple forward-looking macroeconomic scenarios. – Default backstop of 90+ days past due for all portfolios (includes UTP criteria in line with internal policy).
EAD	<ul style="list-style-type: none"> – Cannot be lower than current balance. 	<ul style="list-style-type: none"> – Amortisation captured for term products. – Future drawdown captured for revolving products. – Based on regulatory conversion factors (same as regulatory capital conversion factors).
LGD	<ul style="list-style-type: none"> – Downturn LGD (consistent with losses we would expect to suffer during a severe but plausible economic downturn). – Regulatory floors may apply to mitigate risk of underestimating downturn LGD due to lack of historical data. – Discounted using appropriate index (minimum 9%). – All collection costs included. 	<ul style="list-style-type: none"> – LGD based on historical observed loss data and adjusted for the impact of multiple forward-looking macroeconomic scenarios. – No floors applied, discounted using the original effective interest rate. – Only costs associated with selling collateral and certain third party costs are included.
Other		<ul style="list-style-type: none"> – Discounted back from point of default to balance sheet date.

While 12-month PDs are recalibrated from IRB models where possible, the lifetime PDs are determined by projecting the 12-month PD using a term structure. For the wholesale methodology, the lifetime PD also takes into account credit migration, i.e., a customer migrating through the CRR bands over its life.

The ECL for wholesale stage 3 is determined primarily on an individual basis using a discounted cash flow ('DCF') methodology. The expected future cash flows are based on estimates as of the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest.

Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral.

The cash flows are discounted at the original effective interest rate. For significant cases, cash flows under up to four different scenarios are probability-weighted by reference to the status of the borrower, economic scenarios applied more generally by the group and judgement in relation to the likelihood of the work-out strategy succeeding or receivership being required. For less significant cases where an individual assessment is undertaken, the effect of different economic scenarios and work-out strategies results in an ECL calculation based on a most likely outcome which is adjusted to capture losses resulting from less likely but possible outcomes. For certain less significant cases, the group may use a LGD-based modelled approach to ECL assessment, which factors in a range of economic scenarios.

Period over which ECL is measured

Expected credit loss is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the group is exposed to credit risk. However, where the financial instrument includes both a drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit group's exposure to credit risk to the contractual notice period, the contractual period does not determine the maximum period considered. Instead, ECL is measured over the period the group remains exposed to credit risk that is not mitigated by credit risk management actions. This applies to retail overdrafts and credit cards, where the period is the average time taken to realise the material losses for an account, determined on a portfolio basis and ranging from between two and six years. In addition, for these facilities it is not possible to identify the ECL on the loan commitment component separately from the financial asset component. As a result, the total ECL

Notes on the financial statements

is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision. For wholesale overdraft facilities, credit risk management actions are taken no less frequently than on an annual basis.

Forward-looking economic inputs

The group applies multiple forward-looking global economic scenarios determined with reference to external forecast distributions representative of our view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected loss in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios, adjustments or weighting changes. The detailed methodology is disclosed in 'Measurement uncertainty and sensitivity analysis of ECL estimates' on page 46.

Critical estimates and judgements

The calculation of the group's ECL under IFRS 9 requires the group to make a number of judgements, assumptions and estimates. The most significant are set out below:

Judgements	Estimates
<ul style="list-style-type: none">– Defining what is considered to be a significant increase in credit risk.– Determining the lifetime and point of initial recognition of overdrafts and credit cards.– Selecting and calibrating the PD, LGD and EAD models, which support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditions.– Selecting model inputs and economic forecasts, including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected loss.– Making management adjustments to account for late-breaking events, model and data limitations and deficiencies, and expert credit judgements.– Selecting applicable recovery strategies for certain wholesale credit-impaired loans.	<ul style="list-style-type: none">– The sections on pages 46 to 48, 'Measurement uncertainty and sensitivity analysis of ECL estimates' set out the assumptions used in determining ECL and provide an indication of the sensitivity of the result to the application of different weightings being applied to different economic assumptions.

(j) Employee compensation and benefits

Share-based payments

Shares in HSBC Holdings plc are awarded to employees in certain cases. Equity-settled share-based payment arrangements entitle employees to receive equity instruments of HSBC.

The vesting period for these schemes may commence before the legal grant date if the employees have started to render services in respect of the award before the legal grant date, where there is a shared understanding of the terms and conditions of the arrangement. Expenses are recognised when the employee starts to render service to which the award relates.

Cancellations result from the failure to meet a non-vesting condition during the vesting period, and are treated as an acceleration of vesting recognised immediately in the income statement. Failure to meet a vesting condition by the employee is not treated as a cancellation, and the amount of expense recognised for the award is adjusted to reflect the number of awards expected to vest.

Post-employment benefit plans

The group contributes to the Government pension and social security schemes in the countries in which it operates, as per local regulations. Where the group's obligations under the plans are equivalent to a defined contribution plan the payments made are charged as an expense as they fall due. End of service benefits are calculated and paid in accordance with local law. The group's net obligation in respect of such end of service benefits is the amount of future benefits that employees have earned in return for their service in current and prior periods.

Defined benefit pension obligations are calculated using the projected unit credit method. The net charge to the income statement mainly comprises the service cost and the net interest on the net defined benefit asset or liability, and is presented in operating expenses.

Re-measurements of the net defined benefit asset or liability, which comprise actuarial gains and losses, return on plan assets excluding interest and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The net defined benefit asset or liability represents the present value of defined benefit obligations reduced by the fair value of plan assets, after applying the asset ceiling test, where the net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan.

The cost of obligations arising from other post-employment plans are accounted for on the same basis as defined benefit pension plans.

Critical estimates and judgements

The most significant critical estimates relate to the determination of key assumptions applied in calculating the defined benefit pension obligation for the principal plan.

Judgements	Estimates
	<ul style="list-style-type: none">– A range of assumptions could be applied, and different assumptions could significantly alter the defined benefit obligation and the amounts recognised in profit or loss or OCI.– The calculation of the defined benefit pension obligation includes assumptions with regard to the discount rate, inflation rate, pension payments and deferred pensions, pay and mortality. Management determines these assumptions in consultation with the plan's actuaries.– Key assumptions used in calculating the defined benefit pension obligation for the principal plan and the sensitivity of the calculation to different assumptions are described in Note 4.

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(k) Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement as the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and on any adjustment to tax payable in respect of previous years. The group provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet, and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled.

In assessing the probability and sufficiency of future taxable profit, management considers the availability of evidence to support the recognition of deferred tax assets, taking into account the inherent risks in long-term forecasting, including climate change-related, and drivers of recent history of tax losses where applicable. Management also considers the future reversal of existing taxable temporary differences and tax planning strategies, including corporate reorganisations. The group has applied the exception available under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Current and deferred tax are calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

Critical estimates and judgements

The recognition of deferred tax assets depends on judgements and estimates.

Judgements

- Specific judgements supporting deferred tax assets are described in Note 6.

Estimates

- The recognition of deferred tax assets is sensitive to estimates of future cash flows projected for periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of cash flows thereafter, on which forecasts of future taxable profit are based, and which affect the expected recovery periods and the pattern of utilisation of tax losses and tax credits. See Note 6 for further detail.

(l) Provisions, contingent liabilities and guarantees

Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation which has arisen as a result of past events and for which a reliable estimate can be made.

Critical estimates and judgements

The recognition and measurement of provisions requires the Group to make a number of judgements, assumptions and estimates. The most significant are set out below:

Judgements

- Determining whether a present obligation exists. Professional advice is taken on the assessment of litigation and similar obligations.
- Provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised, revising previous estimates as appropriate. At more advanced stages, it is typically easier to make estimates around a better defined set of possible outcomes.

Estimates

- Provisions for legal proceedings and regulatory matters remain very sensitive to the assumptions used in the estimate. There could be a wider range of possible outcomes for any pending legal proceedings, investigations or inquiries. As a result it is often not practicable to quantify a range of possible outcomes for individual matters. It is also not practicable to meaningfully quantify ranges of potential outcomes in aggregate for these types of provisions because of the diverse nature and circumstances of such matters and the wide range of uncertainties involved.

Contingent liabilities, contractual commitments and guarantees

Contingent liabilities

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

Financial guarantee contracts

Liabilities under financial guarantee contracts which are not classified as insurance contracts are recorded initially at their fair value, which is generally the fee received or present value of the fee receivable. Subsequently, they are measured at the higher of the amount determined in accordance with IFRS 9 for ECL and the amount initially recognised less, where appropriate, any cumulative income recognised in accordance with IFRS 15.

(m) Impairment of non-financial assets

Software under development is tested for impairment at least annually. Other non-financial assets are property, plant and equipment, intangible assets (excluding goodwill) and right-of-use assets. They are tested for impairment at the individual asset level when there is indication of impairment at that level, or at the Cash Generating Unit ('CGU') level for assets that do not have a recoverable amount at the individual asset level. In addition, impairment is also tested at the CGU level when there is indication of impairment at that level. For this purpose, CGUs are considered to be the legal entity divided by global business.

Notes on the financial statements

Impairment testing compares the carrying amount of the non-financial asset of CGU with its recoverable amount, which is the higher of the fair value less costs of disposal or the value in use. The carrying amount of a CGU comprises the carrying value of its assets and liabilities, including non-financial assets that are directly attributable to it and non-financial assets that can be allocated to it on a reasonable and consistent basis. Non-financial assets that cannot be allocated to an individual CGU are tested for impairment at an appropriate grouping of CGUs. The recoverable amount of the CGU is the higher of the fair value less costs of disposal of the CGU, which is determined by independent and qualified valuers where relevant, and the value in use, which is calculated based on appropriate inputs.

When the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognised in the income statement to the extent that the impairment can be allocated on a pro-rata basis to the non-financial assets by reducing their carrying amounts to the higher of their respective individual recoverable amount or nil. Impairment is not allocated to the financial assets in a CGU.

Impairment loss recognised in prior periods for non-financial assets is reversed when there has been a change in the estimate used to determine the recoverable amount. The impairment loss is reversed to the extent that the carrying amount of the non-financial assets would not exceed the amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised in prior periods.

3 Net fee income

	2025 US\$000	2024 US\$000
Credit facilities	36,719	43,456
Remittances	50,352	46,405
Cards	232,865	200,244
Global custody	47,306	39,367
Account services	40,392	34,717
Import/exports	47,242	51,157
Insurance agency	14,264	15,096
Corporate/project finance	42,917	33,796
Performance/tender bonds	63,163	65,481
Unit trusts	54,535	34,708
Others ¹	142,878	127,669
Total Fee Income	772,633	692,096
Fee Expense	(217,872)	(183,912)
Net Fee Income	554,761	508,184

¹ Others include related party transaction fee of US\$87m (2024: US\$67m). Refer Note 35 for further details on Related Party Transactions.

Net fee income includes US\$596m (2024: US\$541m) of fees earned on financial assets that are not at fair value through profit or loss, other than amounts included in determining the effective interest rate, US\$169m (2024: US\$136m) of fees payable on financial liabilities that are not at fair value through profit or loss, other than amounts included in determining the effective interest rate and US\$47m (2024: US\$39m) of fees earned on trust and other fiduciary activities.

4 Employee compensation and benefits

	2025 US\$000	2024 US\$000
Wages and salaries	598,077	555,375
Social security costs	13,104	11,830
Post-employment benefits	26,453	26,757
Year ended 31 Dec	637,634	593,962

Share-based payments

'Wages and salaries' include the effect of share-based payments arrangements, all equity settled, as follows:

	2025 US\$000	2024 US\$000
Restricted share awards and other plans	19,270	15,736
Year ended 31 Dec	19,270	15,736

Defined benefit pension plans

Net liability under defined benefit pension plans^{1,2}

	2025 US\$000	2024 US\$000
At 1 Jan	206,915	184,068
Service cost	19,860	19,406
– current service cost	19,860	19,406
– past service cost and gains from settlements	—	—
Net interest cost on the net defined benefit liability	5,859	6,951
Re-measurement effects recognised in other comprehensive income – actuarial (gains)/losses	(25,250)	15,940
– actuarial (gains)/losses	(25,250)	15,940
Exchange differences and other movements	342	205
Benefits paid	(22,725)	(19,655)
At 31 Dec	185,001	206,915

1 There are no plan assets under defined benefit pension plans as at 31 Dec 2025 (31 Dec 2024: nil).

2 These are payable to employees immediately after resignation.

Post-employment defined benefit plans' principal actuarial financial assumptions

The principal actuarial financial assumptions used to calculate the group's obligations under its defined benefit pension plans at 31 December for each year, and used as the basis for measuring periodic costs under the plans in the following years, were as follows:

Key actuarial assumptions for the principal plan

	Discount rate %	Rate of pay increase %	Combined rate of resignation and employment termination %
United Arab Emirates			
At 31 Dec 2025	3.6	3.8	12.1
At 31 Dec 2024	3.4	6.0	9.9

The group determines discount rates to be applied to its obligations in consultation with the plans' local actuaries, on the basis of current average yields of long-term government bonds.

The effect of changes in key assumptions on the principal plan

	United Arab Emirates	
	2025 US\$000	2024 US\$000
Discount rate		
Change in scheme obligation at year end from a 25bps increase	(1,880)	(2,676)
Change in scheme obligation at year end from a 25bps decrease	1,925	2,750
Change in following year scheme cost from a 25bps increase	(117)	(50)
Change in following year scheme cost from a 25bps decrease	119	53
Rate of pay increase		
Change in scheme obligation at year end from a 25bps increase	2,016	2,772
Change in scheme obligation at year end from a 25bps decrease	(1,978)	(2,713)
Change in following year scheme cost from a 25bps increase	310	434
Change in following year scheme cost from a 25bps decrease	(304)	(424)

5 Auditors' remuneration

Audit fees

	2025 US\$000	2024 US\$000
Audit fees	2,006	2,087
Other audit fees	27	358
Year ended 31 Dec	2,033	2,445

Audit and non-audit fees payable

	2025 US\$000	2024 US\$000
Fees for HSBC Bank Middle East Limited statutory audit ¹	2,006	2,087
– relating to current year	2,119	2,044
– relating to prior year	(113)	43
Fees for other services provided to the group	809	498
– audit-related assurance services ²	654	388
– other non-audit services	155	110
Year ended 31 Dec	2,815	2,585

1 Fees payable for the statutory audit of the consolidated financial statements of the group.

2 Including services for assurance and other services that relate to statutory and regulatory filings, including interim reviews.

Notes on the financial statements

No fees were payable by the group to principal auditor for internal audit services and services related to litigation, recruitment and remuneration.

6 Tax

Tax expense

	2025 US\$000	2024 US\$000
Current tax	244,238	249,457
– for this year	262,685	249,807
– adjustments in respect of prior years	(18,447)	(350)
Deferred tax	(10,469)	(2,861)
– origination and reversal of temporary differences	(20,762)	(151)
– adjustments in respect of prior years	10,293	(2,710)
Year ended 31 Dec	233,769	246,596

The group provides for taxation at the appropriate rates in the countries in which it operates.

Tax reconciliation

The tax charged to the income statement differs from the tax charge that would apply if all profits had been taxed at the corporate tax rate applicable in UAE:

	2025		2024	
	US\$000	%	US\$000	%
Profit/(loss) before tax	1,089,979		1,114,532	
Tax expense				
Taxation at UAE corporate tax rate of 20% (2024: 20%)	217,996	20.0	222,906	20.0
Effect of differently taxed overseas profits	(27,259)	(2.5)	(14,195)	(1.3)
Adjustments in respect of prior period liabilities	(8,154)	(0.7)	(349)	—
Non-taxable income and gains	(6,445)	(0.6)	(6,918)	(0.6)
Permanent disallowables	8,754	0.8	10,615	1.0
Change in tax rate	20,332	1.9	25,267	2.3
Impact of qualifying domestic minimum tax	23,911	2.2	—	—
Local taxes and overseas withholding taxes	4,546	0.4	9,113	0.8
Other items	88	—	157	—
Overall tax expense	233,769	21.5	246,596	22.2

Accounting for taxes involves some estimation because the tax law is uncertain and the application requires a degree of judgement, which authorities may dispute. Liabilities are recognised based on best estimates of the probable outcome, taking into account external advice where appropriate. We do not expect significant liabilities to arise in excess of the amounts provided. The group only recognises current and deferred tax assets where recovery is probable.

Movement of deferred tax assets and liabilities

	Loan impairment allowances		
	US\$000	Other US\$000	Total US\$000
Assets	92,269	28,090	120,359
Liabilities	—	—	—
At 1 Jan 2025	92,269	28,090	120,359
Income statement	20,691	(10,222)	10,469
Other comprehensive income	—	(13,223)	(13,223)
Foreign exchange and other adjustments	—	317	317
At 31 Dec 2025	112,960	4,962	117,922
Assets	112,960	4,962	117,922
Liabilities	—	—	—
Assets	96,258	19,629	115,887
Liabilities	—	—	—
At 1 Jan 2024	96,258	19,629	115,887
Income statement	(3,989)	6,850	2,861
Other comprehensive income	—	1,611	1,611
Foreign exchange and other adjustments	—	—	—
At 31 Dec 2024	92,269	28,090	120,359
Assets	92,269	28,090	120,359
Liabilities	—	—	—

Notes on the financial statements

Unrecognised deferred tax

The amount of temporary differences, unused tax losses and tax credits for which no deferred tax asset is recognised in the balance sheet was Nil (2024: Nil).

Other information

UAE corporate tax regime

Federal Corporate Income tax ('FCIT') Law No. 47 of 2022 on the Taxation of Corporations and Businesses was enacted in the UAE effective 1 January 2024 for the group. Under the FCIT tax regime, the group is subject to a 9% Corporate Income tax ('CIT') on its taxable income, subject to relevant tax reliefs and credit as available. The group is already subject to a 20% CIT on its Banking operations under the tax regimes of the individual Emirates.

Tax law was amended by the Emirates of Dubai, Sharjah, Ras Al Khaimah and Fujairah to provide for a tax credit for the FCIT. The Emirate of Abu Dhabi is yet to issue their amended Tax Law to provide for a similar form of tax credit against the FCIT. In the absence of an official publication by the Emirate of Abu Dhabi on the reporting date, the group has provided for tax on the taxable profits of the Emirate of Abu Dhabi at a rate of 29%.

Global Minimum Tax regime

In July 2023, legislation was enacted in the UK, the jurisdiction of the Bank's ultimate parent entity, HSBC Holdings plc, to introduce the 'Pillar Two' Global Minimum Tax model rules (the 'model rules') of the Organisation for Economic Cooperation and Development ('OECD')'s Inclusive Framework on Base Erosion and Profit Shifting ('BEPS'). The rules took effect from 1 January 2024. During 2025, Qualified Domestic Minimum top-up tax ('QDMTT') was enacted in a number of jurisdictions in which the group operates under the same framework but with reference to local tax authorities.

Under these rules, a top-up tax liability arises where the effective tax rate of the Group's operations in a jurisdiction, calculated based on principles set out in the OECD's Pillar Two model rules is below 15%. Any top-up tax arising in relation to jurisdictions in which a QDMTT applies will be payable to the tax authority in that jurisdiction. Where there is no QDMTT, the top-up tax is payable by HSBC Holdings plc, being the group's ultimate parent, to the UK tax authority.

In relation to the group entities, tax legislation has been substantively enacted in the UAE, Bahrain and Qatar to implement a QDMTT effective 1 January 2025, and a Domestic Minimum Tax ('DMT') in Kuwait and Oman effective 1 January 2025.

7 Dividends

Dividends to shareholder of the parent company

	2025		2024	
	Per share US\$	Total US\$000	Per share US\$	Total US\$000
Dividends paid on ordinary shares				
In respect of previous year:				
– Final dividend	0.1074	100,000	0.3222	300,000
In respect of current year:				
– First interim dividend	0.3329	310,000	0.0806	75,000
– Second interim dividend	0.1128	105,000	0.5370	500,000
– Third interim dividend	–	–	0.1289	120,000
Total	0.5531	515,000	1.0687	995,000
Total dividends on undated preference shares including Perpetual Additional Tier 1 preference shares classified as equity	–	66,581	–	71,010
Dividends to shareholder		581,581		1,066,010

8 Segment analysis

Profit/(loss) for the period

	2025			
	International Wealth and Premier Banking	Corporate and Institutional Banking	Corporate Centre ¹	Total
	US\$000	US\$000	US\$000	US\$000
Full year				
Net interest income	622,574	864,346	37,174	1,524,094
Net fee income	151,489	403,874	(602)	554,761
Net income from financial instruments held for trading or managed on a fair value basis	71,334	296,277	(28,986)	338,625
Other income	99,084	66,102	27,594	192,780
Net operating income before change in expected credit losses and other credit impairment charges	944,481	1,630,599	35,180	2,610,260
– external	730,419	2,145,923	(266,082)	2,610,260
– inter-segment	214,062	(515,324)	301,262	—
Change in expected credit losses and other credit impairment charges	(31,677)	(154,127)	(11)	(185,815)
Net operating income	912,804	1,476,472	35,169	2,424,445
Total operating expenses	(508,762)	(722,050)	(103,540)	(1,334,352)
Operating profit/(loss)	404,042	754,422	(68,371)	1,090,093
Share of profit/(loss) in associates	—	—	(114)	(114)
Profit/(loss) before tax	404,042	754,422	(68,485)	1,089,979
By geographical region				
U.A.E.	285,615	546,658	(47,768)	784,505
Qatar	34,053	117,978	(1,695)	150,336
Rest of Middle East	84,374	89,786	(19,022)	155,138
Profit/(loss) before tax	404,042	754,422	(68,485)	1,089,979

	2024			
	International Wealth and Premier Banking	Corporate and Institutional Banking	Corporate Centre ¹	Total
Net interest income	698,902	897,578	(6,532)	1,589,948
Net fee income	131,604	376,878	(298)	508,184
Net income from financial instruments held for trading or managed on a fair value basis	59,281	191,675	64,923	315,879
Other income	26,229	110,819	(47,111)	89,937
Net operating income before change in expected credit losses and other credit impairment charges	916,016	1,576,950	10,982	2,503,948
– external	679,614	2,168,615	(344,281)	2,503,948
– inter-segment	236,402	(591,665)	355,263	—
Change in expected credit losses and other credit impairment charges	(25,213)	(172,555)	—	(197,768)
Net operating income	890,803	1,404,395	10,982	2,306,180
Total operating expenses	(448,094)	(645,855)	(97,607)	(1,191,556)
Operating profit/(loss)	442,709	758,540	(86,625)	1,114,624
Share of profit in associates	—	—	(92)	(92)
Profit/(loss) before tax	442,709	758,540	(86,717)	1,114,532
By geographical region				
U.A.E.	370,730	582,912	(83,138)	870,504
Qatar	47,339	116,408	(1,458)	162,289
Rest of Middle East	24,640	59,220	(2,121)	81,739
Profit/(loss) before tax	442,709	758,540	(86,717)	1,114,532

1 The intra-group elimination items for the global businesses are presented in Corporate Centre.

Balance sheet information

	2025			
	International Wealth and Premier Banking	Corporate and Institutional Banking	Corporate Centre ¹	Total
	US\$000	US\$000	US\$000	US\$000
Loans and advances to customers	4,239,846	18,378,573	—	22,618,419
Interest in associates	—	—	2,147	2,147
Total assets	14,123,044	48,993,412	1,178,736	64,295,192
Customer accounts	16,202,637	20,854,887	(18,449)	37,039,075
Total liabilities	17,807,583	40,912,383	(134,377)	58,585,589

	2024			
	International Wealth and Premier Banking	Corporate and Institutional Banking	Corporate Centre ¹	Total
Loans and advances to customers	3,922,012	16,518,143	—	20,440,155
Interest in associates	—	—	2,261	2,261
Total assets	12,669,701	44,945,829	(400,880)	57,214,650
Customer accounts	15,744,541	19,096,924	(13,197)	34,828,268
Total liabilities	16,453,834	35,936,258	(527,026)	51,863,066

1 The intra-group elimination items for the global businesses are presented in Corporate Centre.

Other financial information

Information by country

	2025		2024	
	Net operating income ¹	Non-current assets ²	Net operating income ¹	Non-current assets ²
	US\$000	US\$000	US\$000	US\$000
U.A.E.	2,076,584	463,273	2,003,606	452,183
Qatar	275,445	35,665	307,609	23,325
Rest of Middle East	258,231	41,492	192,733	46,596
Total	2,610,260	540,430	2,503,948	522,104

- 1 Net operating income is attributed to countries on the basis of the location of the branch responsible for reporting the results or advancing the funds.
- 2 Non-current assets consist of property, plant and equipment, other intangible assets and certain other assets expected to be recovered more than 12 months after the reporting period.

Performance ratios

	2025			
	International Wealth and Premier Banking	Corporate and Institutional Banking	Corporate Centre	Total
	%	%	%	%
Year ended 31 December 2025				
Share of the group's profit before tax	37.1	69.2	(6.3)	100.0
Cost efficiency ratio ¹	53.9	44.3	294.3	51.1
	2024			
Year ended 31 December 2024				
Share of the group's profit before tax	39.7	68.1	(7.8)	100.0
Cost efficiency ratio ¹	48.9	41.0	888.8	47.6

- 1 Cost efficiency ratio is calculated by dividing total operating expenses by net operating income before change in expected credit losses and other credit impairment charges.

9 Trading assets

	2025 US\$000	2024 US\$000
Trading assets:		
– not subject to repledge or resale by counterparties	2,577,231	1,923,099
At 31 Dec	2,577,231	1,923,099
Debt securities	351,503	470,998
Treasury and other eligible bills	198,807	224,031
Trading securities	550,310	695,029
Trading reverse repurchase agreements	2,026,921	1,228,070
At 31 Dec	2,577,231	1,923,099

10 Fair values of financial instruments carried at fair value

Control framework

Fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk taker.

Where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is used. For inactive markets, the group sources alternative market information, with greater weight given to information that is considered to be more relevant and reliable. Examples of the factors considered are price observability, instrument comparability, consistency of data sources, underlying data accuracy and timing of prices.

For fair values determined using valuation models, the control framework includes development or validation by independent support functions of the model logic, inputs, model outputs and adjustments. Valuation models are subject to a process of due diligence before becoming operational and are calibrated against external market data on an ongoing basis.

The majority of financial instruments measured at fair value are in CIB, and their fair value governance structure comprises its Finance function, Valuation Committee. Finance is responsible for establishing procedures governing valuation and ensuring fair values are in compliance with accounting standards. The fair values are reviewed by the Valuation Committees, which consist of independent support functions.

Financial liabilities measured at fair value

In certain circumstances, the group records its own debt in issue at fair value, based on quoted prices in an active market for the specific instrument concerned, where available. An example of this is where own debt in issue is hedged with interest rate derivatives. When quoted market prices are unavailable, the own debt in issue is valued using valuation techniques, the inputs for which are either based upon quoted prices in an inactive market for the instrument, or are estimated by comparison with quoted prices in an active market for similar instruments. In both cases, the fair value includes the effect of applying the credit spread which is appropriate to the group's liabilities. The change in fair value of issued debt securities attributable to the group's own credit spread is computed as follows: for each security at each reporting date, an externally verifiable price is obtained or a price is derived using credit spreads for similar securities for the same issuer. Then, using discounted cash flow, each security is valued using an appropriate market discount curve. The difference in the valuations is attributable to the group's own credit spread. This methodology is applied consistently across all securities.

