

HSBC Holdings plc

Pillar 3 Disclosures at 31 December 2025

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Unless the context requires otherwise, 'HSBC Holdings' means HSBC Holdings plc and 'HSBC', the 'Group', 'we', 'us' and 'our' refer to HSBC Holdings together with its subsidiaries. Within this document the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'. When used in the terms 'shareholders' equity' and 'total shareholders' equity', 'shareholders' means holders of HSBC Holdings ordinary shares and those preference shares and capital securities issued by HSBC Holdings classified as equity. The abbreviations '\$m', '\$bn' and '\$tn' represent millions, billions (thousands of millions) and trillions (millions of millions) of US dollars respectively.

This document should be read in conjunction with the Annual Report and Accounts 2025, which has been published on our website at www.hsbc.com/investors.

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Disclosures and Governance

Regulatory framework for disclosure

Our Pillar 3 Disclosures at 31 December 2025 comprise both quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with the United Kingdom ('UK') Prudential Regulation Authority ('PRA') Rulebook Disclosure (Capital Requirements Regulation). They are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

We are supervised on a consolidated basis in the UK by the PRA, which receives information on the capital and liquidity adequacy of, and sets capital and liquidity requirements for, the Group as a whole. Individual banking subsidiaries are directly regulated by their local banking supervisors, who set and monitor their local capital and liquidity adequacy requirements. In most jurisdictions, non-banking financial subsidiaries are also subject to the supervision and capital and liquidity requirements of local regulatory authorities.

The Basel Committee on Banking Supervision ('Basel') III framework is structured around three 'pillars', with the Pillar 1 minimum capital requirements and the Pillar 2 supervisory review process complemented by the Pillar 3 market discipline. The aim of Pillar 3 is to produce disclosures that allow market participants to assess the scope of application by banks of the Basel framework and the rules in their jurisdiction, their capital resources, risk exposures and risk management processes, and hence their capital adequacy.

At the consolidated Group level, capital is calculated for prudential regulatory purposes using the Basel III framework as implemented in the UK. Any references to European Union ('EU') regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulation and/or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018 and as may be subsequently amended under UK law. We refer to the regulatory requirements of the Capital Requirements Regulation and Directive, the CRR II regulation and the PRA Rulebook as 'CRR II'.

The regulators of the Group's banking entities outside the UK are at varying stages of implementation of Basel's framework, so local regulation may have been on the basis of Basel I, II, III or Basel 3.1. Further details on our implementations can be found on page 5 within the regulatory developments section.

While the frameworks may vary, the Group's disclosure requirements are unaffected by variations in local regulatory frameworks except where these impact distributions, non-controlling interests and minimum requirements for own funds and eligible liabilities ('MREL').

Information relating to the rationale for withholding certain disclosures is provided in Appendix I.

We publish our Pillar 3 Disclosures quarterly on our website www.hsbc.com/investors.

Regulatory reporting processes and controls

We have been advancing our programme aimed at strengthening our global regulatory reporting processes and making them more sustainable, including enhancing 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.

Comparatives and references

To give insight into movements during 2025, we provide comparative figures, commentary on variances and flow tables for capital requirements. In all tables where the term 'capital requirements' is used, this represents the minimum total capital charge set at 8% of risk-weighted assets ('RWAs') by Article 92(1) of CRR II. Narratives are included to explain quantitative disclosures where necessary.

Where disclosures have been enhanced, or are new, we do not generally restate or provide comparatives. Wherever specific rows and columns in the tables prescribed are not applicable or are immaterial to our activities, we omit them and follow the same approach for comparatives.

In alignment with the PRA Rulebook table requirements, we have shaded cells where no information is required to be disclosed.

Pillar 3 requirements may be met by inclusion in other disclosure media. Where we adopt this approach, references are provided to the relevant pages of the Annual Report and Accounts 2025 of HSBC Holdings plc or to other documents.

The table below references where disclosures have been enhanced.