The credit spread applied to these instruments is derived from the spreads at which the group issues structured notes.

Gains and losses arising from changes in the credit spread of liabilities issued by the group is recorded in other comprehensive income, the residual risks (rates, volatility, time effects) are fair valued through profit and loss.

Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

- Level 1 – valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that the group can access at the measurement date.
- Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Financial instruments carried at fair value and bases of valuation

	2025				2024			
	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Recurring fair value measurements at 31 Dec								
Assets								
Trading assets	361,253	2,152,601	63,377	2,577,231	459,899	1,335,099	128,101	1,923,099
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	4,978	47,499	16,515	68,992	10,529	—	23,598	34,127
Derivatives	—	830,095	81,826	911,921	—	920,866	32,027	952,893
Financial investments	5,840,610	1,549,953	655,828	8,046,391	5,088,163	1,380,265	458,803	6,927,231
Liabilities								
Trading liabilities	149,963	1,054,240	—	1,204,203	198,545	638,708	—	837,253
Financial liabilities designated at fair value	—	993,984	114,025	1,108,009	—	1,238,466	—	1,238,466
Derivatives	—	704,797	74,284	779,081	—	760,569	24,757	785,326

There were no material transfers between Level 1 and Level 2 during the reporting period.

The balance as at 31 December 2025 under financial assets mandatorily measured at fair value through profit or loss is US\$64m (2024: US\$24m) and financial assets designated at fair value through profit or loss is US\$5m (2024: US\$11m).

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarterly reporting period. Transfers are primarily attributable to changes in price transparency and in the assessment of observability.

Fair value valuation bases

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

	Assets					Liabilities		
	Financial Investments US\$000	Trading Assets US\$000	Designated and otherwise mandatorily measured at fair value through profit or loss US\$000	Derivatives US\$000	Total US\$000	Designated at fair value US\$000	Derivatives US\$000	Total US\$000
Private equity including strategic investments	52,771	—	16,515	—	69,286	—	—	—
Derivatives	—	—	—	81,826	81,826	—	74,284	74,284
Bonds	603,057	—	—	—	603,057	—	—	—
Other portfolios	—	63,377	—	—	63,377	114,025	—	114,025
At 31 Dec 2025	655,828	63,377	16,515	81,826	817,546	114,025	74,284	188,309
Private equity including strategic investments	45,767	—	23,598	—	69,365	—	—	—
Derivatives	—	—	—	32,027	32,027	—	24,757	24,757
Bonds	413,036	—	—	—	413,036	—	—	—
Other portfolios	—	128,101	—	—	128,101	—	—	—
At 31 Dec 2024	458,803	128,101	23,598	32,027	642,529	—	24,757	24,757

Notes on the financial statements

Private equity including strategic investments

The investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors; by reference to market valuations for similar entities quoted in an active market; or the price at which similar companies have changed ownership.

Derivatives

OTC derivatives are valued using valuation models. Valuation models calculate the present value of expected future cash flows, based upon 'no-arbitrage' principles. For many vanilla derivative products, such as interest rate swaps and European options, the modelling approaches used are standard across the industry. For more complex derivative products, there may be some differences in market practice. Inputs to valuation models are determined from observable market data wherever possible, including prices available from exchanges, dealers, brokers or providers of consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

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

Movement in Level 3 financial instruments

	Assets				Liabilities	
	Financial Investments	Trading Assets	Designated and otherwise mandatorily measured at fair value through profit or loss	Derivatives	Designated at fair value	Derivatives
At 1 Jan 2025	458,803	128,101	23,598	32,027	—	24,757
Total gains/(losses) recognised in profit or loss	—	(753)	(160)	23,535	—	3,479
– net income/(expense) from financial instruments held for trading or managed on a fair value basis	—	(753)	—	23,535	—	3,479
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	—	—	(160)	—	—	—
Total gains/(losses) recognised in other comprehensive income	15,026	—	—	—	—	—
– financial investments: fair value gains/(losses)	14,958	—	—	—	—	—
– exchange differences	68	—	—	—	—	—
Purchases/issuances	701,654	—	—	—	—	—
Sales	(80,355)	—	(6,733)	—	—	—
Settlements	—	(61,207)	(190)	39,756	114,025	48,389
Transfers out	(589,528)	(2,764)	(9,156)	(14,119)	—	(7,805)
Transfers in	150,227	—	9,156	627	—	5,464
At 31 Dec 2025	655,828	63,377	16,515	81,826	114,025	74,284
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 31 Dec 2025	—	380	160	46,408	1,185	(32,186)
– net income/(expense) from financial instruments held for trading or managed on a fair value basis	—	380	—	46,408	1,185	(32,186)
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	—	—	160	—	—	—
At 1 Jan 2024	431,903	385,252	22,516	45,424	—	15,876
Total gains/(losses) recognised in profit or loss	—	(2,838)	2,307	7,790	—	22,669
– net income from financial instruments held for trading or managed on a fair value basis	—	(2,838)	—	7,790	—	22,669
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	—	—	2,307	—	—	—
Total gains/(losses) recognised in other comprehensive income	14,189	—	—	—	—	—
– financial investments: fair value gains/(losses)	14,212	—	—	—	—	—
– Exchange differences	(23)	—	—	—	—	—
Purchases/issuances	130,730	—	—	—	—	—
Sales	—	—	(1,225)	—	—	—
Settlements	—	(254,313)	—	(13,664)	(92,666)	(11,222)
Transfers out	(152,459)	—	—	(7,523)	—	(2,566)
Transfers in	34,440	—	—	—	92,666	—
At 31 Dec 2024	458,803	128,101	23,598	32,027	—	24,757
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 31 Dec 2024	—	1,152	2,235	50,599	—	(47,181)
– net income/expense from financial instruments held for trading or managed on a fair value basis	—	1,152	—	50,599	—	(47,181)
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	—	—	2,235	—	—	—

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

Sensitivity of Level 3 fair values to reasonably possible alternative assumptions

	At 31 Dec 2025				At 31 Dec 2024			
	Reflected in profit or loss		Reflected in OCI		Reflected in profit or loss		Reflected in OCI	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Derivatives and trading assets ¹	8,711	(8,711)	—	—	15,531	(15,531)	—	—
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	1,232	(1,232)	—	—	1,180	(1,180)	—	—
Financial investments	—	—	8,340	(8,340)	—	—	7,505	(5,382)
Total	9,943	(9,943)	8,340	(8,340)	16,711	(16,711)	7,505	(5,382)

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

The sensitivity analysis aims to measure a range of fair values consistent with the application of a 95% confidence interval. Methodologies take account of the nature of the valuation technique employed, as well as the availability and reliability of observable proxy and historical data. When the fair value of a financial instrument is affected by more than one unobservable assumption, the above table reflects the most favourable or the most unfavourable change from varying the assumptions individually.

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

	At 31 Dec 2025				At 31 Dec 2024			
	Reflected in profit or loss		Reflected in OCI		Reflected in profit or loss		Reflected in OCI	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Private equity including strategic investments	1,086	(1,086)	2,490	(2,490)	1,180	(1,180)	4,246	(2,123)
Derivatives	8,642	(8,642)	—	—	15,071	(15,071)	—	—
Bonds	—	—	5,850	(5,850)	—	—	3,232	(3,232)
Other portfolios	215	(215)	—	—	460	(460)	27	(27)
Total	9,943	(9,943)	8,340	(8,340)	16,711	(16,711)	7,505	(5,382)

Key unobservable inputs to Level 3 financial instruments

Quantitative information about significant unobservable inputs in Level 3 valuations

	Fair value			Key unobservable inputs	2025	
	Assets	Liabilities	Key valuation techniques		Full range of inputs	
	US\$000	US\$000			Lower	Higher
Private equity including strategic investments	69,286	—	Price – Net asset value	Current Value/Cost	0	1
Derivatives	81,826	74,284				
– interest rate derivatives	27,711	27,241				
– Foreign exchange derivatives	54,115	47,043				
Foreign exchange options	40,865	40,865	Model – Option model	Foreign exchange volatility	4%	22%
Other foreign exchange derivatives	13,250	6,178				
Bonds	603,057	—	Market proxy	Price	100	100
Other portfolios ¹	63,377	114,025				
At 31 Dec 2025	817,546	188,309				

1 'Other portfolios' includes a range of smaller asset holdings.

The range of values above shows the highest and lowest unobservable inputs that have been used to value significant Level 3 exposures and reflects the diversity of the underlying financial instruments in scope and subsequent differentiation in pricing.

Private equity including strategic investments

Given the bespoke nature of the analysis in respect of each holding, it is not practical to quote a range of key unobservable inputs.

Volatility

Volatility is a measure of the anticipated future variability of a market price. It varies by underlying reference market price, and by strike and maturity of the option.

Certain volatilities, typically those of a longer-dated nature, are unobservable and are estimated from observable data. The range of unobservable volatilities reflects the wide variation in volatility inputs by reference market price. The core range is significantly narrower than the full range because these examples with extreme volatilities occur relatively rarely within the group portfolio.

Notes on the financial statements

Correlation

Correlation is a measure of the inter-relationship between two market prices and is expressed as a number between minus one and one. It is used to value more complex instruments where the payout is dependent upon more than one market price. There is a wide range of instruments for which correlation is an input, and consequently a wide range of both same-asset correlations and cross-asset correlations is used. In general, the range of same-asset correlations will be narrower than the range of cross-asset correlations. Unobservable correlations may be estimated based upon a range of evidence, including consensus pricing services, group trade prices, proxy correlations and examination of historical price relationships. The range of unobservable correlations quoted in the table reflects the wide variation in correlation inputs by market price pair.

Inter-relationships between key unobservable inputs

Key unobservable inputs to Level 3 financial instruments may not be independent of each other. As described above, market variables may be correlated. This correlation typically reflects the manner in which different markets tend to react to macroeconomic or other events. Furthermore, the impact of changing market variables upon the group portfolio will depend upon the group's net risk position in respect of each variable.

11 Fair values of financial instruments not carried at fair value

Fair values of financial instruments not carried at fair value and bases of valuation

	Carrying amount US\$000	Fair value			Total US\$000
		Quoted market price Level 1 US\$000	Observable inputs Level 2 US\$000	Significant unobservable inputs Level 3 US\$000	
At 31 Dec 2025					
Assets					
Loans and advances to banks	11,286,279	—	11,286,657	—	11,286,657
Loans and advances to customers	22,618,419	—	—	21,991,691	21,991,691
Reverse repurchase agreements – non-trading	9,197,094	—	9,223,993	—	9,223,993
Financial Investments	6,356,846	4,419,885	1,048,865	956,526	6,425,276
Liabilities					
Deposits by banks	9,022,406	—	9,051,916	—	9,051,916
Customer accounts	37,039,075	—	37,173,905	—	37,173,905
Repurchase agreements – non-trading	4,788,142	—	4,788,150	—	4,788,150
Debt securities in issue	537,241	—	540,458	—	540,458
Subordinated Liabilities	946,337	—	972,044	—	972,044
At 31 Dec 2024					
Assets					
Loans and advances to banks	11,682,290	—	11,681,930	—	11,681,930
Loans and advances to customers	20,440,155	—	—	20,077,597	20,077,597
Reverse repurchase agreements – non-trading	7,878,210	—	7,908,746	—	7,908,746
Financial Investments	4,664,852	3,451,740	705,625	463,741	4,621,106
Liabilities					
Deposits by banks	6,499,507	—	6,528,241	—	6,528,241
Customer accounts	34,828,268	—	34,775,457	—	34,775,457
Repurchase agreements – non-trading	2,936,075	—	2,936,697	—	2,936,697
Debt securities in issue	808,480	—	805,745	—	805,745
Subordinated Liabilities	945,751	—	957,315	—	957,315

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

Valuation

The fair value measurement is the group's estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It does not reflect the economic benefits and costs that the group expects to flow from the instruments' cash flows over their expected future lives. Other reporting entities may use different valuation methodologies and assumptions in determining fair values for which no observable market prices are available.

Loans and advances to banks and customers

The fair value of loans and advances is based on observable market transactions, where available. In the absence of observable market transactions, fair value is estimated using valuation models that incorporate a range of input assumptions. These assumptions may include forward looking discounted cash flow models using assumptions which the group believes are consistent with those which would be used by market participants in valuing such loans; and trading inputs from other market participants which includes observed primary and secondary trades.

Loans are grouped, as far as possible, into homogeneous groups and stratified by loans with similar characteristics to improve the accuracy of estimated valuation outputs. The stratification of a loan book considers all material factors, including vintage, origination period, estimates of future interest rates, prepayment speeds, delinquency rates, loan-to-value ratios, the quality of collateral, default probability, and internal credit risk ratings.

The fair value of a loan reflects both loan impairments at the balance sheet date and estimates of market participants' expectations of credit losses over the life of the loans, and the fair value effect of repricing between origination and the balance sheet date.

Financial investments

The fair values of listed financial investments are determined using market prices. The fair values of unlisted financial investments are determined using valuation techniques that take into consideration the prices and future earnings streams of equivalent quoted securities.

Deposits by banks and customer accounts

Fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities. The fair value of a deposit repayable on demand is approximated by its carrying value.

Debt securities in issue and subordinated liabilities

Fair values are determined using quoted market prices at the balance sheet date where available, or by reference to quoted market prices for similar instruments.

Repurchase and reverse repurchase agreements – non-trading

Fair values approximate carrying amounts as their balances are generally short dated.

12 Derivatives

Notional contract amounts and fair values of derivatives by product contract type held by the group

	Notional contract amount		Fair value – Assets			Fair value – Liabilities		
	Trading US\$000	Hedging US\$000	Trading US\$000	Hedging US\$000	Total US\$000	Trading US\$000	Hedging US\$000	Total US\$000
Foreign exchange	206,106,772	1,425,142	578,870	937	579,807	545,867	1,360	547,227
Interest rate	29,183,870	5,152,514	268,331	62,981	331,312	222,240	6,157	228,397
Credit	375,490	—	189	—	189	2,844	—	2,844
Commodity and other	9,599	—	613	—	613	613	—	613
At 31 Dec 2025	235,675,731	6,577,656	848,003	63,918	911,921	771,564	7,517	779,081
Foreign exchange	106,448,597	1,824,936	455,787	3,291	459,078	399,344	760	400,104
Interest rate	29,361,602	5,341,772	413,993	79,812	493,805	367,880	14,321	382,201
Credit	304,950	—	10	—	10	3,021	—	3,021
Commodity and other	—	—	—	—	—	—	—	—
At 31 Dec 2024	136,115,149	7,166,708	869,790	83,103	952,893	770,245	15,081	785,326

The notional contract amounts of derivatives held for trading purposes and derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

Use of derivatives

The group transacts derivatives for three primary purposes: to create risk management solutions for clients, to manage the portfolio risks arising from client business and to manage and hedge the group's own risks.

The group's derivative activities give rise to significant open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels. When entering into derivative transactions, the group employs the same credit risk management framework to assess and approve potential credit exposures that it uses for traditional lending.

Trading derivatives

Most of the group's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities include market-making and risk management. Market-making entails quoting bid and offer prices to other market participants for the purpose of generating revenues based on spread and volume. Risk management activity is undertaken to manage the risk arising from client transactions, with the principal purpose of retaining client margin. Other derivatives classified as held for trading include non-qualifying hedging derivatives.

Hedge accounting derivatives

Hedged risk components

The group designates a portion of cash flows of a financial instrument or a group of financial instruments for a specific interest rate or foreign currency risk component in a fair value or cash flow hedge. The designated risks and portions are either contractually specified or otherwise separately identifiable components of the financial instrument that are reliably measurable. Risk-free or benchmark interest rates generally are regarded as being both separately identifiable and reliably measurable, where the group designates Alternative Benchmark Rates as the hedged risk which may not have been separately identifiable upon initial designation, provided the group reasonably expects it will meet the requirement within 24 months from the first designation date. The designated risk component accounts for a significant portion of the overall changes in fair value or cash flows of the hedged item(s).

Fair value hedges

The group enters into fixed-for-floating-interest-rate swaps to manage the exposure to changes in fair value due to movements in market interest rates on certain fixed rate financial instruments which are not measured at fair value through profit or loss, including debt securities held and issued.

Notes on the financial statements

Hedging instrument by hedged risk

Hedged Risk	Hedging Instrument				Balance sheet presentation	Change in fair value ² US\$000
	Notional amount ¹ US\$000	Carrying amount		Liabilities US\$000		
		Assets US\$000	Liabilities US\$000			
Interest rate	2,526,928	26,577	4,959		Derivatives	(25,165)
At 31 Dec 2025	2,526,928	26,577	4,959			(25,165)
Interest rate	2,421,296	51,991	5,615		Derivatives	10,046
At 31 Dec 2024	2,421,296	51,991	5,615			10,046

1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

2 Used in effectiveness testing; comprising the full fair value change of the hedging instrument.

Hedged item by hedged risk

Hedged Risk	Hedged Item					Change in fair value ¹ US\$000	Ineffectiveness	
	Carrying amount		Accumulated fair value hedge adjustments included in carrying amount		Balance sheet presentation		Recognised in profit and loss US\$000	Profit and loss presentation
	Assets US\$000	Liabilities US\$000	Assets US\$000	Liabilities US\$000				
Interest rate	2,041,992	—	17,046	—	Financial investments	29,398	545	Net income from financial instruments held for trading or managed on a fair value basis
Interest rate	10,031	—	(252)	—	Loans and advances to customers	369		
Interest rate	—	497,436	—	3,810	Debt securities in issue	(4,442)		
Interest rate	—	—	—	—	Customer accounts	385		
At 31 Dec 2025	2,052,023	497,436	16,794	3,810		25,710		
Interest rate	1,533,130	—	(12,842)	—	Financial investments	(7,870)	(500)	Net income from financial instruments held for trading or managed on a fair value basis
Interest rate	13,164	—	(637)	—	Loans and advances to customers	1,477		
Interest rate	—	665,976	—	(631)	Debt securities in issue	(3,767)		
Interest rate	—	207,487	—	386	Customer accounts	(386)		
At 31 Dec 2024	1,546,294	873,463	(13,479)	(245)		(10,546)		

1 Used in effectiveness assessment; comprising amount attributable to the designated hedged risk that can be a risk component. The hedged item is either the benchmark interest rate risk portion within the fixed rate of the hedged item or the full fixed rate and it is hedged for changes in fair value due to changes in the benchmark interest rate risk.

Sources of hedge ineffectiveness may arise from basis risk including but not limited to the discount rates used for calculating the fair value of derivatives, hedges using instruments with a non-zero fair value and notional and timing differences between the hedged items and hedging instruments.

Cash flow hedges

The group's cash flow hedging instruments consist principally of interest rate swaps and cross-currency swaps that are used to manage the variability in future interest cash flows of non-trading financial assets and liabilities, arising due to changes in market interest rates and foreign-currency basis.

The group applies macro cash flow hedging for interest-rate risk exposures on portfolios of replenishing current and forecasted issuances of non-trading assets and liabilities that bear interest at variable rates, including rolling such instruments. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities on the basis of their contractual terms and other relevant factors, including estimates of prepayments and defaults. The aggregate cash flows representing both principal balances and interest cash flows across all portfolios are used to determine the effectiveness and ineffectiveness.

The group also hedges the variability in future cash-flows on foreign-denominated financial assets and liabilities arising due to changes in foreign exchange market rates with cross-currency swaps.

Hedging instrument by hedged risk

Hedged Risk	Hedging Instrument				Hedged Item		Ineffectiveness	
	Notional amount ¹ US\$000	Carrying amount		Balance sheet presentation	Change in fair value ² US\$000	Change in fair value ³ US\$000	Recognised in profit and loss US\$000	Profit and loss presentation
		Assets US\$000	Liabilities US\$000					
Foreign currency	1,425,142	937	1,360	Derivatives	(375)	(375)	—	Net income from financial instruments held for trading or managed on a fair value basis
Interest rate	2,625,586	36,404	1,198	Derivatives	23,918	24,218	300	
At 31 Dec 2025	4,050,728	37,341	2,558		23,543	23,843	300	

Notes on the financial statements

Hedging instrument by hedged risk (continued)

Hedged Risk	Notional amount ¹ US\$000	Hedging Instrument			Hedged Item		Ineffectiveness	
		Carrying amount			Change in fair value ² US\$000	Change in fair value ³ US\$000	Recognised in profit and loss US\$000	Profit and loss presentation
		Assets US\$000	Liabilities US\$000	Balance sheet presentation				
Foreign currency	1,824,936	3,291	761	Derivatives	248	221	(27)	Net income from financial instruments held for trading or managed on a fair value basis
Interest rate	2,920,476	26,950	8,706	Derivatives	(44,731)	(44,841)	(110)	
At 31 Dec 2024	4,745,412	30,241	9,467		(44,483)	(44,620)	(137)	

- 1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.
- 2 Used in effectiveness testing; comprising the full fair value change of the hedging instrument not excluding any component.
- 3 Used in effectiveness assessment; comprising amount attributable to the designated hedged risk that can be a risk component.

13 Financial investments

Carrying amount of financial investments

	2025 US\$000	2024 US\$000
Financial investments measured at fair value through other comprehensive income	8,046,391	6,927,231
– Treasury and other eligible bills	3,438,803	2,945,449
– Debt securities	4,554,839	3,936,015
– Equity securities ¹	52,749	45,767
Debt instruments measured at amortised cost	6,356,846	4,664,852
– Debt securities	6,356,846	4,664,852
At 31 Dec	14,403,237	11,592,083

- 1 These mainly include investment in HSBC Türkiye and dividend recognised on this investment during the year was US\$3m (2024: nil).

14 Assets charged as security for liabilities, and collateral accepted as security for assets

Assets charged as security for liabilities

Financial assets pledged as collateral

	2025 US\$000	2024 US\$000
Debt securities	2,083,164	1,101,676
At 31 Dec	2,083,164	1,101,676

These transactions are conducted under terms that are usual and customary to repurchase agreements.

Collateral accepted as security for assets

The fair value of financial assets accepted as collateral that the group is permitted to sell or repledge in the absence of default is US\$12,337m (2024: US\$9,996m). The fair value of any such collateral sold or repledged is US\$7,420m (2024: US\$6,896m). The group is obliged to return equivalent securities. These transactions are conducted under terms that are usual and customary to reverse repurchase agreements.

15 Interests in associate and joint arrangement

Associate of the group

	At 31 Dec 2025		
	Country of incorporation		
MENA Infrastructure Fund (GP) Limited	Dubai, UAE	Private Equity fund management	33.33% US\$0.99m fully paid

The above associate is not considered significant to the group and is unlisted.

Movements in interests in associate

	2025 US\$000	2024 US\$000
At 1 Jan	2,261	2,353
Share of results	(114)	(92)
At 31 Dec	2,147	2,261

Joint arrangement of the group

	At 31 Dec 2025			
	Country of incorporation	Principal activity	The group's interest in equity capital	Issued equity capital
HSBC Middle East Leasing Partnership – (Joint operation)	Dubai, UAE	Leasing	15.00%	US\$95m fully paid

The results of the joint arrangement have been included on proportionate basis.

During the year, there has been no change in issued equity capital.

16 Investments in subsidiaries

Subsidiary undertakings of the group

	At 31 Dec 2025	
	Country of incorporation or registration	Group's interest in equity capital
HSBC Middle East Asset Company LLC	Dubai, UAE	100%
HSBC Middle East Securities LLC (in liquidation)	Dubai, UAE	100%
HSBC Bank Middle East Representative Office Morocco S.A.R.L. (in liquidation)	Morocco	100%

All the above entities prepare their financial statements up to 31 December and the countries of operation are the same as the countries of incorporation.

17 Prepayments, accrued income and other assets

	2025 US\$000	2024 US\$000
Prepayments and accrued income	567,775	450,694
Items in course of collection from other banks	108,764	48,482
Endorsements and acceptances	639,905	734,460
Other accounts	194,538	188,696
Property, plant and equipment ¹	257,749	254,819
At 31 Dec	1,768,731	1,677,151

1 As at 31 December 2025, net book value of HSBC Tower was US\$196m (2024: US\$205m) and depreciation charged during the year was US\$7m (2024: US\$9m).

Majority of financial assets included in prepayments, accrued income and other assets are measured at amortised cost.

Endorsements and acceptances

Acceptances arise when the group is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date, and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability of the group and is therefore recognised as a financial liability with a corresponding contractual right of reimbursement from the customer recognised as a financial asset.

18 Intangible assets

Included within intangible assets is internally generated software with a net carrying value of US\$281m (2024: US\$265m).

During the year, capitalisation of internally generated software was US\$101m (2024: US\$83m), amortisation and impairment was US\$81m (2024: US\$66m).

19 Customer Accounts

	2025 US\$000	2024 US\$000
Current account	25,162,020	22,679,820
Saving account	3,527,527	3,633,876
Fixed deposits	8,306,882	8,508,898
Others	42,646	5,674
At 31 Dec	37,039,075	34,828,268

Notes on the financial statements

20 Trading liabilities

	2025 US\$000	2024 US\$000
Trading repurchase agreements	982,645	614,814
Net short positions in securities	221,558	216,459
Other	—	5,980
At 31 Dec	1,204,203	837,253

21 Financial liabilities designated at fair value

	2025 US\$000	2024 US\$000
Deposits by banks and customer accounts	114,025	694,791
Debt securities in issue (Note 22)	993,984	543,675
Total	1,108,009	1,238,466

At 31 December 2025, the accumulated change in fair value attributable to changes in credit risk was a loss of US\$4m (2024: nil). As at 31 December 2025, the difference between the carrying amount and the amount contractually required to be paid at maturity was US\$125m (2024: US\$61m).

22 Debt securities in issue

	2025		2024	
	Carrying amount US\$000	Fair value US\$000	Carrying amount US\$000	Fair value US\$000
Medium-term notes	1,531,225	1,534,442	1,352,155	1,349,420
Total debt securities in issue	1,531,225	1,534,442	1,352,155	1,349,420
Included within:				
– financial liabilities designated at fair value (Note 21)	(993,984)	(993,984)	(543,675)	(543,675)
At 31 Dec	537,241	540,458	808,480	805,745

23 Accruals, deferred income and other liabilities

	2025 US\$000	2024 US\$000
Accruals and deferred income	444,410	453,912
Items in course of transmission to other banks	334,807	243,938
Share-based payments liability to HSBC Holdings plc	34,183	25,687
Endorsements and acceptances	643,146	735,202
Employee benefit liabilities (Note 4)	185,001	206,915
Margin deposits	358,694	310,836
Transitory accounts	57,160	19,896
Other liabilities	651,897	515,165
At 31 Dec	2,709,298	2,511,551

Majority of financial liabilities included in accruals, deferred income and other liabilities are measured at amortised cost.