Page ref	Table Reference	Activity
5, 8, 15, 30 and 32	Table 1 - KM1/IFRS9-FL Table 2 - UK CC2 Table 6 - UK CC1 Table 20i - KM2 ERG Table 21 - TLAC1	Effective 30 June 2025, inclusion of accrued interest in tier 2 and MREL instruments.
45, 50 and 83	Table 38 - CR4 Table 43 - CR5 Table 54 - CCR3	Moved a portfolio from the internal-ratings based approach to the standardised approach.
83	Table 54 - CCR3	Enhanced counterparty credit calculation process for posted securities collateral.
67	Table 46 - Wholesale IRB models Table 47- CR9 Wholesale IRB exposures	Enhancement for better representation of the underlying portfolio.
72	Table 48- Retail IRB risk rating system Table 49- Retail IRB models Table 50-CR9 Retail IRB exposures	Enhancement for better representation of the underlying portfolio and change in average calculation methodology for annual historical default rate.

Governance

The HSBC Holdings Board of Directors ('Board') continued to oversee the governance, operation and oversight of the Group and its principal and material subsidiaries. This Pillar 3 disclosure report was approved by the HSBC Board on 25 February 2026.

The HSBC Pillar 3 disclosures at 31 December 2025 comply with the PRA Rulebook and are governed by the Group's regulatory reporting policy and associated internal controls framework.

Pam Kaur
Group Chief Financial Officer

Richard Blackburn
Group Risk and Compliance Officer

► For further details of our Corporate Governance, see page 186 of the Annual Report and Accounts 2025.

Highlights

CET1 capital and ratio

Our common equity tier 1 ('CET1') capital was \$132.6bn and our ratio remained at 14.9%, unchanged from 31 December 2024. This reflected an increase in RWAs, which was offset by an increase in CET1 capital through capital generation net of distributions. The increase in RWAs was mainly driven by foreign currency translation differences and asset size movements.

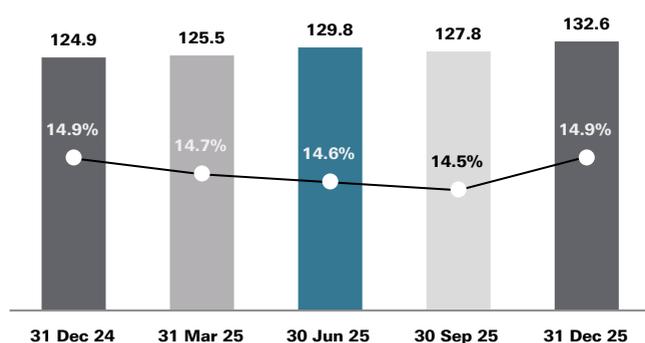
We intend to continue to manage the CET1 capital ratio within our medium-term target range of 14%-14.5%. Capital may fall below our target range during January 2026 owing to the privatisation of Hang Seng Bank, which had a net CET1 capital impact of 110 bps in January 2026 (based on our CET1 capital ratio as at 31 December 2025). This included a day one impact of around 120 bps on CET1, partly offset by a release of around 10 bps of incremental hedging-

related structural foreign exchange RWAs. We expect to restore our CET1 capital ratio within our target range through a combination of organic capital generation and not initiating any further buy-backs until CET1 capital is back within or above this range. A decision to recommence buy-backs will be subject to our normal buy-back considerations and process on a quarterly basis.

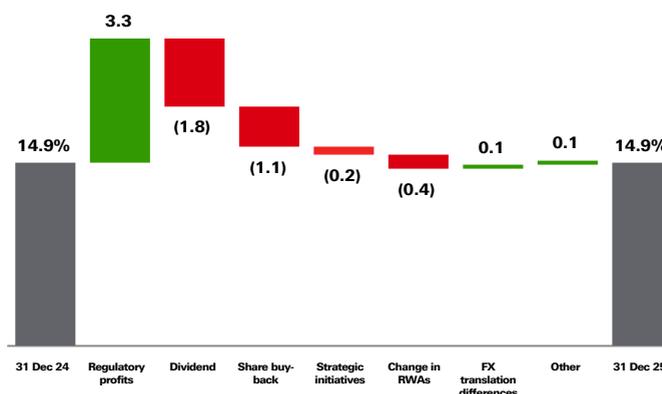
We maintain our dividend payout ratio target basis of 50% of earnings per share ('EPS') for 2025, excluding material notable items and related impacts.