24 Provisions

	Restructuring costs US\$000	Contractual commitments ¹ US\$000	Legal proceedings and regulatory matters US\$000	Other provisions US\$000	Total US\$000
At 1 Jan 2025	8,938	219,169	2,915	2,742	233,764
Additions	15,305	—	—	3,199	18,504
Amounts utilised	(16,349)	—	—	(3,197)	(19,546)
Unused amounts reversed	(3,239)	—	—	(185)	(3,424)
Net change in expected credit loss provision	—	(65,167)	—	—	(65,167)
Exchange and other movements	—	—	7	31	38
At 31 Dec 2025	4,655	154,002	2,922	2,590	164,169
At 1 Jan 2024	8,012	37,033	3,088	18	48,151
Additions	11,638	—	13,264	2,829	27,731
Amounts utilised	(8,533)	—	(131)	(103)	(8,767)
Unused amounts reversed	(2,179)	—	(13,305)	(2)	(15,486)
Net change in expected credit loss provision	—	182,136	—	—	182,136
Exchange and other movements	—	—	(1)	—	(1)
At 31 Dec 2024	8,938	219,169	2,915	2,742	233,764

1 Provision for contractual commitments include the expected credit loss in relation to off-balance sheet financial guarantee contracts and commitments where the group has become party to an irrevocable commitment, as defined under IFRS 9 'Financial Instruments'; and provisions for performance and other guarantee contracts.

25 Subordinated liabilities

	2025 US\$000	2024 US\$000
At amortised cost		
– subordinated liabilities	946,337	945,751
At 31 Dec	946,337	945,751

Subordinated liabilities rank behind senior obligations and generally count towards the capital base of the group. Capital securities may be called and redeemed by the group subject to prior notification to the DFSA. Subordinated liabilities carry a coupon of SOFR + Margin 2.09% (2024: SOFR + Margin 2.09%). The balance sheet amounts disclosed in the above table are presented on an IFRS basis and do not reflect the amount that the instruments contribute to regulatory capital, principally due to regulatory amortisation and regulatory eligibility limits.

Notes on the financial statements

26 Maturity analysis of assets, liabilities and off-balance sheet commitments

The following is an analysis by remaining contractual maturities at the balance sheet date, of assets and liability line items that combine amounts expected to be recovered or settled within one year and after more than one year.

- Trading assets and liabilities (excluding reverse repos, repos and debt securities in issue), and trading derivatives are included in the 'Due within 3 months' time bucket, because trading balances are typically held for short periods of time.
- Financial assets and liabilities with no contractual maturity (such as equity securities) are included in the 'Due after 5 years' time bucket. Undated or perpetual instruments are classified based on the contractual notice period, which the counterparty of the instrument is entitled to give. Where there is no contractual notice period, undated or perpetual contracts are included in the 'Due after 5 years' time bucket.
- Non-financial assets and liabilities with no contractual maturity are included in the 'Due after 5 years' time bucket.
- Loan and other credit-related commitments are classified on the basis of the earliest date they can be drawn down.

Maturity analysis of assets, liabilities and off-balance sheet commitments

	At 31 Dec 2025				
	Due within 3 months US\$000	Due between 3 and 12 months US\$000	Due between 1 and 5 years US\$000	Due after 5 years US\$000	Total US\$000
Financial assets					
Trading assets	1,418,379	740,820	418,032	—	2,577,231
Derivatives	854,337	8,430	48,170	984	911,921
Loans and advances to banks	8,613,199	1,509,201	1,096,478	67,401	11,286,279
Loans and advances to customers	5,893,439	4,030,574	8,124,094	4,570,312	22,618,419
Reverse repurchase agreements – non-trading	3,556,153	3,329,113	2,311,828	—	9,197,094
Financial investments	2,708,841	2,120,374	9,003,799	570,223	14,403,237
Other financial assets	1,167,504	145,127	11,088	—	1,323,719
Total	24,211,852	11,883,639	21,013,489	5,208,920	62,317,900
Non-Financial assets	—	—	—	737,290	737,290
Financial liabilities					
Deposits by banks	2,717,407	2,009,999	4,295,000	—	9,022,406
Customer accounts	34,576,249	2,361,792	101,034	—	37,039,075
Repurchase agreements – non-trading	1,786,587	1,205,444	1,796,111	—	4,788,142
Trading liabilities	824,001	54,622	325,580	—	1,204,203
Financial liabilities designated at fair value	12,660	281,949	813,400	—	1,108,009
Derivatives	771,832	408	6,014	827	779,081
Debt securities in issue	—	39,994	497,247	—	537,241
Subordinated liabilities	—	—	—	946,337	946,337
Other financial liabilities	1,771,173	155,921	26,685	7,373	1,961,152
Total	42,459,909	6,110,129	7,861,071	954,537	57,385,646
Non-Financial liabilities	—	—	—	865,138	865,138
Loan and other credit-related commitments	25,961,940	—	—	—	25,961,940
Financial guarantees and similar contracts	19,644,226	—	—	—	19,644,226

	At 31 Dec 2024				
Financial assets					
Trading assets	1,459,678	217,022	246,399	—	1,923,099
Derivatives	880,996	8,646	57,829	5,422	952,893
Loans and advances to banks	9,379,228	1,680,127	556,885	66,050	11,682,290
Loans and advances to customers	5,074,416	3,341,992	8,361,982	3,661,765	20,440,155
Reverse repurchase agreements – non-trading	4,017,274	1,309,727	2,551,209	—	7,878,210
Financial investments	1,972,325	1,790,326	7,388,873	440,559	11,592,083
Other financial assets	1,146,857	167,404	—	—	1,314,261
Total	23,930,774	8,515,244	19,163,177	4,173,796	55,782,991
Non-Financial assets	—	—	—	721,955	721,955
Financial liabilities					
Deposits by banks	1,349,565	1,569,942	3,580,000	—	6,499,507
Customer accounts	31,479,914	3,026,037	322,317	—	34,828,268
Repurchase agreements – non-trading	1,532,771	874,355	528,949	—	2,936,075
Trading liabilities	466,427	—	370,826	—	837,253
Financial liabilities designated at fair value	576,559	165,770	126,362	369,775	1,238,466
Derivatives	770,301	866	12,418	1,741	785,326
Debt securities in issue	—	463,314	345,166	—	808,480
Subordinated liabilities	—	—	—	945,751	945,751
Other financial liabilities	1,810,883	172,596	18,116	2,283	2,003,878
Total	37,986,420	6,272,880	5,304,154	1,319,550	50,883,004
Non-Financial liabilities	—	—	—	736,127	736,127
Loan and other credit-related commitments	24,134,238	—	—	—	24,134,238
Financial guarantees and similar contracts	19,277,379	—	—	—	19,277,379

Notes on the financial statements

Cash flows payable by the group under financial liabilities by remaining contractual maturities

	On demand US\$000	Due within 3 months US\$000	Due between 3 and 12 months US\$000	Due between 1 and 5 years US\$000	Due after 5 years US\$000
Deposits by banks	2,318,157	495,129	2,256,230	4,685,777	—
Customer accounts	32,198,809	2,418,315	2,393,180	104,835	—
Repurchase agreements – non-trading	1,591,797	326,286	1,472,442	2,053,002	—
Trading liabilities	1,204,203	—	—	—	—
Financial liabilities designated at fair value	3,842	20,345	310,456	898,344	—
Derivatives	771,832	—	408	6,014	827
Debt securities in issue	1,577	3,154	53,483	521,738	—
Subordinated liabilities	4,435	8,869	39,912	212,865	1,212,419
Other financial liabilities	1,742,982	214,968	156,640	28,964	9,472
Total	39,837,634	3,487,066	6,682,751	8,511,539	1,222,718
Loan and other credit-related commitments	25,961,940	—	—	—	—
Financial guarantees and similar contracts	19,644,226	—	—	—	—
At 31 Dec 2025	85,443,800	3,487,066	6,682,751	8,511,539	1,222,718
Deposits by banks	777,960	656,718	1,789,267	3,914,072	—
Customer accounts	29,332,110	2,190,349	3,076,558	334,540	—
Repurchase agreements – non-trading	846,003	722,558	910,885	558,304	—
Trading liabilities	837,253	—	—	—	—
Financial liabilities designated at fair value	172,084	408,309	170,764	150,051	398,148
Derivatives	770,303	—	866	12,417	1,741
Debt securities in issue	2,292	4,585	483,163	367,294	—
Subordinated liabilities	4,794	9,587	43,144	230,100	1,233,376
Other financial liabilities	1,514,833	334,055	173,285	19,811	3,119
Total	34,257,632	4,326,161	6,647,932	5,586,589	1,636,384
Loan and other credit-related commitments	24,134,238	—	—	—	—
Financial guarantees and similar contracts	19,277,379	—	—	—	—
At 31 Dec 2024	77,669,249	4,326,161	6,647,932	5,586,589	1,636,384

The above table shows, on an undiscounted basis, all cash flows relating to principal and future coupon payments (except for trading liabilities and derivatives not treated as hedging derivatives). For this reason, balances in the above table do not agree directly with those in our consolidated balance sheet. Undiscounted cash flows payable in relation to hedging derivative liabilities are classified according to their contractual maturities. Trading liabilities and derivatives not treated as hedging derivatives are included in the 'On demand' time bucket and not by contractual maturity.

► Further discussion of the group's liquidity and funding management can be found in Note 30 'Risk management'.

27 Offsetting of financial assets and financial liabilities

In the offsetting of financial assets and financial liabilities, the net amount is reported in the balance sheet when the offset criteria are met. This is achieved when there is a legally enforceable right to offset the recognised amounts and there is either an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. However, as there is no intention to settle these balances on a net basis under normal circumstances, they do not qualify for net presentation for accounting purposes.

In the following table, the 'Amounts not set off in the balance sheet' include transactions where:

- the counterparty has an offsetting exposure with the group and a master netting or similar arrangement is in place with a right to set off only in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and
- in the case of derivatives and reverse repurchase/repurchase and similar agreements, cash and non-cash collateral (debt securities and equities) has been received/pledged to cover net exposure in the event of a default or other predetermined events.

Amounts not subject to enforceable master netting agreements' include contracts executed in jurisdictions where the rights of set off may not be upheld under the local bankruptcy laws, and transactions where a legal opinion evidencing enforceability of the right of offset may not have been sought, or may have been unable to obtain.

For risk management purposes, the net amounts of loans and advances to customers are subject to limits, which are monitored and the relevant customer agreements are subject to review and updated, as necessary, to ensure that the legal right to set off remains appropriate.

Notes on the financial statements

	Amounts subject to enforceable netting arrangements							
	Gross amounts US\$000	Amounts offset US\$000	Net amounts in the balance sheet US\$000	Amounts not set off in the balance sheet			Amounts not subject to enforceable netting arrangements US\$000	Total US\$000
				Financial instruments and Non-cash collateral ² US\$000	Cash collateral US\$000	Net amount US\$000		
Financial assets								
Derivatives (Note 12)	851,153	—	851,153	(613,212)	(204,180)	33,761	60,768	911,921
Reverse repos and similar agreements classified as:	9,172,180	—	9,172,180	(9,172,180)	—	—	2,051,835	11,224,015
– trading assets	1,379,789	—	1,379,789	(1,379,789)	—	—	647,132	2,026,921
– non-trading assets	7,792,391	—	7,792,391	(7,792,391)	—	—	1,404,703	9,197,094
Loans and advances to customers ¹	236,027	—	236,027	—	(80,749)	155,278	—	236,027
At 31 Dec 2025	10,259,360	—	10,259,360	(9,785,392)	(284,929)	189,039	2,112,603	12,371,963
Derivatives (Note 12)	845,789	—	845,789	(571,341)	(216,887)	57,561	107,104	952,893
Reverse repos and similar agreements classified as:	8,505,324	—	8,505,324	(8,505,324)	—	—	600,956	9,106,280
– trading assets	959,859	—	959,859	(959,859)	—	—	268,211	1,228,070
– non-trading assets	7,545,465	—	7,545,465	(7,545,465)	—	—	332,745	7,878,210
Loans and advances to customers ¹	214,916	—	214,916	—	(75,144)	139,772	—	214,916
At 31 Dec 2024	9,566,029	—	9,566,029	(9,076,665)	(292,031)	197,333	708,060	10,274,089
Financial liabilities								
Derivatives (Note 12)	651,149	—	651,149	(613,212)	(19,574)	18,363	127,932	779,081
Repurchase agreements classified as:	4,787,956	—	4,787,956	(4,787,956)	—	—	982,831	5,770,787
– trading liabilities	982,645	—	982,645	(982,645)	—	—	—	982,645
– non-trading liabilities	3,805,311	—	3,805,311	(3,805,311)	—	—	982,831	4,788,142
Customer accounts	236,027	—	236,027	—	(80,749)	155,278	—	236,027
At 31 Dec 2025	5,675,132	—	5,675,132	(5,401,168)	(100,323)	173,641	1,110,763	6,785,895
Derivatives (Note 12)	612,555	—	612,555	(571,341)	(23,008)	18,206	172,771	785,326
Repurchase agreements classified as:	3,550,889	—	3,550,889	(3,550,889)	—	—	—	3,550,889
– trading liabilities	614,814	—	614,814	(614,814)	—	—	—	614,814
– non-trading liabilities	2,936,075	—	2,936,075	(2,936,075)	—	—	—	2,936,075
Customer accounts	214,916	—	214,916	—	(75,144)	139,772	—	214,916
At 31 Dec 2024	4,378,360	—	4,378,360	(4,122,230)	(98,152)	157,978	172,771	4,551,131

- At 31 December 2025, the total amount of 'Loans and advances to customers' was US\$22,618m (2024: US\$20,440m), of which US\$236m (2024: US\$215m) was subject to offsetting.
- All financial instruments (whether recognised on our balance sheet or as non-cash collateral received or pledged) are presented within 'financial instruments, including non-cash collateral', as balance sheet classification has no effect on the rights of set-off associated with financial instruments.

28 Foreign exchange exposure

Structural foreign exchange exposures

The group's structural foreign currency exposure is represented by the net asset value of its foreign currency equity and subordinated debt investments in subsidiaries, branches and associates with non-US dollar functional currencies. Gains or losses on structural foreign exchange exposures are recognised in other comprehensive income.

The main operating currencies of the group are UAE dirham and other Gulf currencies that are pegged to the US dollar.

The group's management of structural foreign currency exposures is discussed in Note 30 'Risk management'.

Net structural foreign currency exposures

Currency of structural exposure

	2025			2024		
	Structural foreign exchange exposures US\$000	Economic hedges- structural FX hedge ¹ US\$000	Net structural foreign exchange exposures US\$000	Structural foreign exchange exposures US\$000	Economic hedges- structural FX hedge ¹ US\$000	Net structural foreign exchange exposures US\$000
	Algerian dinar	177,699	—	177,699	170,167	—
Bahraini dinar	215,971	—	215,971	180,120	—	180,120
Kuwaiti dinar	282,581	—	282,581	273,658	—	273,658
Moroccan dirham	168	—	168	152	—	152
Omani riyal	38,075	—	38,075	17,090	—	17,090
Qatari riyal	735,636	(299,252)	436,384	728,031	(299,273)	428,758
UAE dirham	5,435,190	(2,691,294)	2,743,896	5,263,981	(2,543,242)	2,720,739
Total	6,885,320	(2,990,546)	3,894,774	6,633,199	(2,842,515)	3,790,684

- Economic Hedges – Structural FX hedge represent hedges that do not qualify as net investment hedges for accounting purposes.

29 Called up share capital and share premium

Authorised

The authorised ordinary share capital of the bank at 31 December 2025 was 1,500,000,000 (2024: 1,500,000,000) ordinary shares¹ of US\$1.00 each.

Called up share capital and share premium

Issued and fully paid

	2025		2024	
	Number	US\$000	Number	US\$000
At 1 Jan	931,055,001	931,055	931,055,001	931,055
Shares issued	—	—	—	—
At 31 Dec¹	931,055,001	931,055	931,055,001	931,055

Share premium

	2025	2024
	US\$000	US\$000
At 31 Dec	61,346	61,346

Total called up share capital and share premium

	2025	2024
	US\$000	US\$000
At 31 Dec	992,401	992,401

¹ All ordinary shares in issue confer identical rights, including in respect of capital, dividends and voting.

Other equity instruments

Preference shares

	2025	2024
	US\$000	US\$000
Perpetual Additional Tier 1 preference shares	1,000,000	1,000,000
Less: Issuance cost on Additional Tier 1 preference shares	(10,000)	(10,000)
At 31 Dec	990,000	990,000

Issued

Perpetual Additional Tier 1 preference shares

	Nominal value	Dividend basis	Mandatory redemption	First call date
	US\$000	%	(maturity date)	
Perpetual Additional Tier 1 preference shares (Semi-annual dividend)	750,000	6.25	undated	April 2027
Perpetual Additional Tier 1 preference shares (Quarterly dividend)	250,000	USD SOFR CMP -5BD + 3.210	undated	March 2030
At 31 Dec 2025	1,000,000			

¹ The Perpetual Additional Tier 1 Preference shares have been issued at par value of US\$1 per share.

² In the event of a winding up, the preference shareholders would receive, in priority to the ordinary shareholders of the bank, repayment of US\$1 per share, plus an amount equal to any accrued but unpaid dividends. With the exception of the above, the preference shares do not carry any right to participate in the surplus of assets on a winding up.

30 Risk management

Our approach to risk

Our risk management

All the group's activities involve, to varying degrees, the analysis, evaluation, acceptance and active management of risks or combinations of risks. The key financial risks which the group is exposed to are retail and wholesale credit risk (including cross-border country risk), market risk (predominantly foreign exchange and interest rate risks), liquidity and funding risk and strategic risk (including reputational risk). The group is also exposed to non-financial risk in various forms (including Resilience risk, Financial Crime and Fraud Risk, People Risk, Regulatory Compliance Risk, Legal Risk, Financial Reporting and Tax risks and Model Risks). The Group is committed to managing and mitigating climate-related risks, both physical and transition risks, and continue to incorporate consideration of these into how we manage and oversee risks internally and with our customers.

We recognise the importance of a strong culture, which refers to our shared attitudes, beliefs, values and standards that shape behaviours including those related to risk awareness, risk taking and risk management. All our people are responsible for the management of risk, with ultimate supervisory oversight residing with the Board.

The implementation of our business strategy, which includes transformation, remains a key focus. As we implement change initiatives, we actively manage the execution risks. We aim to use a comprehensive risk management approach across the organisation and across all risk types, underpinned by our culture and values. This is outlined in our risk management framework, including the key principles and practices that we employ in managing material risks, both financial and non-financial. The framework fosters continual monitoring, promotes risk awareness and encourages a sound operational and strategic decision making process. It also supports a consistent approach to identifying, assessing, managing and reporting the risks we accept and incur in our activities. We actively review and enhance our risk management framework and

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our approach to managing risk, through our activities with regard to: people and capabilities; governance; reporting and management information; credit risk management models; and data.

Our risk management framework

We aim to use a comprehensive risk management approach across the organisation and across all risk types, underpinned by our culture and values. This is outlined in our risk management framework, including the key principles and practices that we employ in managing material risks, both financial and non-financial.

The Risk Management Framework ('RMF') sets out in a consistent way how we identify, assess and manage the risks that matter the most with respect to our ability to operate, grow, and meet external commitments. It translates our strategy, values and commitments into practical actions and risk-aware decisions.

Our group Risk and Compliance function is responsible for the group's risk management framework. Independent from the business segments, including our sales and trading functions, it provides challenge, oversight and appropriate balance in risk/return decisions. Their responsibility includes establishing global policy, monitoring risk profiles, and identifying and managing forward-looking risk.

Responsibility for minimising both financial and non-financial risk, including regulatory compliance and financial crime, lies with our people. They are required to manage the risks of the business and operational activities for which they are responsible. We maintain adequate oversight of our risks through our various specialist risk stewards and the collective accountability held by our chief risk and compliance officers.

Key components of our risk management framework

HSBC Values and risk culture		
Risk governance	Non-executive risk governance	The Board approves the risk appetite, plans and performance targets. It sets the 'tone from the top' and is advised by the Risk Committee.
	Executive risk governance	Our executive risk governance structure is responsible for the enterprise-wide management of all risks, including key policies and frameworks for the management of risk across the organisation.
Roles and responsibilities	Three Lines Of Defence ('LOD') model	Our 'three lines of defence' model defines roles and responsibilities for risk management. An independent Risk function helps ensure the necessary balance in risk/return decisions.
Processes and tools	Risk appetite	There are processes in place to identify/assess, monitor, manage and report risks to help ensure we remain within our risk appetite.
	Enterprise-wide risk management tools	
	Active risk management: identification/assessment, monitoring, management and reporting	
Internal controls	Policies and procedures	Policies and procedures define the minimum requirements for the controls required to manage our risks.
	Control activities	Operational and resilience risk management defines minimum standards and processes for managing operational risks and internal controls.
	Systems and infrastructure	There are systems and/or processes that support the identification, capture and exchange of information to support risk management activities.

Risk culture

The group's strong risk governance reflects the importance placed by the Board on managing risks effectively. It is supported by a clear policy framework of risk ownership and by the accountability of all staff for identifying, assessing and managing risks within the scope of their assigned responsibilities. This personal accountability, reinforced by the governance structure, experience and mandatory learning, helps to foster a disciplined and constructive culture of risk management and control throughout the group and one that supports and encourages the behaviours of good judgement, speaking-up and accountability.

Risk governance and ownership

The Board has ultimate responsibility for the effective management of risk and approves the risk appetite. The Audit and Risk Committees are responsible for advising the Board on material risk matters and provide non-executive oversight of risks. Under authority delegated by the Board Risk Committee, the separately convened Executive Risk Management Meeting ('RMM') formulates high-level risk management policy and oversees the implementation of risk appetite and controls. The RMM together with the Asset and Liability Committee ('ALCO') monitors all categories of risk, receives reports on actual performance and emerging issues, determines action to be taken and reviews the efficacy of our risk management framework.

The Chief Risk and Compliance Officer ('CRCO') chairs the RMM of the Executive Committee. The membership of the Executive Committee ensures that the committee oversees risk management matters across the three lines of defence. The CRCO, who reports to the Chief Executive Officer ('CEO') and functionally to the Group CRCO in the HSBC Group, heads the Risk and Compliance Function, which is independent from the global businesses and forms part of the second line of defence.

Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making. We use a defined and consistent executive risk governance structure to help ensure there is appropriate oversight and accountability of risk, which facilitates reporting and escalation to the Risk Management Meeting.

Risk appetite

Our risk appetite encapsulates the consideration of financial and non-financial risks. Group risk appetite is expressed in both quantitative and qualitative terms and applied at global business level, at the regional level and to the material operating entities. Our risk appetite continues to evolve and expand its scope as part of this regular review process. The Board periodically reviews and approves the group's risk appetite statement to ensure it remains fit for purpose. The risk appetite is considered, developed and enhanced through:

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- an alignment with our strategy, purpose, values, customer needs and HSBC Group Risk Appetite;
- trends highlighted in other risk reports;
- communication with risk stewards on the developing risk landscape;
- strength of our capital, liquidity and balance sheet;
- compliance with applicable laws and regulations;
- effectiveness of the applicable control environment to mitigate risk, informed by risk ratings from risk control assessments;
- functionality, capacity and resilience of available systems to manage risk, and
- the level of available staff with the required competencies to manage risks.

The performance against the RAS (Risk Appetite Statements) is reported to the group RMM alongside key risk indicators to support targeted insight and discussion on breaches of risk appetite and associated mitigating actions. This reporting allows risk to be promptly identified and mitigated, and informs risk-adjusted remuneration to drive a strong risk culture.

Our Responsibilities

All our people are responsible for identifying and managing risk within the scope of their roles. Roles are defined using the three lines of defence model, which takes into account our business and functional structures as described below.

Three lines of defence

To create a robust control environment to manage risks, we use an activity-based three lines of defence model. This model delineates management accountabilities and responsibilities for risk management and the control environment.

The model underpins our approach to risk management by clarifying responsibility and encouraging collaboration, as well as enabling efficient coordination of risk and control activities. The three lines of defence are summarised below:

- The first line of defence owns the risks and is responsible for identifying, recording, reporting and managing them in line with risk appetite, and ensuring that the right controls and assessments are in place to mitigate them.
- The second line of defence challenges the first line of defence on effective risk management, and provides advice and guidance in relation to the risk.
- The third line of defence is our Global Internal Audit function, which provides independent assurance as to whether our risk management approach and processes are designed and operating effectively.

Stress testing

Our stress testing programme assesses our capital and liquidity strength through an examination of our resilience to external shocks, and forms part of our risk management and capital and liquidity planning. As well as undertaking regulatory-driven stress tests, we conduct our own internal stress tests to understand the nature and level of material risks, quantify the impact of such risks and develop plausible mitigating actions. The outcome of a stress test provides management with key insights into the impact of severely adverse events on the Group and provides an indication to regulators of the Group's resilience to shocks and financial stability.

Internal stress tests

Our internal capital assessment uses a range of stress scenarios that explore risks identified by management. They include potential adverse macroeconomic, geopolitical and operational risk events, as well as other potential events that are specific to the group and the HSBC Group.

The selection of stress scenarios is based upon the output of our identified top and emerging risks and our risk appetite. Stress testing analysis helps management understand the nature and extent of vulnerabilities to which the Region and the Group is exposed. Using this information, management decides whether risks can or should be mitigated through management actions or if they were to crystallise, be absorbed through capital and liquidity. This in turn informs decisions about preferred capital and liquidity levels and allocations.-

During 2025, we completed a group-wide internal stress test alongside testing of the HSBC Group's strategy, otherwise known as the corporate plan, to test and inform our strategy and assumptions. The stress scenario assessed the impact of ongoing trade policies (e.g. tariffs) and geopolitical conflicts which remain key risks for the global economy.

We also conduct reverse stress tests each year to understand potential extreme conditions that would make our business model non-viable. Reverse stress testing identifies potential stresses and vulnerabilities we might face, and helps inform early warning triggers, management actions and contingency plans designed to mitigate risks.

Recovery and resolution plan

Recovery and resolution plans form part of the integral framework safeguarding the group's financial stability. The recovery plan together with stress testing help us understand the likely outcomes of adverse business or economic conditions and in the identification of appropriate risk mitigating action. The group is committed to further developing its recovery and resolution capabilities in line with applicable local regulatory resolvability assessment framework requirements.

Key developments in 2025

We continued to actively manage the risks related to macroeconomic and geopolitical uncertainties, as well as other key risks described in this section. In addition, we sought to enhance our risk management in the following areas:

- We have advanced our risk comprehensive initiative aimed at strengthening our global regulatory reporting processes and making them more sustainable, including enhancements to data, consistency and controls. While this programme continues, there may be further impacts on some of our regulatory ratios as we implement recommended changes and continue to enhance our controls across the process.
- We strengthened our control environment through the continued embedding of our Global Control Oversight function which aims to drive a centralised approach to controls oversight across the first line of defence business and process owners, including a globally consistent approach to control standards, aggregated reporting and testing.
- We enhanced our technology and cybersecurity controls to help improve the resilience and security of our technology services in response to the heightened external threat environment.
- We responded to new innovations in the financial system, including growing adoption of digital assets and currencies, as well as the evolving use of AI through reviewing and enhancing controls across risk areas to help us and our customers safely benefit from innovation.

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- We enhanced our processes, framework and controls to improve the oversight of our third parties. We have strengthened our due diligence and monitoring capabilities, with respect to the financial stability of our third parties to better manage our supply chain and we continue to assess and seek to manage our operational resilience.
- We have delivered further enhancements to the way we manage climate considerations across the organisation. This has been achieved through risk policy and guideline updates and further development of our risk metrics and assessments to help monitor and manage exposures. We have also reviewed a number of climate models and have sought to enhance our internal climate scenario analysis capabilities.
- We deployed advanced technology and analytics capabilities into new markets to improve our ability to identify suspicious activities and prevent financial crime. We will continue to evaluate technological solutions to improve our capabilities in the detection and prevention of financial crime.

Top and emerging risks

We use a top and emerging risks process to provide a forward-looking view of issues with the potential to threaten the execution of our strategy or operations over the medium to long term. We proactively assess the internal and external risk environment and our top and emerging risks as necessary.

Our current top and emerging risks are described on page 70.

Credit risk

Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from direct lending, trade finance and leasing business, but also from other products such as guarantees and credit derivatives. Credit risk generates the largest regulatory capital requirement of the risks the group incurs.

We have implemented HSBC Group wide credit risk management and related IFRS 9 processes. We continue to assess actively the impact of economic developments in key markets on specific customers, customer segments or portfolios. As credit conditions change, we take mitigating action, including the revision of risk appetites or limits and tenors, as appropriate. In addition, we continue to evaluate the terms under which we provide credit facilities within the context of individual customer requirements, the quality of the relationship, local regulatory requirements, market practices and our local market position.

The Credit Risk sub-function reports to the CRCO and is responsible for key policies and processes for managing credit risk, which include formulating credit policies and risk rating frameworks, guiding the group's appetite for credit risk exposures, undertaking independent reviews and objective assessment of credit risk, and monitoring performance and management of portfolios while fostering a culture of responsible lending.

IFRS 9 'Financial Instruments' Process

The IFRS 9 'Financial Instruments' process focuses on three main areas: modelling, data and forward economic guidance; implementation; and governance.

Modelling, Data, and Forward Economic Guidance

This involves establishing IFRS 9 modelling and data processes across various geographies, including internal model risk governance and independent reviews. A centralised process generates unbiased global economic scenarios, which are reviewed quarterly for consistency with current economic conditions and risks. These scenarios are subject to final review and approval by senior management in a forward economic guidance global business impairment committee.

Implementation

A centralised impairment engine calculates expected credit losses using data from various systems, which is subject to validation checks and enhancements from a variety of client, finance and risk systems. Where possible, these checks and processes are performed in a globally consistent and centralised manner.

Governance

Regional management review forums, including representatives from Credit Risk and Finance, review and approve impairment results. These approvals are reviewed by retail and wholesale impairment committees for final approval. Required committee members include the relevant Chief Risk Officers, Chief Financial Officers and the Global Financial Controller.

Concentration of exposure

Concentration of credit risk occurs when multiple counterparties share similar economic traits or operate in the same sectors or geographies, making them collectively vulnerable to changes in economic or political conditions. We have business segments with a broad range of products and operate in a number of geographical markets. To mitigate this risk, the bank uses various controls such as portfolio and counterparty limits, approval and review processes, and stress testing across industries, countries and business segments.

Credit quality of financial instruments

The group's credit risk rating systems and processes differentiate exposures in order to highlight those with greater risk factors and higher potential severity of loss. In the case of individually significant accounts, risk ratings are reviewed regularly and any amendments are implemented promptly. Within the group's retail business, risk is assessed and managed using a wide range of risk and pricing models to generate portfolio data.

Special attention is paid to problem exposures in order to accelerate remedial action. Where appropriate, the group uses specialist units to provide customers with support in order to help them avoid default wherever possible.

Periodic risk-based audits of the group's credit processes and portfolios are also undertaken by an independent function.

Impairment assessment

For details of impairment policies on loans and advances and financial investments, see Note 2.2(i) on the Financial Statements.

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Write-off of loans and advances

Loans are normally written off, either partially or in full, when there is no realistic prospect of further recovery. For secured loans, write-off generally occurs after receipt of any proceeds from the realisation of security.

Unsecured personal facilities, including credit cards, are generally written off at between 150 and 210 days past due, the standard period being the end of the month in which the account becomes 180 days contractually delinquent. However, in exceptional circumstances, they may be extended further, in countries where local regulation or legislation constrain earlier write-off, or where the realisation of collateral for secured real estate lending extends to this time.

In the event of bankruptcy or analogous proceedings, write-off may occur earlier than at the periods stated above. Collections procedures may continue after write-off.

Summary of credit risk

The disclosure below presents the gross carrying/nominal amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL.

The IFRS 9 allowance for ECL has increased from US\$584m at 31 December 2024 to US\$778m at 31 December 2025.

The IFRS 9 allowance for ECL at 31 December 2025 comprises US\$759m (2024: US\$566m) in respect of assets held at amortised cost, US\$2m (2024: US\$1m) on debt instruments measured at fair value through other comprehensive income and US\$17m (2024: US\$17m) in respect of loan commitments and financial guarantees.

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

	31 Dec 2025		31 Dec 2024	
	Gross carrying/ nominal amount US\$000	Allowance for ECL US\$000	Gross carrying/ nominal amount US\$000	Allowance for ECL US\$000
Loans and advances to customers at amortised cost	23,371,755	(753,336)	21,002,563	(562,408)
Loans and advances to banks at amortised cost	11,286,492	(213)	11,683,807	(1,517)
Other financial assets measured at amortised costs	17,976,907	(5,117)	14,505,155	(2,153)
– cash and balances at central banks	1,062,246	(1)	647,013	(24)
– reverse repurchase agreements – non-trading	9,197,094	—	7,878,210	—
– financial investments	6,357,934	(1,088)	4,665,916	(1,064)
– prepayments, accrued income and other assets	1,359,633	(4,028)	1,314,016	(1,065)
Total gross carrying amount on-balance sheet	52,635,154	(758,666)	47,191,525	(566,078)
Loans and other credit related commitments	11,985,739	(8,332)	11,325,525	(14,503)
Financial guarantees	1,614,599	(8,433)	2,227,829	(2,423)
Total nominal amount off-balance sheet	13,600,338	(16,765)	13,553,354	(16,926)
		Memorandum allowance for ECL¹ US\$000		Memorandum allowance for ECL¹ US\$000
Debt instruments measured at fair value through other comprehensive income ('FVOCI')	7,993,642	(2,254)	6,881,464	(1,483)

1 Debt instruments measured at FVOCI continue to be measured at fair value with the allowance for ECL as a memorandum item. Change in ECL is recognised in 'Change in expected credit losses and other credit impairment charges' in the income statement.

The following table provides an overview of the group's credit risk by stage, and the associated ECL coverage. The financial assets recorded in each stage have the following characteristics:

Stage 1: Unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised.

Stage 2: A significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised.

Stage 3: Objective evidence of impairment and are therefore considered to be in default or otherwise credit-impaired on which a lifetime ECL is recognised.

POCI: Purchased or originated at a deep discount that reflects the incurred credit losses on which a lifetime ECL is recognised.

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Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage at 31 December 2025

	Gross carrying/nominal amount					Allowance for ECL				
	Stage 1 US\$000	Stage 2 US\$000	Stage 3 US\$000	POCI US\$000	Total US\$000	Stage 1 US\$000	Stage 2 US\$000	Stage 3 US\$000	POCI US\$000	Total US\$000
Loans and advances to customers at amortised cost	20,778,828	1,299,347	1,288,563	5,017	23,371,755	(36,508)	(54,032)	(658,164)	(4,632)	(753,336)
Loans and advances to banks at amortised cost	11,280,225	6,267	—	—	11,286,492	(211)	(2)	—	—	(213)
Other financial assets measured at amortised cost	17,948,288	25,422	3,197	—	17,976,907	(2,892)	(461)	(1,764)	—	(5,117)
Loan and other credit-related commitments	11,595,826	378,112	11,801	—	11,985,739	(2,065)	(1,926)	(4,341)	—	(8,332)
Financial guarantees	1,548,080	48,659	17,860	—	1,614,599	(844)	(327)	(7,262)	—	(8,433)
At 31 Dec 2025	63,151,247	1,757,807	1,321,421	5,017	66,235,492	(42,520)	(56,748)	(671,531)	(4,632)	(775,431)

	ECL coverage %				
	Stage 1 %	Stage 2 %	Stage 3 %	POCI %	Total %
Loans and advances to customers at amortised cost	0.2	4.2	51.1	92.3	3.2
Loans and advances to banks at amortised cost	—	—	—	—	—
Other financial assets measured at amortised cost	—	1.8	55.2	—	—
Loan and other credit-related commitments	—	0.5	36.8	—	0.1
Financial guarantees	0.1	0.7	40.7	—	0.5
At 31 Dec 2025	0.1	3.2	50.8	92.3	1.2

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

	Gross carrying/nominal amount					Allowance for ECL				
	Stage 1 US\$000	Stage 2 US\$000	Stage 3 US\$000	POCI US\$000	Total US\$000	Stage 1 US\$000	Stage 2 US\$000	Stage 3 US\$000	POCI US\$000	Total US\$000
Loans and advances to customers at amortised cost	19,054,403	1,056,954	887,619	3,587	21,002,563	(33,324)	(35,618)	(492,498)	(968)	(562,408)
Loans and advances to banks at amortised cost	11,632,068	51,739	—	—	11,683,807	(1,343)	(174)	—	—	(1,517)
Other financial assets measured at amortised cost	14,451,673	52,371	1,111	—	14,505,155	(1,836)	(209)	(108)	—	(2,153)
Loan and other credit related commitments	11,001,176	297,633	26,716	—	11,325,525	(5,546)	(993)	(7,964)	—	(14,503)
Financial guarantees	2,180,013	38,251	9,565	—	2,227,829	(205)	(315)	(1,903)	—	(2,423)
At 31 Dec 2024	58,319,333	1,496,948	925,011	3,587	60,744,879	(42,254)	(37,309)	(502,473)	(968)	(583,004)

	ECL coverage %				
	Stage 1 %	Stage 2 %	Stage 3 %	POCI %	Total %
Loans and advances to customers at amortised cost	0.2	3.4	55.5	27.0	2.7
Loans and advances to banks at amortised cost	—	0.3	—	—	—
Other financial assets measured at amortised cost	—	0.4	9.7	—	—
Loan and other credit related commitments	0.1	0.3	29.8	—	0.1
Financial guarantees	—	0.8	19.9	—	0.1
At 31 Dec 2024	0.1	2.5	54.3	27.0	1.0

Measurement uncertainty and sensitivity analysis of ECL estimates

Expected credit loss impairment allowances recognised in the financial statements reflect the effect of a range of possible economic outcomes, calculated on a probability-weighted basis, based on the economic scenarios described below. The recognition and measurement of ECL involves the use of significant judgement and estimation. It is necessary to formulate multiple economic scenarios based on economic forecasts, apply these assumptions to credit risk models to estimate future credit losses and probability weight the results to determine an unbiased ECL estimate. The group uses a standard framework to form economic scenarios to reflect assumptions about future economic conditions, supplemented with the use of management judgement, which may result in using alternative or additional economic scenarios and/or management adjustments.

Methodology for Developing Forward Looking Economic Scenarios

The group used four global economic scenarios to capture the current economic expectations and to articulate management's view of the range of risks and potential outcomes.

Three scenarios, the Upside, Central and Downside, are drawn from external consensus forecasts, market data and distributional estimates of the entire range of economic outcomes. These estimates are used as conditioning assumptions in a modelled expansion of other variables, to ensure scenarios that are economically coherent and internally consistent. The fourth scenario, Downside 2, is designed to represent management's view of severe downside risks.

The consensus Central scenario is deemed the 'most likely' scenario, and will attract the largest probability weighting. The consensus outer scenarios represent short-term cyclical deviations from the Central scenario where scenario paths eventually converge back to long-term trend expectations. They are calibrated to a 10% probability.

The Downside 2 scenario explores a more extreme economic outcome than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations and may instead explore alternative states of equilibrium, where economic activity moves permanently away from past trends. It is calibrated to a 5% probability. In most circumstances, the alignment of weightings with the calibrated probability of scenarios is deemed appropriate for the unbiased estimation of ECL. However, management may depart from this probability-based, scenario weighting approach when the economic outlook and forecasts are determined to be particularly uncertain and risks are elevated.

Description of Consensus Economic Scenarios

The following table describes key macroeconomic variables and the probabilities assigned in the consensus central scenario for the UAE.

Consensus Central scenario

	UAE	
	2025	2024
Coverage period for 2025: (2026–2030); 2024: (2025–2029)		
Probability (%)	75	75
GDP growth rate (%)		
2025: Annual average growth rate	n/a	4.4
2026: Annual average growth rate	4.7	4.2
2027: Annual average growth rate	4.1	3.9
2028: Annual average growth rate	3.8	3.6
2029: Annual average growth rate	3.5	3.6
2030: Annual average growth rate	3.5	n/a
5-year average	3.9	3.9
Oil price (US\$/barrel)		
2025: Average oil price	n/a	70.8
2026: Average oil price	63.6	69.2
2027: Average oil price	64.2	68.3
2028: Average oil price	65.4	67.9
2029: Average oil price	66.5	67.9
2030: Average oil price	66.5	n/a
5-year average	65.3	68.8
House price growth rate (%)		
2025: Annual average growth rate	n/a	9.3
2026: Annual average growth rate	5.8	5.1
2027: Annual average growth rate	3.2	3.6
2028: Annual average growth rate	2.3	1.8
2029: Annual average growth rate	2.0	1.3
2030: Annual average growth rate	2.1	n/a
5-year average	3.1	4.2
Inflation rate (%)		
2025: Annual average rate	n/a	2.1
2026: Annual average rate	2.0	1.9
2027: Annual average rate	1.9	1.8
2028: Annual average rate	1.9	1.9
2029: Annual average rate	2.0	1.8
2030: Annual average rate	2.0	n/a
5-year average	1.9	1.9

Notes on the financial statements

The following table describes the probabilities assigned in the consensus Upside scenario, consensus Downside scenario and Downside 2 scenario, the key macroeconomic variables for each scenario and the largest quarterly measure observed for each variable over the forecast period. The additional Downside scenario features a global recession and has been created to reflect management's view of severe risks.

Outer scenarios (less likely) - UAE

	2025		
	Consensus upside scenario	Consensus downside scenario	Downside 2 scenario
Probability (%)	10	10	5
GDP level (%) ¹	29.0 (4Q30)	0.4 (1Q26)	(5.7) (2Q27)
Oil price (US\$)	74.87 (4Q26)	40.71 (4Q26)	29.92 (2Q27)
House price index (%) ¹	22.2 (4Q30)	(3.4) (2Q26)	(30.5) (1Q28)
Inflation rate (%) ²	3.1 (2Q26)	0.5 (4Q26)	0.3 (4Q26)

	2024		
	10	10	5
Probability (%)	10	10	5
GDP level (%) ¹	28.9 (4Q29)	0.3 (1Q25)	(6.8) (2Q26)
Oil price (US\$)	68.5 (1Q27)	67.9 (4Q28)	51.8 (3Q26)
House price index (%) ¹	26.1 (4Q29)	(0.4) (1Q25)	(13.2) (2Q27)
Inflation rate (%) ²	0.6 (4Q25)	2.8 (1Q26)	3.7 (2Q25)

1 For consensus upside scenario, this is cumulative change to the highest level of the series during the 20-quarter projection, and for consensus downside and downside 2 scenarios, this is cumulative change to the lowest level of the series during the 20-quarter projection.

2 For consensus upside scenario, this is lowest projected year-on-year percentage change in inflation, and for consensus downside and downside 2 scenarios, this is highest projected year-on-year percentage change in inflation.

Economic scenarios sensitivity analysis of ECL estimates

The ECL outcome is sensitive to judgement and estimations made with regards to the formulation and incorporation of multiple forward looking economic conditions described above. As a result, management assessed and considered the sensitivity of the ECL outcome against the forward looking economic conditions as part of the ECL governance process by recalculating the ECL under each scenario described above for selected portfolios, applying a 100% weighting to each scenario in turn. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting ECL.

The economic scenarios are generated to capture the group's view of a range of possible forecast economic conditions that is sufficient for the calculation of unbiased and probability-weighted ECL. As a result, the ECL calculated for the upside and downside scenarios should not be taken to represent the upper and lower limits of possible actual ECL outcomes. There are a very wide range of possible combinations of inter-related economic factors that could influence actual credit loss outcomes, accordingly the range of estimates provided by attributing 100% weightings to scenarios are indicative of possible outcomes given the assumptions used. A wider range of possible ECL outcomes reflects uncertainty about the distribution of economic conditions and does not necessarily mean that credit risk on the associated loans is higher than for loans where the distribution of possible future economic conditions is narrower. The recalculated ECLs for each of the scenarios should be read in the context of the sensitivity analysis as a whole and in conjunction with the narrative disclosures.

How economic scenarios are reflected in the wholesale calculation of ECL

HSBC has developed a globally consistent methodology for the application of forward economic guidance into the calculation of ECL by incorporating these scenarios into the estimation of the term structure of probability of default ('PD'), loss given default ('LGD') and through the exposure at default ('EAD') for the UAE.

For PDs, we consider the correlation of forward economic guidance to default rates. For LGD calculations, we consider the correlation of forward economic guidance to loss amounts of defaulted customers. For EAD calculations, we consider the correlation of forward economic guidance to potential utilization.

For impaired loans, ECL estimates take into account independent recovery valuations provided by external consultants where available, or internal forecasts corresponding to anticipated economic conditions and individual company conditions. In estimating the ECL on impaired loans that are individually considered not to be significant, HSBC incorporates forward economic guidance proportionate to the probability-weighted outcome and the central scenario outcome for non-stage 3 populations.

IFRS 9 ECL sensitivity to future economic conditions^{1,2,3}

	UAE	
	2025 US\$m	2024 US\$m
Reported ECL	52	51
Gross carrying/nominal amount	62,827	58,909
Consensus central scenario	51	49
Consensus upside scenario	47	40
Consensus downside scenario	56	58
Downside 2 scenario	82	120

1 Excludes ECL and financial instruments relating to defaulted obligors because the measurement of ECL is relatively more sensitive to credit factors specific to the obligor than future economic scenarios.

2 Includes off-balance sheet financial instruments that are subject to significant measurement uncertainty.

3 Includes low credit-risk financial instruments such as debt instruments at FVOCI, which have high carrying amounts but low ECL under all the above scenarios.

Notes on the financial statements

How economic scenarios are reflected in the retail calculation of ECL

The group has adopted a globally consistent methodology for incorporating forecasts of economic conditions into ECL estimates. The impact of economic scenarios on PD is modelled at a portfolio level. Historical relationships between observed default rates and macro-economic variables are integrated into IFRS 9 ECL estimates by using economic response models. The impact of these scenarios on PD is modelled over a period aligned to the remaining maturity of underlying asset or assets.

For LGD, the impact is modelled for mortgage portfolios by forecasting future loan-to-value profiles for the remaining maturity of the asset, using national level house price index forecasts and applying the corresponding LGD expectation relative to the updated forecast collateral values.

IFRS 9 ECL sensitivity to future economic conditions^{1,2}

	UAE					
	Gross carrying amount	Reported ECL	Central scenario ECL	Upside scenario ECL	Downside scenario ECL	Downside 2 scenario ECL
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
At 31 Dec 2025						
Mortgages	2,306	6	6	6	6	7
Credit cards	591	39	39	38	40	46
Other	620	12	11	11	12	13
At 31 Dec 2024						
Mortgages	1,993	8	8	8	8	8
Credit cards	536	31	31	31	31	35
Other	688	17	17	17	17	19

1 ECL sensitivities exclude portfolios utilising less complex modelling approaches.

2 ECL sensitivity includes only on-balance sheet financial instruments to which IFRS 9 impairment requirements are applied.

Management judgemental adjustments

IFRS 9 management judgemental adjustments are typically short-term increases or decreases to the modelled allowance for ECL at a customer or portfolio level to account for late breaking events, model deficiencies and expert credit judgement applied following management review and challenge. Management judgements were applied to reflect credit risk dynamics not captured by our models. The drivers of the management judgemental adjustments reflect the changing economic outlook and evolving risks. Where the macroeconomic and portfolio risk outlook continues to improve, supported by low level of observed defaults, adjustments initially taken to reflect increased risk expectation can be retired or reduced.

At 31 December 2025, there is a management adjustment overlay in the wholesale portfolio of US\$30m (2024: US\$27m) and there is an overlay in the retail portfolio of US\$11m (2024: overlay of US\$9m).

Credit exposure

Maximum exposure to credit risk

The group's exposure to credit risk is spread across a broad range of asset classes, including derivatives, trading assets, loans and advances to customers, loans and advances to banks, and financial investments.

The following table presents the group's maximum exposure to credit risk from on balance sheet and off-balance sheet financial instruments before taking account of any collateral held or other credit enhancements (unless such enhancements meet accounting offsetting requirements). The table excludes trading assets and financial assets designated and otherwise mandatorily measured at fair value through profit or loss, as their carrying amount best represents the net exposure to credit risk. For financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount; for financial guarantees and similar contracts granted, it is the maximum amount that we would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments, it is generally the full amount of the committed facilities.

The offset in the table relates to amounts where there is a legally enforceable right of offset in the event of counterparty default and where, as a result, there is a net exposure for credit risk purposes. However, as there is no intention to settle these balances on a net basis under normal circumstances, they do not qualify for net presentation for accounting purposes.

No offset has been applied to off-balance sheet collateral. In the case of derivatives, the offset column also includes collateral received in cash and other financial assets.

Maximum exposure to credit risk

	2025			2024		
	Maximum exposure US\$000	Offset US\$000	Net US\$000	Maximum exposure US\$000	Offset US\$000	Net US\$000
Loans and advances to customers held at amortised cost	22,618,419	(80,782)	22,537,637	20,440,155	(75,144)	20,365,011
Loans and advances to banks held at amortised cost	11,286,279	—	11,286,279	11,682,290	—	11,682,290
Other financial assets measured at amortised costs	18,065,901	(194,215)	17,871,686	14,580,934	(739,784)	13,841,150
– cash and balances at central banks	1,062,245	—	1,062,245	646,989	—	646,989
– reverse repurchase agreements – non-trading	9,197,094	(194,215)	9,002,879	7,878,210	(739,784)	7,138,426
– financial investments	6,356,846	—	6,356,846	4,664,852	—	4,664,852
– prepayments, accrued income and other assets	1,449,716	—	1,449,716	1,390,883	—	1,390,883
Derivatives	911,921	(817,393)	94,528	952,893	(788,228)	164,665
Total on-balance sheet	52,882,520	(1,092,390)	51,790,130	47,656,272	(1,603,156)	46,053,116
– financial guarantees and similar contracts	19,498,558	—	19,498,558	19,072,721	—	19,072,721
– loan and other credit-related commitments	25,953,606	—	25,953,606	24,119,736	—	24,119,736
Total off-balance sheet	45,452,164	—	45,452,164	43,192,457	—	43,192,457

Reconciliation of changes in gross carrying/nominal amount and allowances

The following disclosure provides a reconciliation by stage of the group's gross carrying/nominal amount and allowances for loans and advances to banks and customers, including loan commitments and financial guarantees. Movements are calculated on a quarterly basis and therefore fully capture stage movements between quarters. If movements were calculated on a year-to-date basis they would only reflect the opening and closing position of the financial instrument. The transfers of financial instruments represents the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL.

The net remeasurement of ECL arising from stage transfers represents the increase or decrease due to these transfers, for example, moving from a 12-month (stage 1) to a lifetime (stage 2) ECL measurement basis. Net remeasurement excludes the underlying CRR/PD movements of the financial instruments from stage transfers. This is captured, along with other credit quality movements in the 'Changes to risk parameters-further lending/repayments (including changes in credit quality and model used)' line item. This line also includes changes due to volume movements within the group's lending portfolio.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees at 31 December 2025

	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI			
	Gross carrying/nominal amount US\$000	Allowance for ECL US\$000								
At 1 Jan 2025	43,867,660	(40,418)	1,444,577	(37,100)	923,900	(502,365)	3,587	(968)	46,239,724	(580,851)
Transfers of financial instruments:	(981,636)	(10,044)	365,058	24,803	616,578	(14,759)	–	–	–	–
– Transfers from Stage 1 to Stage 2	(2,130,683)	3,643	2,130,683	(3,643)	–	–	–	–	–	–
– Transfers from Stage 2 to Stage 1	1,149,047	(13,687)	(1,149,047)	13,687	–	–	–	–	–	–
– Transfers to Stage 3	–	–	(630,848)	22,091	630,848	(22,091)	–	–	–	–
– Transfers from Stage 3	–	–	14,270	(7,332)	(14,270)	7,332	–	–	–	–
Net remeasurement of ECL arising from transfer of stage	–	7,150	–	(8,241)	–	(369)	–	–	–	(1,460)
New financial assets originated or purchased	10,175,520	(11,904)	–	–	–	–	–	–	10,175,520	(11,904)
Asset derecognised (including final repayments)	(8,337,713)	7,758	(209,278)	10,157	(114,922)	47,652	–	–	(8,661,913)	65,567
Changes to risk parameters – further lending/repayments (including changes in credit quality and model used)	235,118	6,064	133,986	(45,855)	(11,721)	(274,923)	1,430	(3,664)	358,813	(318,378)
Assets written off	–	–	–	–	(92,336)	92,336	–	–	(92,336)	92,336
Foreign exchange	22,265	7	3,197	(18)	222	(95)	–	–	25,684	(106)
Others	(169,851)	1,759	(5,155)	(33)	(3,497)	(17,244)	–	–	(178,503)	(15,518)
At 31 Dec 2025	44,811,363	(39,628)	1,732,385	(56,287)	1,318,224	(669,767)	5,017	(4,632)	47,866,989	(770,314)
ECL (charge)/release for the period		9,068		(43,939)		(227,640)		(3,664)		(266,175)
Recoveries	–	–	–	–	–	20,702	–	–	–	20,702
Others	–	–	–	–	–	–	–	–	–	–
Total ECL (charge)/release for the period	–	9,068	–	(43,939)	–	(206,938)	–	(3,664)	–	(245,473)

	At 31 Dec 2025		Twelve months ended 31 Dec 2025
	Gross carrying/nominal amount US\$000	Allowance for ECL US\$000	ECL and other credit charges US\$000
As above	47,866,989	(770,314)	(245,473)
Other financial assets measured at amortised cost	17,976,907	(5,117)	(2,426)
Performance and other guarantees not considered for IFRS 9	–	–	62,823
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/Summary consolidated income statement	65,843,896	(775,431)	(185,076)
Debt instruments measured at FVOCI	7,993,642	(2,254)	(739)
Change in expected credit losses and other credit impairment charges	–	(777,685)	(185,815)

Notes on the financial statements

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2025 and that are still subject to enforcement activity is US\$266m.