The Board has approved a fourth interim dividend of \$0.45 per share, resulting in a total of \$0.75 per share in respect of 2025.

CET1 capital and ratio



CET1 ratio movement



RWAs

RWAs of \$888.6bn have increased by \$50.3bn since 31 December 2024, mainly due to asset size movements of \$39.9bn and foreign currency translation differences of \$27.4bn, which were partly offset by methodology and policy changes of \$11.6bn and strategic disposals of \$4.5bn.

RWAs by risk type

	31 Dec 2025	31 Dec 2024
Risk-weighted assets	\$bn	\$bn
Credit risk	687.0	657.9
Counterparty credit risk	42.4	37.7
Market risk	38.5	36.2
Operational risk	120.7	106.5
Total RWAs	888.6	838.3

Leverage

Our leverage ratio was 5.3%, down from 5.6% at 31 December 2024. The increase in the leverage exposures led to a 0.6 percentage points fall in the leverage ratio, which was partly offset by higher tier 1 capital of 0.3 percentage points.

Leverage

	31 Dec 2025	31 Dec 2024
Leverage ratio (%)	5.3	5.6

Liquidity

The Group liquidity coverage ratio ('LCR') was 137% or \$190bn above the regulatory requirement for the 12 months to 31 December 2025, and 138% or \$179bn at 31 December 2024. At 31 December 2025, our Group LCR remained above the minimum required regulatory levels. The average high-quality liquid assets ('HQLA') were \$702bn for 31 December 2025 and \$649bn for 31 December 2024.

Liquidity

	31 Dec 2025	31 Dec 2024
LCR (%)	137	138
NSFR (%)	143	143

At 31 December 2025, our **Group net stable funding ratio ('NSFR') remained at 143%**, unchanged from 31 December 2024. At 31 December 2025, all material operating entities were above regulatory minimum levels.

Key metrics

The table below sets out the key regulatory metrics covering the Group's available capital (including buffer requirements and ratios), RWAs, leverage ratio, LCR and NSFR. Effective 1 January 2025, the IFRS 9 transitional arrangements came to an end, followed by the end of the CRR II grandfathering provisions on 28 June 2025. Accordingly, our capital figures are the same on both the transitional and end-point basis. The leverage ratio is calculated using the CRR II end-point basis for capital. LCR is reported as the average of the preceding 12 months while NSFR is reported as the average of the preceding four quarter-end values.

Table 1: Key metrics¹ (KM1/IFRS9-FL)