As shown in the previous table, the allowance for ECL for loans and advances to customers and banks and relevant loan commitments and financial guarantees increased by US\$189m during the year from US\$581m at 31 December 2024 to US\$770m at 31 December 2025.

This increase was primarily driven by:

- US\$318m relating to changes in risk parameters; and
- US\$12m relating to new financial assets originated or purchased.

These were partly offset by:

- US\$92m of assets written off; and
- US\$66m due to assets derecognised.

The ECL charge of US\$266m for the period presented in the previous table consist of US\$318m charge relating to underlying credit quality changes, including the credit quality impact of financial instruments transferring between stages.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees at 31 December 2024 (continued)

	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying/nominal amount	Allowance for ECL								
	US\$000	US\$000								
At 1 Jan 2024	36,230,072	(41,910)	2,325,384	(43,718)	998,160	(610,869)	3,030	(1,542)	39,556,646	(698,039)
Transfers of financial instruments:	(988,970)	(15,541)	755,281	44,810	233,689	(29,269)	—	—	—	—
– Transfers from Stage 1 to Stage 2	(2,641,545)	4,469	2,641,545	(4,469)	—	—	—	—	—	—
– Transfers from Stage 2 to Stage 1	1,652,575	(20,010)	(1,652,575)	20,010	—	—	—	—	—	—
– Transfers to Stage 3	—	—	(245,553)	31,924	245,553	(31,924)	—	—	—	—
– Transfers from Stage 3	—	—	11,864	(2,655)	(11,864)	2,655	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	4,917	—	(4,974)	—	(111)	—	—	—	(168)
New financial assets originated or purchased	11,178,466	(16,609)	—	—	—	—	—	—	11,178,466	(16,609)
Asset derecognised (including final repayments)	(8,160,187)	6,657	(258,254)	7,917	(77,508)	43,100	—	—	(8,495,949)	57,674
Changes to risk parameters – further lending/repayments (including changes in credit quality)	5,620,814	21,930	(1,377,452)	(41,057)	(53,144)	(69,292)	557	574	4,190,775	(87,845)
Assets written off	—	—	—	—	(177,094)	177,094	—	—	(177,094)	177,094
Foreign exchange	(12,535)	9	(382)	9	(203)	78	—	—	(13,120)	96
Others	—	129	—	(87)	—	(13,096)	—	—	—	(13,054)
At 31 Dec 2024	43,867,660	(40,418)	1,444,577	(37,100)	923,900	(502,365)	3,587	(968)	46,239,724	(580,851)
ECL (charge)/release for the period	—	16,895	—	(38,114)	—	(26,303)	—	574	—	(46,948)
Recoveries	—	—	—	—	—	14,036	—	—	—	14,036
Others	—	—	—	—	—	—	—	—	—	—
Total ECL (charge)/release for the period	—	16,895	—	(38,114)	—	(12,267)	—	574	—	(32,912)

	At 31 Dec 2024		Twelve months ended 31 Dec 2024
	Gross carrying/nominal amount	Allowance for ECL	ECL and other credit charges
	US\$000	US\$000	US\$000
As above	46,239,724	(580,851)	(32,912)
Other financial assets measured at amortised cost	14,505,155	(2,153)	2,279
Performance and other guarantees not considered for IFRS 9	—	—	(168,876)
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/Summary consolidated income statement	60,744,879	(583,004)	(199,509)
Debt instruments measured at FVOCI	6,881,464	(1,483)	1,741
Change in expected credit losses and other credit impairment charges	—	(584,487)	(197,768)

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2024 and that are still subject to enforcement activity is US\$137m.

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Wholesale lending – Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees at 31 December 2025

	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI			
	Gross carrying/nominal amount US\$000	Allowance for ECL US\$000								
At 1 Jan 2025	37,738,677	(25,673)	1,279,468	(9,622)	883,661	(472,377)	3,587	(968)	39,905,393	(508,640)
Transfers of financial instruments	(923,436)	(3,657)	379,371	4,831	544,065	(1,174)	–	–	–	–
– Transfers from Stage 1 to Stage 2	(1,913,415)	2,230	1,913,415	(2,230)	–	–	–	–	–	–
– Transfers from Stage 2 to Stage 1	989,979	(5,887)	(989,979)	5,887	–	–	–	–	–	–
– Transfers to Stage 3	–	–	(544,065)	1,174	544,065	(1,174)	–	–	–	–
– Transfers from Stage 3	–	–	–	–	–	–	–	–	–	–
Net remeasurement of ECL arising from transfer of stage	–	4,464	–	(5,069)	–	(20)	–	–	–	(625)
New financial assets originated or purchased	7,126,733	(4,134)	–	–	–	–	–	–	7,126,733	(4,134)
Asset derecognised (including final repayments)	(6,336,372)	455	(128,801)	98	(39,134)	2,227	–	–	(6,504,307)	2,780
Changes to risk parameters- further lending/repayments (including changes in credit quality)	582,529	11,667	55,117	(25,265)	(68,560)	(202,749)	1,430	(3,664)	570,516	(220,011)
Assets written off	–	–	–	–	(49,190)	49,190	–	–	(49,190)	49,190
Foreign exchange	21,309	10	3,172	(14)	213	(90)	–	–	24,694	(94)
Others	–	(4,649)	–	(69)	–	(16,307)	–	–	–	(21,025)
At 31 Dec 2025	38,209,440	(21,517)	1,588,327	(35,110)	1,271,055	(641,300)	5,017	(4,632)	41,073,839	(702,559)
ECL (charge)/release for the period	–	12,452	–	(30,236)	–	(200,542)	–	(3,664)	–	(221,990)
Recoveries	–	–	–	–	–	8,042	–	–	–	8,042
Others	–	–	–	–	–	–	–	–	–	–
Total ECL (charge)/release for the period	–	12,452	–	(30,236)	–	(192,500)	–	(3,664)	–	(213,948)

Notes on the financial statements

Wholesale lending – Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees at 31 December 2024

	Non-credit impaired Credit impaired									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying/nominal amount US\$000	Allowance for ECL US\$000								
At 1 Jan 2024	30,917,916	(22,601)	1,921,478	(13,028)	950,297	(574,287)	3,030	(1,542)	33,792,721	(611,458)
Transfers of financial instruments:	(1,154,343)	(10,726)	981,018	19,773	173,325	(9,047)	—	—	—	—
– Transfers from Stage 1 to Stage 2	(2,452,698)	1,976	2,452,698	(1,976)	—	—	—	—	—	—
– Transfers from Stage 2 to Stage 1	1,298,355	(12,702)	(1,298,355)	12,702	—	—	—	—	—	—
– Transfers to Stage 3	—	—	(173,340)	9,047	173,340	(9,047)	—	—	—	—
– Transfers from Stage 3	—	—	15	—	(15)	—	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	3,169	—	(2,706)	—	—	—	—	—	463
New financial assets originated or purchased	8,676,699	(7,321)	—	—	—	—	—	—	8,676,699	(7,321)
Asset derecognised (including final repayments)	(6,651,934)	772	(153,270)	106	(18,808)	9,898	—	—	(6,824,012)	10,776
Changes to risk parameters – further lending/repayments (including changes in credit quality)	5,962,254	10,913	(1,469,403)	(13,685)	(97,595)	(10,053)	557	574	4,395,813	(12,251)
Assets written off	—	—	—	—	(123,361)	123,361	—	—	(123,361)	123,361
Foreign exchange	(11,915)	7	(355)	5	(197)	74	—	—	(12,467)	86
Others	—	114	—	(87)	—	(12,323)	—	—	—	(12,296)
At 31 Dec 2024	37,738,677	(25,673)	1,279,468	(9,622)	883,661	(472,377)	3,587	(968)	39,905,393	(508,640)
ECL (charge)/release for the period	—	7,533	—	(16,285)	—	(155)	—	574	—	(8,333)
Recoveries	—	—	—	—	—	1,532	—	—	—	1,532
Others	—	—	—	—	—	—	—	—	—	—
Total ECL (charge)/release for the period	—	7,533	—	(16,285)	—	1,377	—	574	—	(6,801)

Personal lending – Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees at 31 December 2025

	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		Total			
	Gross carrying/nominal amount US\$000	Allowance for ECL US\$000								
At 1 Jan 2025	6,128,983	(14,745)	165,109	(27,478)	40,239	(29,988)	6,334,331	(72,211)		
Transfers of financial instruments:	(58,200)	(6,387)	(14,313)	19,972	72,513	(13,585)	—	—		
– Transfers from Stage 1 to Stage 2	(217,268)	1,413	217,268	(1,413)	—	—	—	—		
– Transfers from Stage 2 to Stage 1	159,068	(7,800)	(159,068)	7,800	—	—	—	—		
– Transfers to Stage 3	—	—	(86,783)	20,917	86,783	(20,917)	—	—		
– Transfers from Stage 3	—	—	14,270	(7,332)	(14,270)	7,332	—	—		
Net remeasurement of ECL arising from transfer of stage	—	2,686	—	(3,172)	—	(349)	—	(835)		
New financial assets originated or purchased	3,048,787	(7,770)	—	—	—	—	3,048,787	(7,770)		
Asset derecognised (including final repayments)	(2,001,341)	7,303	(80,477)	10,059	(75,788)	45,425	(2,157,606)	62,787		
Changes to risk parameters – further lending/repayments (including changes in credit quality and model used)	(347,411)	(5,603)	78,869	(20,590)	56,839	(72,174)	(211,703)	(98,367)		
Assets written off	—	—	—	—	(43,146)	43,146	(43,146)	43,146		
Foreign exchange	956	(3)	25	(4)	9	(5)	990	(12)		
Others	(169,851)	6,408	(5,155)	36	(3,497)	(937)	(178,503)	5,507		
At 31 Dec 2025	6,601,923	(18,111)	144,058	(21,177)	47,169	(28,467)	6,793,150	(67,755)		
ECL (charge)/release for the period	—	(3,384)	—	(13,703)	—	(27,098)	—	(44,185)		
Recoveries	—	—	—	—	—	12,660	—	12,660		
Others	—	—	—	—	—	—	—	—		
Total ECL (charge)/release for the period	—	(3,384)	—	(13,703)	—	(14,438)	—	(31,525)		

Notes on the financial statements

Personal lending – Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees at 31 December 2024 (continued)

	Non-credit impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3			
	Gross carrying/nominal amount US\$000	Allowance for ECL US\$000						
At 1 Jan 2024	5,312,156	(19,309)	403,906	(30,690)	47,863	(36,582)	5,763,925	(86,581)
Transfers of financial instruments:	165,373	(4,815)	(225,737)	25,037	60,364	(20,222)	—	—
– Transfers from Stage 1 to Stage 2	(188,847)	2,493	188,847	(2,493)	—	—	—	—
– Transfers from Stage 2 to Stage 1	354,220	(7,308)	(354,220)	7,308	—	—	—	—
– Transfers to Stage 3	—	—	(72,213)	22,877	72,213	(22,877)	—	—
– Transfers from Stage 3	—	—	11,849	(2,655)	(11,849)	2,655	—	—
Net remeasurement of ECL arising from transfer of stage	—	1,748	—	(2,268)	—	(111)	—	(631)
New financial assets originated or purchased	2,501,767	(9,288)	—	—	—	—	2,501,767	(9,288)
Asset derecognised (including final repayments)	(1,508,253)	5,885	(104,984)	7,811	(58,700)	33,202	(1,671,937)	46,898
Changes to risk parameters – further lending/repayments (including changes in credit quality)	(341,440)	11,017	91,951	(27,372)	44,451	(59,239)	(205,038)	(75,594)
Assets written off	—	—	—	—	(53,733)	53,733	(53,733)	53,733
Foreign exchange	(620)	2	(27)	4	(6)	4	(653)	10
Others	—	15	—	—	—	(773)	—	(758)
At 31 Dec 2024	6,128,983	(14,745)	165,109	(27,478)	40,239	(29,988)	6,334,331	(72,211)
ECL release/(charge) for the period	—	9,362	—	(21,829)	—	(26,148)	—	(38,615)
Recoveries	—	—	—	—	—	12,504	—	12,504
Others	—	—	—	—	—	—	—	—
Total ECL (charge)/release for the period	—	9,362	—	(21,829)	—	(13,644)	—	(26,111)

Credit quality of financial instruments

The group assesses the credit quality of all financial instruments that are subject to credit risk. The credit quality of financial instruments is a point-in-time assessment of PD, whereas stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition. Accordingly, for non-credit-impaired financial instruments, there is no direct relationship between the credit quality assessment and stages 1 and 2, although typically the lower credit quality bands exhibit a higher proportion in stage 2.

The five credit quality classifications defined below each encompass a range of granular internal credit rating grades assigned to wholesale and personal lending businesses and the external ratings attributed by external agencies to debt securities.

Credit quality classification

Quality classification	Debt securities and other bills	Wholesale lending	Retail lending	12 month
	External credit rating	Internal credit rating	Internal credit rating ²	probability-weighted PD %
Strong	A– and above	CRR ¹ 1 to CRR2	Band 1 and 2	0.000–0.500
Good	BBB+ to BBB–	CRR3	Band 3	0.501–1.500
Satisfactory	BB+ to B and unrated	CRR4 to CRR5	Band 4 and 5	1.501–20.000
Sub-standard	B– to C	CRR6 to CRR8	Band 6	20.001–99.999
Impaired	Default	CRR9 to CRR10	Band 7	100

1 Customer risk rating.

2 12-month point-in-time probability weighted probability of default ('PD').

Quality classification definitions

- 'Strong' exposures demonstrate a strong capacity to meet financial commitments, with negligible or low PD and/or low levels of expected loss.
- 'Good' exposures require closer monitoring and demonstrate a good capacity to meet financial commitments, with low default risk.
- 'Satisfactory' exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.
- 'Sub-standard' exposures require varying degrees of special attention and default risk is of greater concern.
- 'Impaired' exposures have been assessed as impaired. These also include retail accounts classified as Band 1 to Band 6 that are delinquent by more than 90 days, unless individually they have been assessed as not impaired; and renegotiated loans that have met the requirements to be disclosed as impaired and have not yet met the criteria to be returned to the unimpaired portfolio.

Notes on the financial statements

Risk rating scales

The CRR 10-grade scale summarises a more granular underlying 23-grade scale of obligor PD. All the group customers are rated using the 10- or 23-grade scale, depending on the degree of sophistication of the Basel approach adopted for the exposure.

Retail lending credit quality is disclosed based on a 12-month point-in-time probability weighted PD.

For debt securities and certain other financial instruments, external ratings have been aligned to the five quality classifications. The ratings of Standard and Poor's are cited, with those of other agencies being treated equivalently. Debt securities with short-term issue ratings are reported against the long-term rating of the issuer of those securities. If major rating agencies have different ratings for the same debt securities, a prudent rating selection is made in line with regulatory requirements.

Distribution of financial instruments by credit quality at 31 December 2025

	Gross carrying/notional amount						Allowance for ECL	Net
	Strong	Good	Satisfactory	Sub-Standard	Credit impaired	Total		
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
In-scope for IFRS 9								
Loans and advances to customers held at amortised cost	12,044,795	3,977,549	5,734,538	321,293	1,293,580	23,371,755	(753,336)	22,618,419
Loans and advances to banks held at amortised cost	9,909,219	416,357	960,909	7	—	11,286,492	(213)	11,286,279
Cash and balances at central banks	989,185	72,496	565	—	—	1,062,246	(1)	1,062,245
Reverse repurchase agreements – non-trading	7,598,252	164,781	1,434,061	—	—	9,197,094	—	9,197,094
Prepayments, accrued income and other assets	317,405	344,383	684,371	10,277	3,197	1,359,633	(4,028)	1,355,605
– endorsements and acceptances	131,666	258,482	240,054	10,277	2,667	643,146	(3,241)	639,905
– accrued income and other	185,739	85,901	444,317	—	530	716,487	(787)	715,700
Financial investments at amortised cost	3,394,130	—	2,963,804	—	—	6,357,934	(1,088)	6,356,846
Debt instruments measured at fair value through other comprehensive income ¹	5,927,745	—	2,040,582	—	—	7,968,327	(2,254)	7,966,073
Out-of-scope for IFRS 9								
Trading assets	1,364,051	533,971	660,374	18,211	624	2,577,231	—	2,577,231
Other financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	—	52,423	—	—	52,423	—	52,423
Derivatives	853,381	7,589	50,560	391	—	911,921	—	911,921
Total gross carrying amount on balance sheet	42,398,163	5,517,126	14,582,187	350,179	1,297,401	64,145,056	(760,920)	63,384,136
Percentage of total credit quality	66%	9%	23%	1%	2%	100%		—
Loan and other credit related commitments	7,333,713	2,129,256	2,494,039	16,930	11,801	11,985,739	(8,332)	11,977,407
Financial guarantees	1,204,615	135,138	248,036	8,950	17,860	1,614,599	(8,433)	1,606,166
Total nominal amount off balance sheet	8,538,328	2,264,394	2,742,075	25,880	29,661	13,600,338	(16,765)	13,583,573
At 31 Dec 2025	50,936,491	7,781,520	17,324,262	376,059	1,327,062	77,745,394	(777,685)	76,967,709

¹ For the purposes of this disclosure, gross carrying value is defined as the amortised cost of a financial asset before adjusting for any loss allowance. As such, the gross carrying value of debt instruments at FVOCI as presented above will not reconcile to the balance sheet as it excludes fair value gains and losses.

Notes on the financial statements

Distribution of financial instruments by credit quality at 31 December 2024

	Gross carrying/notional amount						Allowance for ECL US\$000	Net US\$000
	Strong US\$000	Good US\$000	Satisfactory US\$000	Sub- standard US\$000	Credit impaired US\$000	Total US\$000		
In-scope for IFRS 9								
Loans and advances to customers held at amortised cost	9,045,332	5,017,397	5,756,621	292,007	891,206	21,002,563	(562,408)	20,440,155
Loans and advances to banks held at amortised cost	9,795,170	164,382	1,724,038	217	—	11,683,807	(1,517)	11,682,290
Cash and balances at central banks	569,900	74,840	2,273	—	—	647,013	(24)	646,989
Reverse repurchase agreements – non-trading	7,100,230	96,673	681,307	—	—	7,878,210	—	7,878,210
Prepayments, accrued income and other assets	180,797	360,357	751,334	20,417	1,111	1,314,016	(1,065)	1,312,951
– endorsements and acceptances	90,626	295,126	327,929	20,417	1,104	735,202	(742)	734,460
– accrued income and other	90,171	65,231	423,405	—	7	578,814	(323)	578,491
Financial investments at amortised cost	3,006,379	—	1,659,537	—	—	4,665,916	(1,064)	4,664,852
Debt instruments measured at fair value through other comprehensive income	5,083,251	—	1,821,367	—	—	6,904,618	(1,483)	6,903,135
Out-of-scope for IFRS 9								
Trading assets	1,222,458	196,709	482,237	19,899	1,796	1,923,099	—	1,923,099
Other financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	5,487	5,042	—	—	10,529	—	10,529
Derivatives	915,006	15,130	22,325	434	—	952,895	—	952,895
Total gross carrying amount on balance sheet	36,918,523	5,930,975	12,906,081	332,974	894,113	56,982,666	(567,561)	56,415,105
Percentage of total credit quality	65%	10%	23%	1%	2%	100%		
Loan and other credit related commitments	6,719,394	2,290,203	2,276,389	12,823	26,716	11,325,525	(14,503)	11,311,022
Financial guarantees	1,783,368	204,936	220,047	9,913	9,565	2,227,829	(2,423)	2,225,406
Total nominal amount off balance sheet	8,502,762	2,495,139	2,496,436	22,736	36,281	13,553,354	(16,926)	13,536,428
At 31 Dec 2024	45,421,285	8,426,114	15,402,517	355,710	930,394	70,536,020	(584,487)	69,951,533

Notes on the financial statements

Distribution of financial instruments to which the impairment requirements in IFRS 9 are applied, by credit quality and stage allocation at 31 December 2025

	Gross carrying/notional amount						Allowance for ECL US\$000	Net US\$000
	Strong US\$000	Good US\$000	Satisfactory US\$000	Sub- standard US\$000	Credit impaired US\$000	Total US\$000		
Gross carrying amount on balance sheet	40,180,731	4,975,566	13,818,830	331,577	1,296,777	60,603,481	(760,920)	59,842,561
Loans and advances to customers held at amortised cost	12,044,795	3,977,549	5,734,538	321,293	1,293,580	23,371,755	(753,336)	22,618,419
– stage 1	11,767,974	3,740,919	5,201,553	68,382	–	20,778,828	(36,508)	20,742,320
– stage 2	276,821	236,630	532,985	252,911	–	1,299,347	(54,032)	1,245,315
– stage 3	–	–	–	–	1,288,563	1,288,563	(658,164)	630,399
– POCI	–	–	–	–	5,017	5,017	(4,632)	385
Loans and advances to banks held at amortised cost	9,909,219	416,357	960,909	7	–	11,286,492	(213)	11,286,279
– stage 1	9,902,959	416,357	960,909	–	–	11,280,225	(211)	11,280,014
– stage 2	6,260	–	–	7	–	6,267	(2)	6,265
– stage 3	–	–	–	–	–	–	–	–
– POCI	–	–	–	–	–	–	–	–
Other financial assets measured at amortised costs	12,298,972	581,660	5,082,801	10,277	3,197	17,976,907	(5,117)	17,971,790
– stage 1	12,298,944	579,759	5,067,067	2,518	–	17,948,288	(2,892)	17,945,396
– stage 2	28	1,901	15,734	7,759	–	25,422	(461)	24,961
– stage 3	–	–	–	–	3,197	3,197	(1,764)	1,433
– POCI	–	–	–	–	–	–	–	–
Debt instruments measured at fair value through other comprehensive income ¹	5,927,745	–	2,040,582	–	–	7,968,327	(2,254)	7,966,073
– stage 1	5,927,745	–	2,040,582	–	–	7,968,327	(2,254)	7,966,073
– stage 2	–	–	–	–	–	–	–	–
– stage 3	–	–	–	–	–	–	–	–
– POCI	–	–	–	–	–	–	–	–
Nominal amount off balance sheet	8,538,328	2,264,394	2,742,075	25,880	29,661	13,600,338	(16,765)	13,583,573
Loan and other credit-related commitments	7,333,713	2,129,256	2,494,039	16,930	11,801	11,985,739	(8,332)	11,977,407
– stage 1	7,273,467	2,054,485	2,267,480	394	–	11,595,826	(2,065)	11,593,761
– stage 2	60,246	74,771	226,559	16,536	–	378,112	(1,926)	376,186
– stage 3	–	–	–	–	11,801	11,801	(4,341)	7,460
– POCI	–	–	–	–	–	–	–	–
Financial guarantees	1,204,615	135,138	248,036	8,950	17,860	1,614,599	(8,433)	1,606,166
– stage 1	1,204,615	127,846	215,379	240	–	1,548,080	(844)	1,547,236
– stage 2	–	7,292	32,657	8,710	–	48,659	(327)	48,332
– stage 3	–	–	–	–	17,860	17,860	(7,262)	10,598
– POCI	–	–	–	–	–	–	–	–
At 31 Dec 2025	48,719,059	7,239,960	16,560,905	357,457	1,326,438	74,203,819	(777,685)	73,426,134

¹ For the purposes of this disclosure, gross carrying value is defined as the amortised cost of a financial asset before adjusting for any loss allowance. As such, the gross carrying value of debt instruments at FVOCI as presented above will not reconcile to the balance sheet as it excludes fair value gains and losses.

Notes on the financial statements

Distribution of financial instruments to which the impairment requirements in IFRS 9 are applied, by credit quality and stage allocation at 31 December 2024 (continued)

	Gross carrying/notional amount						Allowance for ECL US\$000	Net US\$000
	Strong US\$000	Good US\$000	Satisfactory US\$000	Sub- standard US\$000	Credit impaired US\$000	Total US\$000		
Gross carrying amount on balance sheet	34,781,059	5,713,649	12,396,477	312,641	892,317	54,096,143	(567,561)	53,528,582
Loans and advances to customers held at amortised cost	9,045,332	5,017,397	5,756,621	292,007	891,206	21,002,563	(562,408)	20,440,155
– stage 1	9,015,024	4,724,024	5,301,090	14,265	—	19,054,403	(33,324)	19,021,079
– stage 2	30,308	293,373	455,531	277,742	—	1,056,954	(35,618)	1,021,336
– stage 3	—	—	—	—	887,619	887,619	(492,498)	395,121
– POCI	—	—	—	—	3,587	3,587	(968)	2,619
Loans and advances to banks held at amortised cost	9,795,170	164,382	1,724,038	217	—	11,683,807	(1,517)	11,682,290
– stage 1	9,795,153	159,997	1,676,918	—	—	11,632,068	(1,343)	11,630,725
– stage 2	17	4,385	47,120	217	—	51,739	(174)	51,565
– stage 3	—	—	—	—	—	—	—	—
– POCI	—	—	—	—	—	—	—	—
Other financial assets measured at amortised costs	10,857,306	531,870	3,094,451	20,417	1,111	14,505,155	(2,153)	14,503,002
– stage 1	10,857,281	531,521	3,059,336	3,535	—	14,451,673	(1,836)	14,449,837
– stage 2	25	349	35,115	16,882	—	52,371	(209)	52,162
– stage 3	—	—	—	—	1,111	1,111	(108)	1,003
– POCI	—	—	—	—	—	—	—	—
Debt instruments measured at fair value through other comprehensive income	5,083,251	—	1,821,367	—	—	6,904,618	(1,483)	6,903,135
– stage 1	5,083,251	—	1,821,367	—	—	6,904,618	(1,483)	6,903,135
– stage 2	—	—	—	—	—	—	—	—
– stage 3	—	—	—	—	—	—	—	—
– POCI	—	—	—	—	—	—	—	—
Nominal amount off balance sheet	8,502,762	2,495,139	2,496,436	22,736	36,281	13,553,354	(16,926)	13,536,428
Loan and other credit-related commitments	6,719,394	2,290,203	2,276,389	12,823	26,716	11,325,525	(14,503)	11,311,022
– stage 1	6,682,640	2,250,870	2,064,210	3,456	—	11,001,176	(5,546)	10,995,630
– stage 2	36,754	39,333	212,179	9,367	—	297,633	(933)	296,640
– stage 3	—	—	—	—	26,716	26,716	(7,964)	18,752
– POCI	—	—	—	—	—	—	—	—
Financial guarantees	1,783,368	204,936	220,047	9,913	9,565	2,227,829	(2,423)	2,225,406
– stage 1	1,783,354	203,711	192,595	353	—	2,180,013	(205)	2,179,808
– stage 2	14	1,225	27,452	9,560	—	38,251	(315)	37,936
– stage 3	—	—	—	—	9,565	9,565	(1,903)	7,662
– POCI	—	—	—	—	—	—	—	—
At 31 Dec 2024	43,283,821	8,208,788	14,892,913	335,377	928,598	67,649,497	(584,487)	67,065,010

Notes on the financial statements

Past due but not impaired gross financial instruments

Past due but not impaired gross financial instruments are those loans where, although customers have failed to make payments in accordance with the contractual terms of their facilities, they have not met the impaired loan criteria. This is typically when a loan is less than 90 days past due and there are no other indicators of impairment.

Exposures past due but not impaired also include individually assessed mortgages that are in arrears more than 90 days, but there are no other indicators of impairment and the value of collateral is sufficient to repay both the principal debt and all potential interest for at least one year or short-term trade facilities past due more than 90 days for technical reasons such as delays in documentation but there is no concern over the creditworthiness of the counterparty.

The following table provides an analysis of gross loans and advances to customers held at amortised cost which are past due but not considered impaired. There are no other significant balance sheet items where past due balances are not considered impaired.

Stage 2 days past due analysis

	Gross carrying amount			Allowance for ECL			ECL coverage %		
	Stage 2	1 to 29 DPD	30 and > DPD	Stage 2	1 to 29 DPD	30 and > DPD	Stage 2	1 to 29 DPD	30 and > DPD
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	%	%	%
Loans and advances to customers held at amortised cost	1,299,347	38,856	13,310	(54,032)	(3,520)	(4,178)	(4.2)	(9.1)	(31.4)
– personal	134,273	8,273	9,517	(23,030)	(2,963)	(4,138)	(17.2)	(35.8)	(43.5)
– corporate and commercial	1,140,124	30,583	3,792	(30,979)	(557)	(40)	(2.7)	(1.8)	(1.1)
– non-bank financial institutions	24,950	—	1	(23)	—	—	(0.1)	—	—
Loans and advances to banks at amortised cost	6,267	—	—	(2)	—	—	—	—	—
Other financial assets measured at amortised cost	25,422	—	100	(461)	—	—	(1.8)	—	—
At 31 Dec 2025	1,331,036	38,856	13,410	(54,495)	(3,520)	(4,178)	(4.1)	(9.1)	(31.2)
Loans and advances to customers held at amortised cost	1,056,954	15,528	26,184	(35,618)	(3,638)	(6,410)	(3.4)	(23.4)	(24.5)
– personal	158,301	10,839	13,913	(29,335)	(3,629)	(6,355)	(18.5)	(33.5)	(45.7)
– corporate and commercial	898,647	4,689	12,265	(6,283)	(9)	(55)	(0.7)	(0.2)	(0.4)
– non-bank financial institutions	6	—	6	—	—	—	—	—	—
Loans and advances to banks at amortised cost	51,739	—	—	(174)	—	—	(0.3)	—	—
Other financial assets measured at amortised cost	52,371	1,479	3,618	(209)	—	(10)	(0.4)	—	(0.3)
At 31 Dec 2024	1,161,064	17,007	29,802	(36,001)	(3,638)	(6,420)	(3.1)	(21.4)	(21.5)

Credit-impaired loans

We determine that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay, such as when a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the loan is otherwise considered to be in default. If such unlikelihood to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

Forborne loans and advances

Forbearance measures consist of concessions towards an obligor that is experiencing or about to experience difficulties in meeting its financial commitments.

We continue to class loans as forborne when we modify the contractual payment terms due to having significant concerns about the borrowers' ability to meet contractual payments when they were due.

Credit quality of forborne loans

For wholesale lending, where payment-related forbearance measures result in a diminished financial obligation, or if there are other indicators of impairment, the loan will be classified as credit impaired if it is not already so classified. All facilities with a customer, including loans that have not been modified, are considered credit impaired following the identification of a payment-related forborne loan.

For retail lending, where a material payment-related concession has been granted, the loan will be classified as credit impaired. In isolation, non-payment forbearance measures may not result in the loan being classified as credit impaired unless combined with other indicators of credit impairment. These are classed as performing forborne loans for both wholesale and retail lending.

Wholesale and retail lending forborne loans are classified as credit impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, observed over a minimum one-year period, and there are no other indicators of impairment. Any forborne loans not considered credit impaired will remain forborne for a minimum of two years from the date that credit impairment no longer applies. For wholesale and retail lending, any forbearance measures granted on a loan already classed as forborne results in the customer being classed as credit impaired.

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Forborne loans and recognition of expected credit losses

Forborne loans expected credit loss assessments reflect the higher rates of losses typically experienced with these types of loans such that they are in stage 2 and stage 3. The higher rates are more pronounced in unsecured retail lending requiring further segmentation. For wholesale lending, forborne loans are typically assessed individually. Credit risk ratings are intrinsic to the impairment assessments. The individual impairment assessment takes into account the higher risk of the future non-payment inherent in forborne loans.

Forborne loans and advances to customers by industry sector at 31 December 2025

	First lien residential mortgages	Other personal lending	Corporate and commercial	Non-bank financial institutions	Total forborne loans
	US\$000	US\$000	US\$000	US\$000	US\$000
Stage 2	2,331	14,160	61,993	—	78,484
Stage 3	3,026	2,361	562,810	3,115	571,312
Forborne loans at 31 Dec 2025	5,357	16,521	624,803	3,115	649,796
Allowance for expected credit losses on forborne loans					271,024
Stage 2	1,574	2,300	5,765	—	9,639
Stage 3	8,842	14,664	433,625	3,113	460,244
Forborne loans at 31 Dec 2024	10,416	16,964	439,390	3,113	469,883
Allowance for expected credit losses on forborne loans					196,472

For details of our impairment policies on loans and advances and financial investments, see Note 2.2(i) on the Financial Statements.

Gross loans and advances to customers by industry sector

	Gross loans and advances to customers	
	Total US\$000	As a % of total gross loans %
At 31 Dec 2025		
Personal		
– residential mortgages	2,456,437	10.5
– other personal	1,785,503	7.6
	4,241,940	18.1
Corporate and commercial		
– commercial, industrial and international trade	11,512,866	49.3
– commercial real estate and other property-related	2,054,878	8.8
– government	972,643	4.2
– other corporate and commercial	1,852,086	7.9
	16,392,473	70.2
Financial		
– non-bank financial institutions	2,737,342	11.7
Total gross loans and advances to customers	23,371,755	100.0
Impaired loans		
– as a percentage of gross loans and advances to customers	5.53%	
Total impairment allowances		
– as a percentage of gross loans and advances to customers	3.22%	
At 31 Dec 2024		
Personal		
– residential mortgages	2,095,346	10.0
– other personal	1,780,473	8.5
	3,875,819	18.5
Corporate and commercial		
– commercial, industrial and international trade	9,842,625	46.9
– commercial real estate and other property-related	2,140,093	10.2
– government	881,291	4.2
– other corporate and commercial	2,651,473	12.6
	15,515,482	73.9
Financial		
– non-bank financial institutions	1,611,262	7.7
Total gross loans and advances to customers	21,002,563	100.0
Impaired loans		
– as a percentage of gross loans and advances to customers	4.24%	
Total impairment allowances		
– as a percentage of gross loans and advances to customers	2.68%	

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Collateral and other credit enhancements held

Loans and advances held at amortised cost

Although collateral can be an important mitigant of credit risk, it is the group's practice to lend on the basis of the customer's ability to meet their obligations out of cash flow resources rather than rely on the value of security offered. Depending on the customer's standing and the type of product, facilities may be provided without security. However, for other lending a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of default, the group may utilise the collateral as a source of repayment. Depending on its form, collateral can have a significant financial effect in mitigating the group's exposure to credit risk.

The tables below provide a quantification of the value of fixed charges the group holds over a specific asset (or assets) where the group has a history of enforcing, and is able to enforce, the collateral in satisfying a debt in the event of the borrower failing to meet its contractual obligations, and where the collateral is cash or can be realised by sale in an established market. The collateral valuation in the tables below excludes any adjustments for obtaining and selling the collateral.

The group may also manage its risk by employing other types of collateral and credit risk enhancements, such as second charges, other liens and unsupported guarantees, but the valuation of such mitigants is less certain and their financial effect has not been quantified. In particular, loans shown in the tables below as not collateralised or partially collateralised may benefit from such credit mitigants.

Personal lending: residential mortgage loans including loan commitments by level of collateral

	2025				2024			
	Gross carrying/nominal amount				Gross carrying/nominal amount			
	Stage 1 US\$000	Stage 2 US\$000	Stage 3 US\$000	Total US\$000	Stage 1 US\$000	Stage 2 US\$000	Stage 3 US\$000	Total US\$000
Fully collateralised by LTV ratio	2,406,326	32,068	15,834	2,454,228	2,043,925	40,100	9,024	2,093,049
– less than 50%	1,386,682	22,100	12,663	1,421,445	1,328,235	27,207	4,998	1,360,440
– 51% to 70%	764,587	8,467	2,605	775,659	535,138	9,440	3,069	547,647
– 71% to 80%	251,532	1,501	–	253,033	172,155	3,329	376	175,860
– 81% to 90%	1,561	–	566	2,127	5,422	–	581	6,003
– 91% to 100%	1,964	–	–	1,964	2,975	124	–	3,099
Partially collateralised (A): LTV > 100%	2,209	–	–	2,209	2,124	–	173	2,297
– collateral value on A	2,208	–	–	2,208	1,714	–	–	1,714
Total as at 31 Dec	2,408,535	32,068	15,834	2,456,437	2,046,049	40,100	9,197	2,095,346

The above table shows residential mortgage lending including off-balance sheet loan commitments by level of collateral. The collateral included in the table above consists of first charges on real estate.

The LTV ratio is calculated as the gross on balance sheet carrying amount of the loan and any off-balance sheet loan commitment at the balance sheet date divided by the value of collateral. The methodologies for obtaining residential property collateral values vary, but are typically determined through a combination of professional appraisals, house price indices or statistical analysis. Valuations must be updated on a regular basis and, as a minimum, at intervals of every three years.

Other personal lending

The other personal lending consists primarily of motor vehicle, credit cards, personal loans, margin lending and overdrafts. Motor vehicle lending is generally collateralised by the motor vehicle financed and margin lending is backed by the relevant marketable security. Credit cards, personal loans and overdrafts are unsecured.

Collateral on loans and advances

Commercial real estate loans and advances

Collateral held is analysed separately below for commercial real estate and for other corporate, commercial and financial (non-bank) lending. The analysis includes off-balance sheet loan commitments, primarily undrawn credit lines.

Wholesale lending: commercial real estate loans and advances including loan commitments by level of collateral (by stage)

	2025					2024				
	Gross carrying/nominal amount					Gross carrying/nominal amount				
	Stage 1 US\$000	Stage 2 US\$000	Stage 3 US\$000	POCI US\$000	Total US\$000	Stage 1 US\$000	Stage 2 US\$000	Stage 3 US\$000	POCI US\$000	Total US\$000
Non Collateralised	1,105,595	23,816	238	–	1,129,649	1,153,464	57	409	–	1,153,930
Fully collateralised by LTV ratio	238,923	34,918	88,590	–	362,431	275,307	–	116,803	–	392,110
– less than 50%	142,870	34,918	–	–	177,788	142,446	–	–	–	142,446
– 51% to 75%	60,887	–	88,590	–	149,477	66,510	–	34,523	–	101,033
– 76% to 90%	35,166	–	–	–	35,166	21,045	–	82,280	–	103,325
– 91% to 100%	–	–	–	–	–	45,306	–	–	–	45,306
Partially collateralised (A): LTV > 100%	197,235	–	–	–	197,235	240,754	–	–	–	240,754
– collateral value on A	170,179	–	–	–	170,179	130,081	–	–	–	130,081
Total as at 31 Dec	1,541,753	58,734	88,828	–	1,689,315	1,669,526	57	117,211	–	1,786,794

The collateral included in the table above consists of fixed first charges on real estate and charges over cash for commercial real estate. Above facilities are disclosed as not collateralised if they are unsecured or benefit from credit risk mitigation from guarantees, which are not quantified for the purposes of this disclosure.

The value of commercial real estate collateral is determined through a combination of professional and internal valuations and physical inspection. Due to the complexity of valuing collateral for commercial real estate, local valuation policies determine the frequency of review based on local market conditions. Revaluations are sought with greater frequency when, as part of the regular credit assessment of the obligor, material concerns arise in relation to the transaction which may reflect on the underlying performance of the collateral, or in circumstances where an obligor's credit quality has declined sufficiently to cause concern that the principal payment source may not fully meet the obligation (i.e. the obligor's credit quality classification indicates it is at the lower end, that is sub-standard, or approaching impaired). Where such concerns exist the revaluation method selected will depend upon the loan-to-value relationship, the direction in which the local commercial real

Notes on the financial statements

estate market has moved since the last valuation and, most importantly, the specific characteristics of the underlying commercial real estate which is of concern.

Other corporate, commercial and financial (non-bank) lending is analysed separately below reflecting the difference in collateral held on the portfolios. For financing activities in corporate and commercial lending that are not predominantly commercial real estate-oriented, collateral value is not strongly correlated to principal repayment performance. Collateral values are generally refreshed when an obligor's general credit performance deteriorates and we have to assess the likely performance of secondary sources of repayment should it prove necessary to rely on them.

Wholesale lending: other corporate, commercial and financial (non-bank) loans and advances including loan commitments by level of collateral (by stage)

	2025					2024				
	Gross carrying/nominal amount					Gross carrying/nominal amount				
	Stage 1 US\$000	Stage 2 US\$000	Stage 3 US\$000	POCI US\$000	Total US\$000	Stage 1 US\$000	Stage 2 US\$000	Stage 3 US\$000	POCI US\$000	Total US\$000
Non Collateralised	35,519,961	1,189,902	818,220	4,542	37,532,625	32,201,052	990,826	497,386	769	33,690,033
Fully collateralised by LTV ratio	1,024,700	125,132	220,945	—	1,370,777	599,676	16,088	105,586	—	721,350
– less than 50%	442,298	49,164	217,100	—	708,562	486,183	10,190	92,035	—	588,408
– 51% to 75%	146,863	65,700	3,845	—	216,408	25,324	—	1,916	—	27,240
– 76% to 90%	405,580	10,268	—	—	415,848	60,549	3,414	—	—	63,963
– 91% to 100%	29,959	—	—	—	29,959	27,619	2,484	11,635	—	41,738
Partially collateralised (A): LTV > 100%	669,882	170,647	125,206	476	966,211	1,413,344	218,356	153,921	2,818	1,788,439
– collateral value on A	189,204	45,800	26,871	263	262,138	407,144	73,450	28,886	739	510,219
Total at 31 Dec	37,214,543	1,485,681	1,164,371	5,018	39,869,613	34,214,072	1,225,270	756,893	3,587	36,199,822

Other credit risk exposures

In addition to collateralised lending described above, other credit enhancements are employed and methods used to mitigate credit risk arising from financial assets. These are described in more detail below:

- Securities issued by governments, banks and other financial institutions may benefit from additional credit enhancement, notably through government guarantees that reference these assets.

The group's maximum exposure to credit risk includes financial guarantees and similar arrangements that the group issues or enters into, and loan commitments that the group are irrevocably committed to. Depending on the terms of the arrangement, the group may have recourse to additional credit mitigation in the event that a guarantee is called upon or a loan commitment is drawn and subsequently defaults.

Derivatives

The International Swaps and Derivatives Association ('ISDA') Master Agreement is our preferred agreement for documenting derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter ('OTC') products is conducted, and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or another pre-agreed termination event occurs. It is common, and our preferred practice, for the parties to execute a Credit Support Annex ('CSA') in conjunction with the ISDA Master Agreement. Under a CSA, collateral is passed between the parties to mitigate the counterparty risk inherent in outstanding positions.

Treasury Risk

Overview

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

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

Approach and policy

Our objective in the management of treasury risk is to maintain appropriate levels of capital, liquidity, funding, foreign exchange and market risk to support our business strategy, and meet our regulatory and stress testing-related requirements. Our approach to treasury management is driven by our strategic and organisational requirements and considers the regulatory, economic and commercial environment. We aim to maintain a strong capital and liquidity base to support the risks inherent in our business and invest in accordance with our strategy, meeting both consolidated and local regulatory requirements at all times.

Our policy is underpinned by our risk management framework, our Internal Capital Adequacy Assessment Process ('ICAAP') and our Internal Liquidity Adequacy Assessment Process ('ILAAP'). The risk management framework incorporates a number of measures aligned to our assessment of risks for both internal and regulatory purposes. These risks include credit, market, operational, structural and transactional foreign exchange risk, and interest rate risk in the banking book.

Governance and structure

The Group Head of Traded and Treasury Risk Management is the accountable risk steward for all treasury risks. The Group Treasurer is the risk owner for all treasury risks, with the exception of pension risk and insurance risk.

Capital risk, liquidity risk, interest rate risk in the banking book, structural foreign exchange risk and transactional foreign exchange risk are the responsibility of the Risk Committee ('RC'). The Treasury function actively manages these risks on an ongoing basis, supported by the Asset and Liability Management Committee ('ALCO'), overseen by Treasury Risk Management and the Risk Management Meeting ('RMM').

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Assessment and risk appetite

Our capital management approach is underpinned by a global capital risk policy and our ICAAP. The policy incorporates key capital risk appetites for CET1, total capital and leverage ratio. The ICAAP is an assessment of our capital position, outlining both regulatory and internal capital resources and requirements resulting from our business model, strategy, risk profile and management, performance and planning, risks to capital, and the implications of stress testing. Our assessment of capital adequacy is driven by an assessment of risks. These risks include credit, market, operational, structural foreign exchange, interest rate risk in the banking book and credit concentration risk. Climate risk is also considered as part of the ICAAP and we are continuing to develop our approach. The ICAAP supports the determination of the consolidated capital risk appetite and target ratios, as well as enables the assessment and determination of capital requirements by regulators.

We ensure management oversight of liquidity and funding risks at both Group and entity level through governance arrangements aligned with our risk management framework. We manage liquidity and funding risk at an operating entity level in accordance with consistent policies, procedures and reporting standards. This ensures that obligations can be met in a timely manner, in the jurisdiction where they fall due. Operating entities are required to meet internal minimum requirements and any applicable regulatory requirements at all times.

These requirements are assessed through the ILAAP, which ensures that operating entities have strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk across various time horizons, including intraday ILAAP informs risk appetite setting and assesses the capability to manage liquidity and funding effectively. It also assesses the capability to manage liquidity and funding effectively. These metrics are set and managed locally but are subject to robust review and challenge to ensure consistency of approach and application of the Group's policies and controls.

Interest rate risk in the banking book is the risk of an adverse impact to earnings or capital due to changes in market interest rates or changes in expected interest rate repricing of client products that impacts banking book positions. It is generated by our 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.

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

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

- Banking net interest income ('BNII') sensitivity; and
- Economic value of equity ('EVE') sensitivity.

Banking net interest income sensitivity

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

The banking NII sensitivities shown represent a hypothetical simulation of the base case banking NII, assuming a static balance sheet (specifically no assumed migration from current account to term deposits), and no management actions from Global Treasury. This also incorporates the effect of interest rate behaviouralisation and commercial margins.

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

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

An immediate interest rate rise of 100bps would increase projected banking NII by US\$105m. An immediate interest rate fall of 100bps would decrease projected banking NII by \$116m.

The sensitivity of banking NII for the 12 months as at 31 December 2025 reduced by US\$16m in the plus 100bps parallel shock and by US\$13m in the minus 100bps parallel shock, when compared with 31 December 2024. The decrease in sensitivity was primarily driven by stabilisation initiatives executed during the year.

Economic value of equity sensitivity

EVE measures the present value of our banking book assets and liabilities excluding equity, based on a run-off balance sheet. EVE sensitivity assessed how changes in interest rates affect EVE, considering the term profile of non-maturing deposits adjusted for stability and price sensitivity. This is part of our internal risk metrics and is reported under regulatory rules (including the Supervisory Outlier Test).

Stress testing and recovery planning

We use stress testing to evaluate the robustness of plans and risk portfolios. Stress testing also informs the ICAAP and ILAAP and supports recovery planning. It is an important output used to evaluate how much capital and liquidity we require in setting risk appetite for capital and liquidity risk. It is also used to re-evaluate business plans where analysis shows capital, liquidity and/or returns do not meet their target. We maintain a recovery plan addressing the actions that management would consider taking in a stress scenario if the position deteriorates and threatens to breach risk appetite and regulatory minimum levels. The recovery plan sets out a range of appropriate actions which could feasibly be executed in a stressed environment to recover the position.

Risks to capital and liquidity

Outside the stress testing framework, other risks may be identified that have the potential to affect our RWAs, capital and/or liquidity position. Downside and upside scenarios are assessed against our management objectives, and mitigating actions are assigned as necessary. We closely monitor future regulatory developments and continue to evaluate the impact of these upon our capital and liquidity requirements.

Liquidity and Funding

Overview

At 31 December 2025, we were above regulatory minimum liquidity and funding levels. We maintain sufficient unencumbered liquid assets to comply with internal and regulatory requirements. We maintain a sufficient stable funding profile which is assessed using the NSFR or other appropriate metrics. We further consider an internal liquidity metric, which is being used to monitor and manage liquidity risk via a low-point measure across a 270-day horizon, taking into account recovery capacity.

Management of Liquidity and Funding Risk

Liquidity coverage ratio ('LCR')

The LCR aims to ensure that a bank has sufficient unencumbered high-quality liquid assets to meet its liquidity needs in a 30 calendar day liquidity stress scenario. For the calculation of the LCR, at Group level we follow the Dubai Financial Services Authority ('DFSA') approach and additionally at an operating entity level we follow the group guidelines.

Net stable funding ratio ('NSFR')

HSBC Group's internal liquidity and funding risk management framework requires all entities to use the net stable funding ratio ('NSFR') as a basis for ensuring operating entities raise sufficient stable funding to support their business activities. The NSFR requires institutions to maintain minimum amount of stable funding based on assumptions of asset liquidity together with any locally applicable requirements.

Depositor concentration and wholesale market term funding maturity concentration

The LCR and NSFR metrics assume a stressed outflow based on a portfolio of depositors within each deposit segment. The validity of these assumptions is challenged if the portfolio of depositors is not large enough to avoid depositor concentration. Operating entities are exposed to term re-financing concentration risk if the current maturity profile results in future maturities being overly concentrated in any defined period.

The group monitors depositor concentration and term funding maturity concentration. Both metrics are subject to limits.

Liquid assets

Liquid assets are held and managed on a stand-alone operating entity basis. Most are held primarily by the Markets Treasury function for the purpose of managing liquidity risk in line with the internal policy. Liquid assets include all unencumbered liquidity assets in compliance with internal and regulatory requirements.

► Further details in respect of the group's Liquidity and Funding ratios are set out on page 73.

Primary sources of funding

Our primary sources of funding are customer current accounts and savings deposits payable on demand or at short notice. We issue unsecured wholesale securities to supplement customer deposits and to change the currency mix, maturity profile or location of our liabilities.

Ordinary share capital and retained reserves, non-core capital instruments and intergroup borrowings are also a source of stable funding.

Customer deposits in the form of current accounts and savings deposits payable on demand or at short notice form a significant part of our funding, and the group places considerable importance on maintaining their stability. For deposits, stability depends upon maintaining depositor confidence in our capital strength and liquidity, and on competitive and transparent pricing.

Of total liabilities of US\$51,863m at 31 December 2025, funding from customers amounted to US\$34,828m, of which US\$34,506m was contractually repayable within one year.

An analysis of cash flows payable by the group under financial liabilities by remaining contractual maturities at the balance sheet date is included in Note 26.

Assets available to meet these liabilities, and to cover outstanding commitments to lend (US\$25,716m), included cash, central bank balances, items in the course of collection and financial investment with maturity of less than one year (US\$6,000m); loans to banks (US\$11,286m, including US\$10,122m repayable within one year); and loans to customers (US\$22,618m, including US\$9,924m repayable within one year). In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended.

Market risk

Market risk management

Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices, will reduce our income or the value of our portfolios.

The group's exposure to market risk is separated into trading or non-trading portfolios. Trading portfolios comprise positions arising from market-making and warehousing of customer-derived positions. Non-trading portfolios include positions that primarily arise from the interest rate management of the group's retail and commercial banking assets and liabilities and financial investments designated as fair value through other comprehensive income.

Market risk measures

Monitoring and limiting market risk exposures

The group's objective is to manage and control market risk exposures while maintaining a market profile consistent with the group's risk appetite. The group uses a range of tools to monitor and limit market risk exposures, including:

- sensitivity measures include sensitivity of net interest income and sensitivity for structural foreign exchange, which are used to monitor the market risk positions within each risk type;
- value at risk ('VaR') is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence; and
- in recognition of VaR's limitations the group augments VaR with stress testing to evaluate the potential impact on portfolio values of more extreme, though plausible, events or movements in a set of financial variables.

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Market risk is managed and controlled through limits approved by the Risk Management Meeting for HSBC Holdings and our various global businesses. These limits are allocated across business lines and to the HSBC Group's legal entities.

The management of market risk is principally undertaken in Markets and Security Services ('MSS'). VaR limits are set for portfolios, business line, products and risk types, with market liquidity being a primary factor in determining the level of limits set.

HSBC Group Risk, an independent unit within HSBC Group, is responsible for our market risk management policies and measurement techniques. The group has an independent market risk management and control function that is responsible for measuring market risk exposures in accordance with the policies defined by HSBC Group Risk, and monitoring and reporting these exposures against the prescribed limits on a daily basis. The group assesses the market risks arising on each product in its business and to transfer them to either its MSS unit for management, or to separate books managed under the supervision of the local ALCO. Our aim is to ensure that all market risks are consolidated within operations that have the necessary skills, tools, management and governance to manage them professionally. In certain cases where the market risks cannot be fully transferred, the group identifies the impact of varying scenarios on valuations or on net interest income resulting from any residual risk positions.

Sensitivity analysis

Sensitivity analysis measures the impact of individual market factor movements on specific instruments or portfolios, including interest rates, foreign exchange rates and equity prices, such as the effect of a one basis point change in yield. We use sensitivity measures to monitor the market risk positions within each risk type. Sensitivity limits are set for portfolios, products and risk types, with the depth of the market being one of the principal factors in determining the level of limits set.

Value at risk

The VaR models used by the group are predominantly based on historical simulation. These models derive plausible future scenarios from past series of recorded market rates and prices, taking into account inter-relationships between different markets and rates, such as interest rates and foreign exchange rates. The models also incorporate the effect of option features on the underlying exposures. The historical simulation models assess potential market movements with reference to data from the past two years and calculate VaR to a 99% confidence level and for a one-day holding period.

The group routinely validates the accuracy of its VaR models by back-testing the actual daily profit and loss results, adjusted to remove non-modelled items such as fees and commissions, against the corresponding VaR numbers. Statistically, the group would expect to see losses in excess of VaR only 1% of the time over a one-year period. The actual number of excesses over this period can therefore be used to gauge how well the models are performing.

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a one-day holding period assumes that all positions can be liquidated or the risks offset in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 99% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence;
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures; and
- VaR is unlikely to reflect loss potential on exposures that only arise under conditions of significant market movement.