		At				
		31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025	31 Dec 2024
Available capital (\$bn)						
1	Common equity tier 1 ('CET1') capital	132.6	127.8	129.8	125.5	124.9
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	132.6	127.8	129.8	125.5	124.9
2	Tier 1 capital	153.4	148.6	150.6	144.3	144.1
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	153.4	148.6	150.6	144.3	144.1
3	Total capital	182.4	177.7	178.5	169.8	172.4
	Total capital as if IFRS 9 transitional arrangements had not been applied	182.4	177.7	178.5	169.8	172.4
Risk-weighted assets (\$bn)						
4	Total RWAs	888.6	878.8	886.9	853.3	838.3
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	888.6	878.8	886.9	853.3	838.2
Capital ratios (%)						
5	CET1	14.9	14.5	14.6	14.7	14.9
	CET1 as if IFRS 9 transitional arrangements had not been applied	14.9	14.5	14.6	14.7	14.9
6	Tier 1	17.3	16.9	17.0	16.9	17.2
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	17.3	16.9	17.0	16.9	17.2
7	Total capital	20.5	20.2	20.1	19.9	20.6
	Total capital as if IFRS 9 transitional arrangements had not been applied	20.5	20.2	20.1	19.9	20.6
Additional own funds requirements based on Supervisory Review and Evaluation Process ('SREP') as a percentage of RWAs (%)						
UK-7a	Additional CET1 SREP requirements	1.4	1.4	1.5	1.5	1.5
UK-7b	Additional tier 1 ('AT1') SREP requirements	0.5	0.5	0.5	0.5	0.5
UK-7c	Additional tier 2 ('T2') SREP requirements	0.6	0.6	0.6	0.6	0.6
UK-7d	Total SREP own funds requirements	10.5	10.5	10.6	10.6	10.6
Combined buffer requirement as a percentage of RWAs (%)						
8	Capital conservation buffer requirement	2.5	2.5	2.5	2.5	2.5
9	Institution-specific countercyclical capital buffer	0.7	0.7	0.7	0.7	0.7
10	Global systemically important institution buffer	2.0	2.0	2.0	2.0	2.0
11	Combined buffer requirement	5.2	5.2	5.2	5.2	5.2
UK-11a	Overall capital requirements	15.7	15.7	15.8	15.8	15.8
12	CET1 available after meeting the total SREP own funds requirements	9.0	8.6	8.7	8.7	8.9
Leverage ratio						
13	Total exposure measure excluding claims on central banks (\$bn)	2,877.1	2,840.5	2,792.9	2,652.0	2,571.1
14	Leverage ratio excluding claims on central banks (%)	5.3	5.2	5.4	5.4	5.6
Additional leverage ratio disclosure requirements						
14a	Fully loaded expected credit losses ('ECL') accounting model leverage ratio excluding claims on central banks (%)	5.3	5.2	5.4	5.4	5.6
14b	Leverage ratio including claims on central banks (%)	4.7	4.6	4.8	4.8	4.9
14c	Average leverage ratio excluding claims on central banks (%)	5.3	5.3	5.4	5.5	5.5
14d	Average leverage ratio including claims on central banks (%)	4.7	4.7	4.8	4.8	4.9
14e	Countercyclical leverage ratio buffer (%)	0.2	0.2	0.2	0.2	0.2
EU-14d	Leverage ratio buffer requirement (%)	0.9	0.9	0.9	0.9	0.9
EU-14e	Overall leverage ratio requirements (%)	4.2	4.2	4.2	4.2	4.2
Liquidity coverage ratio ('LCR') (\$bn)						
15	Total high-quality liquid assets	702.1	690.2	678.1	660.7	649.2
UK-16a	Cash outflows – total weighted value	697.0	682.2	669.4	657.3	656.3
UK-16b	Cash inflows – total weighted value	184.9	183.9	183.9	182.1	185.6
16	Total net cash outflow	512.1	498.3	485.5	475.2	470.7
17	LCR (%)	137	139	140	139	138
Net stable funding ratio ('NSFR') (\$bn)						
18	Total available stable funding	1,621.0	1,588.6	1,572.1	1,539.8	1,523.4
19	Total required stable funding	1,133.3	1,104.1	1,082.7	1,056.7	1,064.5
20	NSFR (%)	143	144	145	146	143

¹ From 30 June 2025, the regulatory valuation of tier 2 capital includes the associated accrued interest. Prior periods have not been restated.

Minimum capital requirements

The Group is subject to the basic minimum capital requirements set out in Article 92 (1) of CRR II, namely that it maintain:

- CET1 capital at 4.5% of RWAs;
- Tier 1 ('T1') capital (CET1 capital plus additional tier 1 ('AT1') capital) at 6% of RWAs; and
- Total capital (T1 capital plus tier 2 ('T2') capital) at 8% of RWAs.

Rows UK-7a to UK-7c in the table above show how the Group's Pillar 2A additional capital requirement (set by the PRA at 2.5% of RWAs) is allocated to each of these tiers of capital. Row UK-7d adds the total of these additional requirements to the CRR II minimum requirements to give a total capital supervisory review and evaluation process requirement of 10.5%.

Rows 8 to 10 set out buffer requirements to which the Group is also subject, and which must be satisfied by CET1. The Group's overall capital requirement in Row UK-11a, 15.7%, is the sum of these buffer requirements and the minimum capital requirements calculated above (in Row UK-7d). Pillar 2B requirements are excluded.

- ▶ For further details of Pillar 2, see page 28 of the Pillar 3 Disclosures at 31 December 2025.

Regulatory developments

Basel 3.1

In January 2026, the PRA published its final rules to transpose the Basel Committee's changes to its prudential framework ('Basel 3.1' or 'Basel III reforms') into UK regulation. The PRA has confirmed that the rules for credit risk, operational risk, credit valuation adjustment, and non-modelled market risk will take effect on 1 January 2027.

Implementation of the internal models approach for market risk is scheduled for 1 January 2028.

The PRA also released its final rules setting out requirements for the capitalisation of structural foreign exchange positions. The requirements will be implemented in 2027 alongside the Basel 3.1 standards.

We continue to assess the impact of the final Basel 3.1 standards on our capital and the associated implementation challenges (including data provision). We expect that the impact on our CET1 ratio at 1 January 2027 will be a modest benefit.

HSBC Continental Europe is regulated on a consolidated basis by the European Central Bank ('ECB') which sets and monitors capital adequacy requirements. From 1 January 2025 it has calculated capital on a consolidated basis for prudential regulatory reporting purposes using the EU Basel III reforms, as set out in the amended Capital Requirements Regulation and Directive, resulting in a small increase in RWAs.

The Hongkong and Shanghai Banking Corporation Limited implemented the Basel III final reform package rules on 1 January 2025, as issued by the Hong Kong Monetary Authority ('HKMA'). For the first half of 2025, there was a net reduction in the RWAs from several changes in underlying rules, including the removal of the scaling factor, the reversion to foundation internal ratings-based approach ('IRB') for some portfolios and a revised operational risk approach.

UK capital framework review

In December 2025, the Bank of England's Financial Policy Committee ('FPC') published its latest assessment of the UK capital framework. The FPC reduced its recommended system-wide tier 1 capital benchmark for UK banks from 14% to 13% of RWAs, which is equivalent to 11% of CET1, reflecting enhanced risk measurement, a lower systemic risk profile of UK banks, robust balance sheets, and the anticipated Basel 3.1 changes.

The FPC's report outlines the key reform priorities, including improving the usability of non-releasable capital buffers, reviewing how capital requirements that apply to domestic exposures interact, and reviewing the leverage ratio framework, particularly its calibration against RWAs. In addition, the FPC is collaborating with the PRA to evaluate the output floor for ring-fenced banks as part of the broader ring-fencing regime review. The FPC and PRA are expected to consult firms on these areas during the first half of 2026.

Environmental, social and governance ('ESG') risk

In 2025, regulators and standard setters continued to advance the sustainability agenda with a focus on enhancing existing frameworks and improving global consistency.

In December 2025, the International Sustainability Standards Board ('ISSB') finalised targeted amendments to the IFRS S2 climate-related disclosure standard, providing clarification in relation to greenhouse gas emissions disclosures.

Also in December 2025, the PRA published Policy Statement 25/25 and Supervisory Statement 5/25 strengthening supervisory expectations for banks' management of climate-related financial risks, including enhanced expectations on the quality, consistency and governance of climate-related disclosures, with reference to internationally consistent standards.