Trading and non-trading portfolio

The following table provides an overview of the reporting of the risks within this section:

Risk type	Portfolio	
	Trading	Non-trading
Foreign exchange and commodity ¹	VaR	VaR
Interest rate	VaR	VaR
Credit spread	VaR	VaR

¹ The reporting of commodity risk is consolidated with foreign exchange risk and is not applicable to non-trading portfolios.

Value at risk of the trading and non-trading portfolio

The group VaR, both trading and non-trading, is below:

Value at risk

	2025 US\$000	2024 US\$000
At 31 Dec	7,722	8,033
Average	7,063	9,712
Maximum	10,426	14,862
Minimum	5,053	7,003

Trading portfolios

The group's control of market risk in the trading portfolios is based on a policy of restricting individual operations to trading within a list of permissible instruments authorised for each site by HSBC Group Risk, of enforcing new product approval procedures, and of restricting trading in the more complex derivative products only to offices with appropriate levels of product expertise and robust control systems.

Market-making and position-taking is undertaken within MSS. The VaR for such trading intent activity at 31 December 2025 was US\$4.7m (2024: US\$3.2m).

VaR by risk type for the trading intent activities

	Foreign exchange (FX) US\$000	Interest rate US\$000	Credit spread US\$000	Total US\$000
At 31 Dec 2025	1,169	4,250	534	4,698
Average	898	2,853	864	3,368
Maximum	1,698	5,855	3,307	5,845
Minimum	369	1,413	336	1,785
At 31 Dec 2024	1,207	3,079	860	3,228
Average	1,630	3,876	616	4,354
Maximum	4,932	9,714	1,036	9,781
Minimum	185	1,883	282	2,340

1 The total VaR is non-additive across risk types due to diversification effects.

Non-trading portfolios

The principal objective of market risk management of non-trading portfolios is to optimise net interest income.

Interest rate risk in non-trading portfolios arises principally from mismatches between the future yield on assets and their funding cost as a result of interest rate changes. Analysis of this risk is complicated by having to make assumptions on embedded optionality within certain product areas, such as the incidence of mortgage prepayments, and from behavioural assumptions regarding the economic duration of liabilities which are contractually repayable on demand such as current accounts, and the re-pricing behaviour of managed rate products.

The control of market risk in the non-trading portfolios is based on transferring the risks to the books managed by MSS and Markets Treasury ('MKTY') or the local ALCO. The net exposure is typically managed through the use of interest rate swaps within agreed limits. The VaR for these portfolios is included within the group VaR.

VaR by risk type for the non-trading activities

	Interest rate US\$000	Credit spread US\$000	Total US\$000
At 31 Dec 2025	4,991	784	5,176
Average	5,163	837	5,180
Maximum	6,331	1,067	6,393
Minimum	4,293	734	4,289
At 31 Dec 2024	6,293	752	6,354
Average	7,818	647	7,865
Maximum	10,408	845	10,608
Minimum	5,831	347	5,796

Gap risk

A gap event is a significant and sudden change in market price with no accompanying trading opportunity. Such movements may occur, for example, when, in reaction to an adverse event or unexpected news announcement, some parts of the market move far beyond their normal volatility range and become temporarily illiquid.

Given the characteristics, these transactions will not have significant impact on VaR or to market risk sensitivity measures. The group captures the risks for such transactions within the stress testing scenarios and monitors gap risk on an ongoing basis.

The group incurred no material losses (2024: nil) arising from gap risk movements in the underlying market price on such transactions in the 12 months ended 31 December 2025.

De-peg risk

For certain currencies (pegged or managed) the spot exchange rate is pegged at a fixed rate (typically to USD), or managed within a predefined band around a pegged rate. De-peg risk is the risk of the peg or managed band changing or being abolished, and moving to a floating regime.

Using stressed scenarios on spot rates, the group is able to analyse how de-peg events would impact the positions held by the group. This complements traditional market risk metrics, such as historical VaR, which may not fully capture the risk involved in holding positions in pegged currencies. Historical VaR relies on past events to determine the likelihood of potential profits or losses. However, pegged or managed currencies may not have experienced a de-peg event during the historical timeframe being considered.

Notes on the financial statements

Structural foreign exchange exposures

Structural foreign exchange exposures represent net investments in subsidiaries, branches or associates, the functional currencies of which are currencies other than the US dollar. An entity's functional currency is the currency of the primary economic environment in which the entity operates.

Exchange differences on structural exposures are recorded in 'Other comprehensive income'. The main operating currencies of the group are UAE dirham and other Gulf currencies that are linked to the US dollar.

The group's policy is to hedge structural foreign currency exposures only in limited circumstances. The group's structural foreign exchange exposures are managed with the primary objective of ensuring, where practical, that the group's capital ratio is protected from the effect of changes in exchange rates. This is usually achieved by ensuring that the rates of structural exposures in a given currency to risk-weighted assets denominated in that currency is broadly equal to the capital ratio. The group considers hedging structural foreign currency exposures only in limited circumstances to protect the capital ratio or the US dollar value of capital invested.

Such hedging would be undertaken using forward foreign exchange contracts or by financing the borrowings in the same currencies as the functional currencies involved.

Capital management

The Dubai Financial Services Authority ('DFSA') is the lead regulator of the bank.

The bank's objective is to ensure that capital resources are at all times adequate and efficiently used. This implies assessing the bank's capital demand and maintaining the capital supply at the required level. The bank's approach to capital management is driven by strategic and organisational requirements, taking into account the regulatory, economic and commercial environment in which it operates in. The bank's policy on capital management is underpinned by a capital management process and the internal capital adequacy assessment process, which enables it to manage its capital in a consistent manner.

The DFSA supervises the bank and, receives information on the capital adequacy of, and sets capital requirements for, the bank. Individual branches and subsidiaries are directly regulated by their local banking supervisors, where applicable, who set and monitor their capital adequacy requirements.

The bank's regulatory capital is divided into two tiers:

- Tier 1 capital comprises equity share capital, share premium, retained earnings, other comprehensive income and other reserves. This is adjusted for the amount of cash flow hedge reserve related to gains or losses on cash flow hedges of financial instruments, all unrealised gains or losses on liabilities that are valued at fair value and which result from changes in the bank's own credit quality and deduction for intangible assets.
- Tier 2 capital comprises of subordinated loan and general provisions limited to 1.25% of Credit Risk Weighted Assets.

► Further details in respect of the group's Capital requirement are set out on page 75.

31 Contingent liabilities, contractual commitments and guarantees

	2025 US\$000	2024 US\$000
Guarantees and other contingent liabilities		
Guarantees	19,644,226	19,277,379
Commitments		
Documentary credits and short-term trade-related transactions	1,468,237	1,097,610
Undrawn formal standby facilities, credit lines and other commitments to lend	24,493,703	23,036,628
At 31 Dec	25,961,940	24,134,238

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

Included in the above are the following contingent liabilities on account of other members of the HSBC Group:

	2025 US\$000	2024 US\$000
Guarantees and assets pledged by the bank as collateral security	4,196,791	4,368,138
Documentary credits and short-term trade-related transactions	246,045	44,159
At 31 Dec	4,442,836	4,412,297

Notes on the financial statements

Guarantees

The group provides guarantees and similar undertakings on behalf of both third-party customers and other entities within the group. These guarantees are generally provided in the normal course of the group's banking business. The principal types of guarantees provided, and the maximum potential amount of future payments which the group could be required to make at 31 December were as follows:

	2025		2024	
	Guarantees in favour of third parties	Guarantees by the group in favour of other HSBC Group entities	Guarantees in favour of third parties	Guarantees by the group in favour of other HSBC Group entities
	US\$000	US\$000	US\$000	US\$000
Financial guarantees ¹	752,506	862,093	704,076	1,523,753
Performance and other guarantees ²	14,694,929	3,334,698	14,205,165	2,844,385
At 31 Dec	15,447,435	4,196,791	14,909,241	4,368,138

- 1 Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due.
- 2 These guarantees are contracts that have similar features to financial guarantee contracts. The amounts disclosed in the above table are nominal principal amounts and reflect the group's maximum exposure under a large number of individual guarantee undertakings. The risks and exposures arising from guarantees are captured and managed in accordance with the group's overall credit risk management policies and procedures. Guarantees with terms of more than one year are subject to the group's annual credit review process.

Other commitments

In addition to the commitments disclosed above, at 31 December 2025 the group had no capital commitments to purchase, within one year, land and building and other fixed assets (2024: nil).

Associates

The group and its operations are contingently liable with respect to lawsuits and other matters that arise in the normal course of business. Management is of the opinion that the eventual outcome of the legal and financial liability is not expected to materially affect the group's financial position and operations.

32 Finance lease receivables

The group leases a variety of assets to third parties under finance leases, including transport assets (such as aircraft). At the end of lease terms, assets may be sold to third parties or leased for further terms. Rentals are calculated to recover the cost of assets less their residual value, and earn finance income.

	2025			2024		
	Total future minimum payments	Unearned finance income	Present value	Total future minimum payments	Unearned finance income	Present value
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Lease receivables:						
– no later than one year	1,215	(129)	1,086	4,219	(233)	3,986
– later than one year and no later than five years	3,617	(213)	3,404	7,960	(449)	7,511
– later than five years	—	—	—	—	—	—
At 31 Dec	4,832	(342)	4,490	12,179	(682)	11,497

33 Business disposal

On 18 February 2025, HSBC Bank Middle East Limited, Bahrain branch, entered into a binding agreement to transfer its retail banking business in Bahrain to Bank of Bahrain and Kuwait B.S.C. The transaction was completed in November 2025, with US\$161 million in assets and US\$683 million in liabilities transferred, resulting in a pre-tax gain of US\$71 million and post-tax gain of US\$60m. The gain is reported under Other operating income in consolidated income statement.

34 Legal proceedings and regulatory matters

HSBC is party to legal proceedings and regulatory matters in a number of jurisdictions arising out of its normal business operations. Apart from the matters described below, HSBC considers that none of these matters are material. The recognition of provisions is determined in accordance with the accounting policies set out in Note 2. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 December 2025. Where an individual provision is material, the fact that a provision has been made is stated and quantified, except to the extent that doing so would be seriously prejudicial. Any provision recognised does not constitute an admission of wrongdoing or legal liability. It is not practicable to provide an aggregate estimate of potential liability for our legal proceedings and regulatory matters as a class of contingent liabilities.

US Anti-Terrorism Act litigation

Since November 2014, a number of lawsuits have been filed in federal courts in the US against various HSBC companies, including HSBC Bank Middle East Ltd, and others on behalf of plaintiffs who are, or are related to, alleged victims of terrorist attacks in the Middle East. In each case, it is alleged that the defendants aided and abetted the unlawful conduct of various sanctioned parties in violation of the US Anti-Terrorism Act, or provided banking services to customers alleged to have connections to terrorism financing. Six actions, which seek damages for unspecified amounts, remain pending. One of these actions has been dismissed but may be appealed. The other five actions remain at an early procedural stage.

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

35 Related party transactions

The ultimate parent company of the group is HSBC Holdings plc, which is incorporated in England.

Copies of the HSBC Holdings plc financial statements may be obtained from the following address:

HSBC Holdings plc

8 Canada Square

London

E14 5HQ

Related parties of the group include the parent, fellow subsidiaries, associates, joint ventures, post-employment benefit plans for HSBC employees, Key Management Personnel as defined by IAS 24 'Related Party Disclosures', entities which are controlled or jointly controlled by Key Management Personnel. Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of HSBC Bank Middle East Limited and the group, directly or indirectly, and includes members of the Board of Directors of HSBC Bank Middle East Limited.

Particulars of transactions with related parties are tabulated below. The disclosure of the year-end balance and the highest amounts outstanding during the year is considered to be the most meaningful information to represent the amount of the transactions and outstanding balances during the year.

Key Management Personnel

The emoluments of a number of the Key Management Personnel are paid by other HSBC Group companies who make no recharge to the group.

Transactions, arrangements and agreements including Key Management Personnel

Compensation of Key Management Personnel

	2025 US\$000	2024 US\$000
Remuneration (wages and bonus)	5,154	3,621
Post-employment benefits	82	95
Share-based payments	1,831	337
Year ended 31 Dec	7,067	4,053

The table below sets out transactions which fall to be disclosed under IAS 24 between the group and the Key Management Personnel of both the bank and its parent company, HSBC Holdings plc, and their connected persons or controlled companies.

Transactions and balances during the year with Key Management Personnel

	2025		2024	
	Highest amounts outstanding during year US\$000	Balance at 31 Dec US\$000	Highest amounts outstanding during year US\$000	Balance at 31 Dec US\$000
Key Management Personnel ¹				
Loans	3,463	3,329	918	712
Deposits	597	242	7,053	4,135

1 Includes Key Management Personnel, and entities that are controlled or jointly controlled by Key Management Personnel.

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

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Transactions with other related parties

Associates

Transactions and balances during the year with associates

	2025		2024	
	Highest balance during the year	Balance at 31 Dec	Highest balance during the year	Balance at 31 Dec
	US\$000	US\$000	US\$000	US\$000
Amounts due to associates	1,218	1,103	1,139	1,139

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

Transactions of the group with HSBC Holdings plc and fellow subsidiaries of HSBC Holdings plc

Transactions detailed below include amounts due to/from HSBC Holdings plc

	2025		2024	
	Highest balance during the year	Balance at 31 Dec	Highest balance during the year	Balance at 31 Dec
	US\$000	US\$000	US\$000	US\$000
Assets				
Other assets	52	5	308	52
Liabilities				
Other liabilities	21,075	595	13,644	624
			For the year ended 31 Dec 2025	For the year ended 31 Dec 2024
			US\$000	US\$000
Income statement				
Fee income			318	240
Other operating income			287	89
General and administrative expenses			2,131	2,912

Transactions detailed below include amounts due to/from fellow subsidiaries of HSBC Holdings plc

	2025		2024	
	Highest balance during the year	Balance at 31 Dec	Highest balance during the year	Balance at 31 Dec
	US\$000	US\$000	US\$000	US\$000
Assets				
Derivatives	840,919	665,459	1,001,769	738,991
Loans and advances to banks (including reverse repos)	2,452,331	1,710,335	1,767,875	1,448,194
Other assets	519,742	80,283	426,638	64,373
Liabilities				
Trading liabilities	984,830	906,640	1,083,698	584,017
Deposits by banks	5,821,412	5,821,412	4,316,812	4,316,812
Derivatives	666,832	579,943	772,722	537,016
Subordinated amounts due	946,337	946,337	945,751	945,751
Other liabilities	614,147	406,494	880,537	305,072
Off-balance sheet				
Guarantees	4,730,841	4,196,791	4,368,138	4,368,138
Documentary credit and short-term trade-related transactions	271,258	246,045	49,483	44,159
			For the year ended 31 Dec 2025	For the year ended 31 Dec 2024
			US\$000	US\$000
Income Statement				
Interest income			141,755	66,922
Interest expense			447,789	391,921
Fee income			87,110	66,530
Fee expense			35,486	35,749
Other operating income			94,256	71,002
General and administrative expenses			480,647	413,096

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

36 Events after the balance sheet date

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the financial statements as at and for the period ended 31 December 2025.

These accounts were approved by the Board of Directors on 25 February 2026 and authorised for issue.

Additional information

This section includes information that is required to be disclosed as part of our regulatory reporting obligations or that is relevant to a complete understanding of the group's Annual Report and Accounts 2025 and is provided in accordance with certain best practice disclosure principles. In particular, it provides further information on the group's current top and emerging risks, liquidity and funding ratios, and capital requirements and structure. It also includes information about how we do business. The information in this section is not audited.

Top and emerging risks

Our current top and emerging risks are as follows:

Externally driven

Geopolitical and Macroeconomic risks

Key economic and financial risks are monitored closely. The group remains exposed to these risks through its operations, investments and business activity. The regional economy proved resilient to trade policy changes and geopolitical shocks through 2025. At the same time, oil prices remained broadly stable despite heightened geopolitical tensions in Venezuela and the Middle East. We are undertaking stress tests to assess broader impacts.

Asset prices also rose on account of strong corporate earnings and investor enthusiasm. A key source of uncertainty is the volatility of US trade and tariff policies. Changes to tariff rates, including sector-specific levies, could further disrupt trade growth and supply chains and impose additional costs on business. Such policy uncertainty may also deter businesses from hiring. Strategic competition between the US and China, including over technology and rare earth minerals, will also keep risk and uncertainty elevated. While aggregate effective tariff rates decreased over the second half of 2025, tariffs have evolved to become a broad economic and foreign policy tool. There remains an ongoing risk that tariff rates could change rapidly and the potential for a broader trade war is also a concern.

The disruption of key supply routes caused by geopolitical conflicts has continued to impact global supply chains, although the October 2025 ceasefire between Israel and Hamas may help to stabilise shipping routes. The group is also monitoring the wider implications of US military action in Venezuela. The Russia-Ukraine war and further conflict, either in the Middle East, or elsewhere, could impact economic activity regionally which, if continued for a prolonged period, could have a material adverse effect on the group's business, financial condition, results of operations, prospects, liquidity, capital position and credit ratings. The US dollar depreciated significantly in 2025 driven by the narrowing of global interest rate differentials and heightened tariff and trade uncertainty. The decline marked the end of a long period of sustained appreciation against major currencies. Although the USD remains the primary trade invoicing and reserve asset currency, elevated volatility is expected to persist, reflecting concern over fiscal sustainability and an increasingly complex fiscal and monetary policy environment. Equity markets rose strongly during 2025, led by significant gains for the technology sector and increases in AI company valuations. While high asset prices may provide a tailwind to growth, there remains a risk that the expected gains to productivity from new technologies fail to materialise and that prices fall sharply as a result.

Sanctions and trade restrictions are continually evolving in response to geopolitical events, and may result in increased legal, regulatory, reputation and market risks, and a more complex operating environment. The Group actively monitors and responds to financial sanctions and trade restrictions. Global tensions over trade and technology are resulting in divergent regulatory standards and compliance regimes, presenting long-term strategic challenges for multinational businesses such as HSBC. The group maintains dialogue with the regulators in various jurisdictions on the impact of legal and regulatory obligations on our business and customers.

More stringent data privacy, national security and cybersecurity laws in a number of markets could pose potential challenges to intra-Group data sharing. These developments may affect our ability to manage financial crime risks across markets due to limitations on cross-border transfers of personal information.

Environmental, social and governance ('ESG') risks

The group is subject to financial and non-financial risks associated with ESG related matters, such as climate change, nature-related and human rights issues. These matters can impact us both directly and indirectly through our business activities and relationships. The group may face credit losses if climate-related regulatory, legislative or technological developments impact customers' business models or if extreme weather events disrupt or interrupt customers' operations, resulting in financial difficulty for customers and/or stranded assets, and impacting their ability to repay their debts. Our customers may find that their business models fail to align to a net zero economy or face disruption to their operations or deterioration to their assets as a result of extreme weather.

Businesses are expected to be transparent about their efforts to identify and respond to the risk of adverse human rights impacts arising from their business activities and relationships. Failure to manage this risk may negatively impact people and communities, which in turn may result in reputational, regulatory compliance and legal risks for the Group.

Mitigating actions

- We continue to develop climate risk management capabilities across four key pillars: governance and risk appetite, risk management, stress testing and scenario analysis.
- Our sustainability risk policies form part of our broader risk management framework and are important mechanisms for managing risks. Our sustainability risk policies focus on mitigating reputational, credit, legal and other risks related to our customers' environmental and social impacts.
- Sustainability execution risk has been defined as a new risk type to help identify and manage the risks around the delivery and execution of the Group's sustainability strategy.
- In 2025, we continued to focus on our approach to human rights risk management relating to the goods and services we buy from third parties and in respect of our business customers.
- We continue to engage with our customers, investors and regulators proactively on the management of climate and ESG risks.

Financial Crime risk environment

Financial institutions remain under considerable regulatory scrutiny regarding their ability to detect and prevent financial crime. In 2025, these risks continued to be exacerbated by rising geopolitical tensions and ongoing macroeconomic factors. These challenges require managing conflicting laws and approaches to legal and regulatory regimes and implementing complex and increasingly less predictable sanctions and trade restrictions. Amid growing cost of living pressures, expatriate population growth and regulatory-driven shift in fraud liability towards FI's, the group continues to face increasing regulatory expectations with respect to managing internal and external fraud and protecting customers. The accessibility and increasing sophistication of Generative AI ('GenAI') brings additional financial crime risks. While there is potential for the technology to support financial crime detection, there is also a risk that criminals use GenAI to perpetrate fraud, particularly scams. The digitisation of financial services continues to have an impact on the payments ecosystem, with an increasing number of new market entrants and payment mechanisms, not all of which are subject to the same level of regulatory scrutiny or regulations as banks. Developments around digital assets and currencies have continued at pace, with an increasing regulatory and enforcement focus on the financial crimes linked to these types of assets. We continue to be subject to a mutual evaluation review by the Financial Action Task Force ("FATF"). The group also continues to face increasing challenges presented by national data privacy requirements, which may affect our ability to manage financial crime risks across markets.

Mitigating actions

- We continue to seek to manage sanctions and trade restrictions through the use of reasonably designed policies, procedures and controls, which are subject to ongoing testing and enhancements.
- We continue to develop our fraud controls and invest in capabilities to fight financial crime through the application of advanced analytics and AI, while monitoring technological developments and engaging with third parties.
- We continue to assess the impact of a rapidly changing payments ecosystem, as well as risks associated with direct and indirect exposure to digital assets and currencies, in an effort to maintain appropriate financial crime controls.
- We engage with regulators, policymakers and relevant international bodies, to improve the effectiveness of managing financial crime risk through changes to international standards, guidance and legislation, including seeking to address data privacy challenges.

Evolving regulatory environment risk

We operate across a range of highly regulated markets, designed to protect customers, ensure the stability of the financial system and prevent financial crime. Regulatory approvals and permissions are required to operate in these markets. Volume, pace & technical complexity of regulatory change continues to accelerate. Our ability to meet short implementation timelines may be constrained, requiring the deployment of tactical solutions that may be less operationally resilient.

Mitigating actions

- We proactively engage with regulators in the region covering a range of topics which include but are not limited to: prudential requirements; operational resilience; resolvability; financial reporting and data; ESG; conduct; sound risk management and financial crime practices. We also engage with financial services regulators to inform them of changes to the business and to address their concerns, including meetings with them to discuss strategic contingency plans, including those arising from geopolitical issues.
- We monitor and track regulatory developments to understand the evolving regulatory landscape and implement necessary changes required by legislation and regulations.
- We engage with governments and regulators directly, and by responding to formal consultations, to help shape legislation and regulations to support our customers and strategic objectives.

Technology and Cyber Security Risk

Like other organisations, we operate in an extensive and complex technology landscape. We need to remain resilient to support customers, our colleagues and financial markets globally. Risks arise where, for example, technology is not understood, maintained or developed appropriately. We also continue to operate in an increasingly complex cyber threat environment globally. These threats include potential unauthorised access to systems, whether ours or those of our third-party suppliers, including access to and potential exfiltration of customer data. These threats require ongoing investment in business and technical controls to defend against them.

Mitigating actions

- We continue to upgrade many of our technology systems and are transforming how software solutions are developed, delivered, maintained and tested as part of our investment in the Group's operational resilience capabilities to seek to meet the expectations of our customers and regulators, and to help prevent disruptions to our services and recover when they occur.
- Our cyber intelligence and threat analysis team continually evaluate threat levels for the most prevalent cyber-attack types and their potential outcomes, and we continue to seek to strengthen our controls to help reduce the likelihood and impact of attacks including advanced malware, data leakage, exposure through third parties and security vulnerabilities.
- We continue to seek to enhance our cybersecurity capabilities, including infrastructure and network security, cloud security, identity and access management, metrics and data analytics, and third-party security assurance, and to invest in mitigating the potential threats of emerging technologies.
- We regularly report and review cyber risk and control effectiveness at executive level across business segments, functions and regions, as well as at non-executive Board level to help enable appropriate visibility and governance of the risk and its mitigating actions.
- We participate globally in industry bodies and working groups, working together to seek to protect against, detect, respond to and recover from cyber-attacks on financial organisations globally.
- We respond to attempts to compromise our cybersecurity in accordance with our cybersecurity framework. To date, none of these attacks have had a material impact on our business or operations.

Additional information

Digitisation and technological advance risk

Developments in technology and changes to regulations are enabling new entrants to the industry, particularly with respect to payments. This challenges us to continue innovating to address evolving customer requirements, drive efficiency and adapt our products to attract and retain customers. As a result, we may need to increase investment in our business to adapt or develop products and services to respond to our customers' evolving needs. We aim to ensure that new digital capabilities do not weaken our resilience or wider risk management capabilities.

New technologies such as GenAI, large language models, blockchain, and quantum computing not only offer business opportunities but also pose potential risks for the Group. As with the use of all technologies, we aim to maximise their potential while seeking to ensure a robust control environment is in place to help manage the inherent risks. We conduct risk assessments and have governance in place (for example on AI) to help enable Group-wide cross-risk focus on areas of emerging technology. We make public commitments as to how we engage with new technology innovation, for example publishing the Group's Principles for the Ethical Use of Data and AI.

Internally driven

Data risk

We use multiple systems and an increasing volume of data to support our customers. Risk arises if data is incorrect, unavailable, misused or unprotected. Like other banks and financial institutions, we must comply with external regulatory obligations and laws governing data, such as the Basel Committee on Banking Supervision's 239 ('BCBS239') guidelines.

Mitigating actions

- We actively monitor the quality, availability and security of data that supports our customers and internal processes, seeking to address any identified issues.
- We continue to make regular improvements to our data policies and control framework, including trusted sources, data flows and data quality, to enhance comprehensive management of data risk.
- We seek to protect customer data through our data privacy processes and controls, which set practices, design principles and guidelines to help ensure compliance with data privacy laws and regulations.
- We have established a comprehensive Risk Data Aggregation and Risk Reporting framework, seeking to ensure compliance with BCBS239 principles.
- We continue to modernise our data and analytics infrastructure through investments in cloud technology, data visualisation, machine learning and AI.
- We provide regular mandatory training globally to educate our employees on data risk management, seeking to ensure they know how to process and protect data effectively.

Risks arising from the receipt of services from third parties

We use third parties to provide a range of goods and services. It is critical that we seek to have appropriate risk management policies, processes and practices over the selection, governance and oversight of third parties and their supply chain, particularly for key activities that could affect our operational resilience. Any deficiency in the management of risks associated with our third parties could affect our ability to support our customers and meet regulatory expectations.

Mitigating actions

- We continue to monitor the effectiveness of the controls operated by our third-party providers and request third-party control reports, where required.
- We continue to develop the management of our intra-group arrangements using the same control requirements as we apply to external third-party arrangements.
- We have strengthened our due diligence and monitoring capabilities in respect of the financial stability of our third parties.
- We continue to strengthen third-party risk oversight across all nonfinancial risks and have enhanced our processes and framework.
- We continue to enhance reporting capabilities to help improve the visibility of risk and enable more robust management of our material third parties by our business segments, functions and regions.
- We are implementing changes required by new regulations.

Strategic execution risk

Effective management of strategic execution risk is essential to delivering our strategy, fulfilling shareholder expectations, and sustaining stakeholder confidence. To achieve the Group's strategic commitments, it is essential to engage in effective financial resource planning that helps ensure safe and sustainable delivery of strategic outcomes. In light of increased execution risks due to organizational simplification, including a rise in transaction volumes and initiatives to streamline operations and reduce costs, it is vital to comprehend, uphold and enhance strategic execution risk controls and monitoring.

Mitigating actions

- We have refreshed our Strategic Risk Policy to strengthen control requirements.
- We have clarified strategic execution risk management requirements and oversight accountabilities.
- The Finance Management Meeting oversees the prioritization and funding, strategic alignment, and management of strategic execution risk for transformative initiatives.
- We have updated our strategic execution risk metrics and reporting to help support improved monitoring and oversight of performance.

Additional information

Model Risk

Model risk remains a key area of focus given regulatory scrutiny in this area. We continued to provide regional model governance support ensuring full alignment with regulatory standards as per PRA SS1/23 and CBUAE MMS/G with respect to revalidation of existing models and redevelopment of new regional model use cases following internal ratings-based ('IRB') and internal model methods ('IMM'), in relation to counterparty credit, as part of the IRB repair and Basel 3.1 and Fundamental Review of the Trading Book programmes. Some models have been approved, and a number are pending approval decisions from the UK's Prudential Regulation Authority ('PRA') and other key regulators.

We also have a key focus on complying with data risk controls as per CBUAE MMS requirements including enhancement of the quality of data used as inputs in model development and implementation purpose.

Focus remains on AI and machine learning models given the rapid pace of technological advances, including the development of GenAI, is driving significant changes in modelling techniques, and regulators across the globe are beginning to publish regulations and guidance.

Mitigating actions

- We are investing in the redevelopment of our IRB models used in our wholesale businesses to enhance our modelling capability and help ensure we meet regulatory expectations for the adoption of Basel 3.1 requirements. Once approved, these models will be leveraged for regional ECL and internal risk management framework.
- We further enhanced our Model Risk Management ('MRM') framework to meet the requirements of the PRA's SS1/23 and CBUAE MMS/G with a programme of work in progress to implement these changes across our model landscape.
- We completed the identification of tools that meet the definition of Deterministic Quantitative Methods ('DQMs'), which are complex and material calculators, and although not technically models, they present similar risks. We have now commenced a programme for uplifting the controls for these DQMs.
- We have designed the Model Risk Management ('MRM') Gen AI Engagement framework to ensure that HSBC's global businesses and functions identify and classify Gen AI use cases that contribute most risk to HSBC business activities and/or firm safety and soundness.
- We made changes to our Model Risk Governance committees at the Group, business and functional levels as part of our organisational simplification to help ensure they continue to provide effective and efficient oversight of model risk.
- We have established UAE Model Oversight Committee to meet requirements mandated by Central Bank of the UAE ('CBUAE') Model Management Standards ('MMS') and provide strategic direction on the management of model risk for in-scope models within UAE and makes material modelling decisions throughout the model lifecycle.
- Model Risk Management works closely with businesses to help develop models to meet regulatory (IRB, IMM etc.), risk management, pricing, capital management, and credit risk measurement needs.

Risks associated with workforce capability, capacity and environmental factors with potential impact on growth

Our business segments and functions are exposed to risks associated with workforce capacity challenges, including challenges to retain, develop and attract high-performing employees in key labour markets, the evolving skills requirements of our workforce, increasing workforce nationalization requirements and compliance with employment laws and regulations. Failure to manage these risks may have an impact on the delivery of our strategic objectives. It could also result in poor customer outcomes or a breach of employment laws and regulations, which may lead to regulatory sanctions or legal claims.

Mitigating actions

- We seek to promote an inclusive workforce and provide health and wellbeing support. We continue to build our speak-up culture through active campaigns.
- We monitor hiring activities and levels of employee attrition, with each business and function putting in place plans to help ensure they have effective workforce forecasting to meet business demands.
- We continue to invest in recruitment and retention of local nationals.
- We monitor people risks that could arise due to the implementation of organisational restructuring, seeking to ensure that we manage redundancies sensitively and support impacted employees. We encourage our people leaders to focus on talent retention at all levels, with an empathetic mindset and approach, while ensuring the whole proposition of working at the Group is well understood.
- Our Future Skills curriculum aims to provide skills that enable employees and the Group to be successful in the future.
- We develop succession plans for key management roles, with oversight from the Group Operating Committee.
- We have introduced 'How We Lead', a refreshed culture and leadership framework designed to shape the way we operate. This initiative brings with it a new set of leadership principles, and we expect it to drive meaningful changes in our ways of working across the organisation.

Liquidity and Funding Ratios

As at 31 December 2025, HSBC Bank Middle East was above regulatory minimum levels for the LCR and NSFR metrics.

Liquidity coverage ratio ('LCR')

The LCR metric is designed to promote the short-term resilience of a bank's liquidity profile. The group DFSA-basis LCR at 31 December 2025, was 189%.

DFS A LCR

	2025	2024
	%	%
HSBC Bank Middle East Limited	189	208

Additional information

Net stable funding ratio ('NSFR')

The group manages funding risk based on the DFSA's NSFR rules. The group DFSA-basis NSFR at 31 December 2025, was 145%.

DFSA NSFR

	2025	2024
	%	%
HSBC Bank Middle East Limited	145	146

Components of Net Stable Funding Ratio at 31 December 2025

In currency amount (US\$000)	Unweighted value by residual maturity				Weighted values
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF (available stable funds) Item					
1 Capital	–	–	–	6,712,228	6,712,228
2 Regulatory Capital ¹	–			6,712,228	6,712,228
3 Other capital	–				
4 Retail deposits/PSIAs and deposits/PSIAs from small business customers:	–	16,234,849	–	–	14,611,365
5 Stable Deposits/PSIAs	–	16	–	–	15
6 Less stable deposits/PSIAs	–	16,234,833	–	–	14,611,350
7 Wholesale funding:	–	27,325,151	2,446,383	7,960,333	18,510,337
8 Operational deposits/operational accounts	–	9,559,099	–	–	4,779,549
9 Other wholesale funding	–	17,766,052	2,446,383	7,960,333	13,730,787
10 Liabilities with matching interdependent assets	–				
11 Other liabilities:	–	2,212,042	2,922	23,883	25,344
12 NSFR derivative liabilities and net liabilities for Shari'a compliant hedging contracts	–				
13 All other liabilities and equity not included in the above categories	–	2,212,042	2,922	23,883	25,344
14 Total ASF	–	45,772,043	2,449,305	14,696,444	39,859,274
RSF (Required stable funds) Item					
15 Total NSFR high-quality liquid assets ('HQLA')	–	10,074,124	472,542	8,987,369	574,228
16 Deposits/PSIAs held at other financial institutions for operational purposes	–	–	–	–	–
17 Performing loans and securities (including Shari'a compliant securities):	–	16,046,897	7,410,931	17,986,367	22,972,541
18 Performing loans to financial institutions secured by Level 1 HQLA	–	2,016,460	750,037	752,076	1,328,740
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	7,294,605	2,510,929	3,911,828	6,463,751
20 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, Central Banks and PSEs,	–	6,224,411	3,873,187	10,508,881	12,845,313
21 – of which: with a risk weight of less than or equal to 50%	–	401,042	833,678	2,908,449	2,507,852
22 Performing residential mortgages,	–	66,342	67,032	2,303,806	1,564,160
23 – of which: with a risk weight of less than or equal to 50%	–	66,342	67,032	2,303,806	1,564,160
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	445,079	209,746	509,777	770,577
25 Assets with matching interdependent liabilities	–				
26 Other Assets	–	287,045	–	1,808,337	1,906,603
27 Physical traded commodities, including gold	–			–	–
28 Assets posted as initial margin for derivative contracts/Shari'a compliant hedging contracts and contributions to default funds of CCPs	–				
29 NSFR derivative assets	–	–	–	134,278	134,278
30 NSFR derivative liabilities before deduction of variation margin posted	–	–	–	155,821	155,821
31 All other assets not included in the above categories	–	287,045	–	1,518,238	1,616,504
32 Off-balance sheet items	–	45,993,151			2,119,422
33 Total RSF	–	72,401,218	7,883,473	28,782,073	27,572,795
34 Net Stable Funding Ratio (%)					145

1 Capital reported under NSFR does not include the deductions accounted in regulatory capital used for capital adequacy ratio.

Additional information

Components of Net Stable Funding Ratio at 31 December 2024 (continued)

In currency amount (US\$000)	Unweighted value by residual maturity				Weighted values
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF (available stable funds) Item					
1 Capital	—	—	—	6,266,725	6,266,725
2 Regulatory Capital	—	—	—	6,266,725	6,266,725
3 Other capital	—	—	—	—	—
4 Retail deposits/PSIAs and deposits/PSIAs from small business customers:	—	15,831,210	—	—	14,260,885
5 Stable Deposits/PSIAs	—	255,921	—	—	243,125
6 Less stable deposits/PSIAs	—	15,575,289	—	—	14,017,760
7 Wholesale funding:	—	23,373,903	2,312,357	5,827,351	15,613,993
8 Operational deposits/operational accounts	—	7,712,709	—	—	3,856,355
9 Other wholesale funding	—	15,661,194	2,312,357	5,827,351	11,757,638
10 Liabilities with matching interdependent assets	—	—	—	—	—
11 Other liabilities:	—	2,018,809	2,799	26,130	27,529
12 NSFR derivative liabilities and net liabilities for Shari'a compliant hedging contracts	—	—	—	—	—
13 All other liabilities and equity not included in the above categories	—	2,018,809	2,799	26,130	27,529
14 Total ASF	—	41,223,922	2,315,156	12,120,206	36,169,132
RSF (Required stable funds) Item					
15 Total NSFR high-quality liquid assets ('HQLA')	—	5,813,035	782,861	7,670,846	499,744
16 Deposits/PSIAs held at other financial institutions for operational purposes	—	—	—	—	—
17 Performing loans and securities (including Shari'a compliant securities):	—	18,290,585	5,105,953	16,518,686	20,642,887
18 Performing loans to financial institutions secured by Level 1 HQLA	—	1,092,204	—	1,251,110	1,360,330
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	—	8,064,116	2,129,852	3,225,054	5,710,952
20 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, Central Banks and PSEs,	—	8,937,772	2,662,360	9,428,714	11,476,352
21 – of which: with a risk weight of less than or equal to 50%	—	694,578	198,408	2,994,895	2,393,175
22 Performing residential mortgages,	—	58,986	57,764	1,957,550	1,330,783
23 – of which: with a risk weight of less than or equal to 50%	—	58,986	57,764	1,957,550	1,330,783
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	—	137,507	255,977	656,258	764,470
25 Assets with matching interdependent liabilities	—	—	—	—	—
26 Other Assets	—	69,176	—	1,565,234	1,574,966
27 Physical traded commodities, including gold	—	—	—	—	—
28 Assets posted as initial margin for derivative contracts/Shari'a compliant hedging contracts and contributions to default funds of CCPs	—	—	—	—	—
29 NSFR derivative assets	—	—	—	180,551	180,551
30 NSFR derivative liabilities before deduction of variation margin posted	—	—	—	157,093	157,093
31 All other assets not included in the above categories	—	69,176	—	1,227,590	1,237,322
32 Off-balance sheet items	—	44,301,416	—	—	2,094,228
33 Total RSF	—	68,474,212	5,888,814	25,754,766	24,811,825
34 Net Stable Funding Ratio (%)					146

Capital requirement

The DFSA's capital requirements are prescribed in the DFSA Prudential – Investment, Insurance Intermediation and Banking Module ('PIB'). In accordance with the PIB:

- the capital requirement for an authorised firm is calculated, subject to (2), as the higher of:
- the applicable Base Capital Requirement as set out in the PIB; or
- its Risk Capital Requirement plus applicable Capital Buffer Requirements.
- where the authorised firm has an Individual Capital Requirement ('ICR') imposed on it then the Capital Requirement is its ICR plus Risk Capital Requirement plus applicable Capital Buffer Requirements.

An authorised firm must calculate its Risk Capital Requirement as the sum of the following:

- the Credit Risk Capital Requirement;
- the Market Risk Capital Requirement;
- the Operational Risk Capital Requirement; and
- the Displaced Commercial Risk Capital Requirement, where applicable.

Further, the bank is subject to a Capital Conservation Buffer of 2.5% of Risk Weighted Assets and must constitute only CET1 Capital.

The PIB requires an authorised firm to:

- appropriately apply a risk-weight to all on-balance sheet assets and off-balance sheet exposures for capital adequacy purposes. A risk-weight is based on a Credit Quality Grade aligned with the likelihood of counterparty default;
- calculate the Credit Risk Capital Requirement for its on-balance sheet assets and off-balance sheet exposures; and
- reduce the Credit Risk Capital Requirement for its on-balance sheet assets and off-balance sheet exposures where the exposure is covered fully or partly by some form of eligible Credit Risk mitigant.

Additional information

The DFSA has granted approval to the bank to use HSBC Group internal models for the purposes of calculating Market Risk Requirements.

The bank uses the Standardised Approach for the calculation of Operational Risk Capital Requirement.

The bank's regulatory capital is divided into two tiers:

- Tier 1 capital comprises equity share capital, share premium, retained earnings, other comprehensive income and other reserves. This is adjusted for the amount of cash flow hedge reserve related to gains or losses on cash flow hedges of financial instruments, all unrealised gains or losses on liabilities that are valued at fair value and which result from changes in the bank's own credit quality and deduction for intangible assets.
- Tier 2 capital comprises of subordinated loan and general provisions limited to 1.25% of Credit Risk Weighted Assets.

Capital structure at 31 December (solo basis)

	2025 US\$000	2024 US\$000
Composition of regulatory capital		
Common Equity Tier 1 capital ¹	4,435,745	4,011,723
Additional Tier 1 capital	990,000	990,000
Total Tier 1 capital	5,425,745	5,001,723
Tier 2 capital	997,069	992,811
Total regulatory capital	6,422,814	5,994,534
Risk-weighted assets		
Credit and counterparty risk	29,957,806	28,353,578
Market risk	2,363,741	1,782,887
Operational risk	4,661,959	4,199,320
	36,983,506	34,335,785
Capital ratios		
Common Equity Tier 1 ratio (%)	11.99	11.68
Tier 1 ratio (%)	14.67	14.57
Capital adequacy ratio (%)	17.37	17.46
Leverage ratio (%)	5.71	5.83

1 Adjustments to/deductions from CET1 Capital.

	2025 US\$000	2024 US\$000
Other Intangible Assets	280,534	265,025
Deferred tax assets	–	602
Reserves	10,311	9,950

Additional information

Financial information for the bank

Financial information for the bank are presented to ensure compliance with Article 54 of the Federal Corporate Income Tax Law requirements. Difference in the group and the bank primary statements is the data for subsidiary undertaking not included in the financial information for the bank. The information in this section is not audited.

Income statement for the bank

for the year ended 31 December

	2025 US\$000	2024 US\$000
Net interest income	1,524,070	1,589,905
– interest income	2,703,777	2,672,414
– interest expense	(1,179,707)	(1,082,509)
Net fee income	552,933	506,374
– fee income	770,805	690,286
– fee expense	(217,872)	(183,912)
Net income from financial instruments held for trading or managed on a fair value basis	338,626	330,609
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	9,730	4,844
Gains less losses from financial investments	1,055	1,108
Other operating income	182,129	84,213
Net operating income before change in expected credit losses and other credit impairment charges	2,608,543	2,502,323
Change in expected credit losses and other credit impairment charges	(185,815)	(197,768)
Net operating income	2,422,728	2,304,555
Employee compensation and benefits	(637,309)	(593,488)
General and administrative expenses	(585,551)	(501,981)
Depreciation and impairment of property, plant and equipment and right-of-use assets	(30,295)	(29,197)
Amortisation and impairment of intangible assets	(80,500)	(65,971)
Total operating expenses	(1,333,655)	(1,190,637)
Profit before tax	1,089,073	1,113,918
Tax expense	(233,687)	(246,544)
Profit for the year	855,386	867,374
Attributable to:		
– shareholder of the parent company	855,386	867,374
Profit for the year	855,386	867,374

Additional information

Statement of comprehensive income for the bank for the year ended 31 December

	2025	2024
	US\$000	US\$000
Profit for the year	855,386	867,374
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Debt instruments at fair value through other comprehensive income	33,151	8,899
– fair value gains	40,575	11,537
– fair value (gains) transferred to the income statement on disposal	(1,055)	(1,108)
– expected credit losses/(gains) recognised in income statement	739	(1,741)
– income taxes	(7,108)	211
Cash flow hedges	24,024	(12,731)
– fair value losses/(gains)	23,543	(44,483)
– fair value losses reclassified to the income statement	5,082	30,345
– income taxes	(4,601)	1,407
Exchange differences	9,202	(3,050)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit liability	25,250	(15,940)
Fair value gains on equity instruments designated at fair value through other comprehensive income	6,912	8,213
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	(3,675)	(5,570)
Other comprehensive income/(expense) for the year, net of tax	94,864	(20,179)
Total comprehensive income for the year	950,250	847,195
Attributable to:		
– shareholder of the parent company	950,250	847,195
Total comprehensive income for the year	950,250	847,195

Additional information

Statement of financial position for the bank at 31 December

	2025 US\$000	2024 US\$000
Assets		
Cash and balances at central banks	1,062,245	646,989
Trading assets	2,577,231	1,923,099
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	68,992	34,127
Derivatives	911,921	952,893
Loans and advances to banks	11,286,082	11,682,106
Loans and advances to customers	22,618,419	20,440,269
Reverse repurchase agreements – non-trading	9,197,094	7,878,210
Financial investments	14,403,237	11,592,083
Prepayments, accrued income and other assets	1,785,721	1,693,756
Interests in associates	630	630
Intangible assets	280,534	265,025
Deferred tax assets	117,922	120,359
Total assets	64,310,028	57,229,546
Liabilities and equity		
Liabilities		
Deposits by banks	9,022,406	6,499,507
Customer accounts	37,045,594	34,834,045
Repurchase agreements – non-trading	4,788,142	2,936,075
Trading liabilities	1,204,203	837,253
Financial liabilities designated at fair value	1,108,009	1,238,466
Derivatives	779,081	785,326
Debt securities in issue	537,241	808,480
Accruals, deferred income and other liabilities	2,710,709	2,512,906
Current tax liabilities	287,546	238,573
Provisions	164,169	233,764
Subordinated liabilities	946,337	945,751
Total liabilities	58,593,437	51,870,146
Equity		
Called up share capital	931,055	931,055
Share premium account	61,346	61,346
Other equity instrument	990,000	990,000
Other reserves	(137,768)	(210,589)
Retained earnings	3,871,958	3,587,588
Total equity	5,716,591	5,359,400
Total liabilities and equity	64,310,028	57,229,546

Additional information

Statement of cash flows for the bank

for the year ended 31 December

	2025 US\$000	2024 US\$000
Cash flows from operating activities		
Profit before tax	1,089,073	1,113,918
Adjustments for:		
Net (gain) from investing activities	(758)	(1,244)
Share of loss in associates		—
Depreciation, amortisation and impairment	110,674	95,168
Share-based payment expense	19,270	15,736
Gain on disposal of business	(71,434)	—
Change in expected credit losses gross of recoveries and other credit impairment charges	204,192	213,900
Provisions including pensions	40,799	36,052
Other non-cash items included in profit before tax	(192,355)	(249,286)
Elimination of exchange differences ¹	(40,696)	30,185
Changes in operating assets and liabilities		
Change in other assets	(35,656)	(310,979)
Change in net trading securities and derivatives	(223,830)	(217,307)
Change in loans and advances to banks and customers	(3,069,603)	(1,202,456)
Change in reverse repurchase agreements – non-trading	(490,184)	(853,405)
Change in financial assets designated at fair value	(34,865)	(1,497)
Change in other liabilities	(69,034)	29,012
Change in deposits by banks and customer accounts	5,417,327	5,566,005
Change in debt securities in issue	(271,239)	(234,837)
Change in financial liabilities designated at fair value	(134,132)	(196,386)
Change in repurchase agreements – non-trading	1,852,067	1,134,710
Tax paid	(195,268)	(174,465)
Net cash generated from operating activities	3,904,343	4,792,824
Cash flows from investing activities		
Purchase of financial investments	(9,068,703)	(9,203,758)
Proceeds from the sale and maturity of financial investments	6,190,667	8,196,899
Net cash flows from the purchase and sale of property, plant and equipment	(24,181)	(14,471)
Net investment in intangible assets	(96,839)	(83,685)
Net cash outflow on disposal of business	(441,049)	—
Net cash generated (used) in investing activities	(3,440,105)	(1,105,015)
Cash flows from financing activities		
Issue of other equity instruments	—	250,000
Redemption of other equity instruments	—	(225,000)
Subordinated loan capital issued	—	(475,000)
Subordinated loan capital repaid	—	945,751
Dividends paid	(581,581)	(1,066,010)
Net cash generated (used in) financing activities	(581,581)	(570,259)
Net increase in cash and cash equivalents	(117,343)	3,117,550
Cash and cash equivalents at 1 Jan	10,129,521	7,026,452
Exchange differences in respect of cash and cash equivalents	22,624	(14,481)
Cash and cash equivalents at 31 Dec	10,034,802	10,129,521
Cash and cash equivalents comprise:		
– Cash and balances at central banks	1,062,245	646,989
– Loans and advances to banks of one month or less	7,421,166	8,285,094
– Reverse repurchase agreement with banks of one month or less	1,853,275	1,024,575
– Cash collateral, net settlement accounts and items in course of collection from/transition to other banks	(329,046)	(197,710)
– Treasury bills, other bills and certificates of deposit of less than three months	27,162	370,573
Total cash and cash equivalents	10,034,802	10,129,521

¹ Adjustment to bring changes between opening and closing balance sheet amounts to average rates. This is not done on a line-by-line basis, as details cannot be determined without unreasonable expense.

Additional information

Statement of changes in equity for the bank

for the year ended 31 December

	Other reserves							
	Called up share capital and share premium	Other equity instruments	Retained earnings	Financial assets at FVOCI reserves	Cash flow hedging reserve	Foreign exchange reserve	Merger and other reserves ¹	Total equity
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
At 1 Jan 2025	992,401	990,000	3,587,588	(40,494)	(10,268)	(144,474)	(15,353)	5,359,400
Profit for the year	—	—	855,386	—	—	—	—	855,386
Other comprehensive income – net of tax	—	—	22,043	40,216	24,024	8,581	—	94,864
– debt instruments at fair value through other comprehensive income	—	—	—	33,151	—	—	—	33,151
– equity instruments designated at fair value through other comprehensive income	—	—	—	6,912	—	—	—	6,912
– cash flow hedges	—	—	—	—	24,024	—	—	24,024
– changes in fair value of financial liabilities designated at fair value arising from changes in own credit risk	—	—	(3,675)	—	—	—	—	(3,675)
– remeasurement of defined benefit asset/liability	—	—	25,250	—	—	—	—	25,250
– exchange differences	—	—	468	153	—	8,581	—	9,202
Total comprehensive income for the year	—	—	877,429	40,216	24,024	8,581	—	950,250
New issuance	—	—	—	—	—	—	—	—
Dividends	—	—	(581,581)	—	—	—	—	(581,581)
Redemption of securities	—	—	—	—	—	—	—	—
Other movements	—	—	(11,478)	—	—	—	—	(11,478)
At 31 Dec 2025	992,401	990,000	3,871,958	(278)	13,756	(135,893)	(15,353)	5,716,591
At 1 Jan 2024	992,401	967,500	3,808,355	(57,558)	2,463	(142,280)	(15,353)	5,555,528
Profit for the year	—	—	867,374	—	—	—	—	867,374
Other comprehensive (expense) – net of tax	—	—	(22,319)	17,065	(12,731)	(2,194)	—	(20,179)
– debt instruments at fair value through other comprehensive income	—	—	—	8,899	—	—	—	8,899
– equity instruments designated at fair value through other comprehensive income	—	—	—	8,213	—	—	—	8,213
– cash flow hedges	—	—	—	—	(12,731)	—	—	(12,731)
– changes in fair value of financial liabilities designated at fair value arising from changes in own credit risk	—	—	(5,570)	—	—	—	—	(5,570)
– remeasurement of defined benefit asset/liability	—	—	(15,940)	—	—	—	—	(15,940)
– exchange differences	—	—	(809)	(47)	—	(2,194)	—	(3,050)
Total comprehensive income for the year	—	—	845,055	17,065	(12,731)	(2,194)	—	847,195
New Issuance	—	250,000	—	—	—	—	—	250,000
Dividends	—	—	(1,066,010)	—	—	—	—	(1,066,010)
Redemption of securities	—	(225,000)	—	—	—	—	—	(225,000)
Other movements	—	(2,500)	188	(1)	—	—	—	(2,313)
At 31 Dec 2024	992,401	990,000	3,587,588	(40,494)	(10,268)	(144,474)	(15,353)	5,359,400

Cautionary statement regarding forward-looking statements

This Annual Report and Accounts 2025 contains certain forward-looking statements with respect to the group's financial condition; Environmental, Social and Governance ('ESG') related matters; results of operations and business; and the group's ability to contribute to the HSBC Group's ESG targets, commitments and ambitions described herein.

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

Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements which may or may not prove to be correct.

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

For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements.

The information, statements and opinions set out in this Annual Report and Accounts 2025 do not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any advice or recommendation in respect of such securities or other financial instruments.

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Middle East Management Office

HSBC Tower

Downtown

P O Box 66

Dubai, UAE

ALGERIA

Oriental Business Park branch

Oran branch

BAHRAIN

Seef – Main Branch

Adliya Branch

KUWAIT

Kuwait City – Sharq Area

QATAR

Doha – Airport Road (Main Branch)

Doha – City Centre

Doha – Lusail

UNITED ARAB EMIRATES

Abu Dhabi – Old Airport Road

Dubai – Dubai Festival City Mall

Dubai – Bur Dubai

Dubai – Jumeirah

Jebel Ali – Free Trade Zone

Fujairah – Hamad Bin Abdulla St

Ras Al Khaimah – Al Dhait

Sharjah – King Faisal Road

3 Customer Service Units and 2 Management Offices

OMAN

Muscat, Sultanate of Oman

Principal Subsidiary Companies

HSBC Middle East Securities LLC

HSBC Middle East Asset Company LLC

HSBC Bank Middle East Representative Office Morocco S.A.R.L.

Associated Companies

MENA Infrastructure Fund (GP) Limited

Special Connections With These Members Of The HSBC Group

HSBC Bank Egypt S.A.E.

HSBC Securities (Egypt) S.A.E.

HSBC Electronic Data Service Delivery (Egypt) S.A.E.

HSBC Saudi Arabia

Saudi Awwal Bank

HSBC Private Bank (Suisse) SA (DIFC Branch)

HSBC Middle East Leasing Partnership

HSBC Bank A.S.

HSBC BANK MIDDLE EAST LIMITED

Incorporated in the Dubai International Financial Centre number – 2199

Regulated by the Dubai Financial Services Authority.

REGISTERED OFFICE

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