In June 2025, the UK Government published a package of consultations on sustainability reporting aligned to the ISSB sustainability disclosure standards, assurance of sustainability reporting and transition planning. Against this backdrop, the FCA published in January 2026 Consultation Paper 26/5 on UK listed issuers' sustainability disclosure rules, in which it is proposed to transition from the existing TCFD-based disclosures (aligned to the Task Force on Climate related Financial Disclosures (TCFD)) to an ISSB-aligned sustainability reporting framework, designed to operate ahead of, and transition to, the UK Sustainability Reporting Standards ('UK SRS') once endorsed. The FCA aims to publish a policy statement in autumn of 2026, taking into account developments relating to UK SRS.

Additional consultations by the UK Government are expected on the scope and timing of mandatory adoption of the UK SRS and on related transition plan disclosure requirements.

Key changes

In 2025, we announced the below events which have impacted our capital and liquidity adequacy.

Privatisation of Hang Seng Bank

The CET1 capital impact of the privatisation of Hang Seng Bank was a net 110 bps upon taking effect in January 2026 (based on the CET1 capital ratio as at 31 December 2025). This included a day one impact on CET1 capital of around 120bps, partly offset by the release of structural foreign exchange RWAs, which related to hedging in the run up to the transaction. These had an adverse impact on CET1 capital of around 10bps at 31 December 2025, which unwound upon the privatisation taking effect.

Disposals

Retained portfolio for home and other loans in France

On 31 October 2025, HSBC Continental Europe completed the sale of the retained portfolio of home and certain other loans in France. The completion of the transaction resulted in the recycling of cumulative fair value losses of \$1.5bn to the income statement that were previously recognised through other comprehensive income.

Our CET1 capital ratio decreased by 0.2 percentage points and a marginal positive impact on our leverage ratio.

Other disposals

We continued to make progress in reshaping the Group. We announced a further 11 exits in 2025. These included our business in Malta, Sri Lanka retail banking, our UK life insurance business, our Germany custody and fund administration businesses, our stake in Grupo Financiero Galicia, our French retained portfolio of home and certain other loans, our Uruguay business, our Bangladesh retail banking business, equity capital markets ('ECM') and mergers and acquisitions ('M&A') in the US, UK and Europe, and our Bahrain retail banking unit, which had an immaterial impact on the CET1 and Leverage ratios.

Other key changes

- On 24 June 2025, the High Court of Justice in England and Wales confirmed the cancellation of \$14.8bn standing to the credit of the HSBC Holdings' share premium account and \$1.8bn standing to the credit of its capital redemption reserve, following approval at HSBC Holdings' Annual General Meeting held on 2 May 2025 (the 'Capital Reduction'). The Court Order confirming the Capital Reduction was registered by the Registrar of Companies on 10 July 2025, resulting in a combined total of \$16.6bn being reclassified to retained earnings with no impact on total equity.

- During 2025 the PRA granted waivers for the exclusion of operational risk RWAs which decreased our RWAs by \$2.0bn. These waivers are associated with the sale of our retail banking operations in France and the disposal of our business in Argentina.
- Additionally, we sold the ADRs in Grupo Financiero Galicia that we received as purchase consideration from the sale of our business in Argentina which resulted in a reduction of our RWAs of \$1bn.
- Following BoCom's share issuance in 2025, the Group's interest in BoCom reduced from 19.03% to 16.00% resulting in a dilution loss of \$1.1bn, and a \$1.0bn impairment loss was recognised following our value-in-use assessment made in 2025.
- ▶ For further details of assets held for sale, liabilities of disposal groups held for sale and business acquisitions, see page 3 and Note 23 on page 329 of the Annual Report and Accounts 2025.
- ▶ For further details on our value-in-use assessment, see Note 18: Interests in associates and joint ventures on page 319 of the Annual Report and Accounts 2025.

Linkage to the Annual Report and Accounts 2025

This section demonstrates the links between the Group's financial balance sheet and its regulatory counterpart.

Structure of the regulatory group

The regulatory consolidation is consistent with the accounting consolidation, with the following exceptions:

- subsidiaries engaged in insurance activities are equity accounted in the regulatory consolidation and then deducted from CET1 capital, subject to thresholds;
 - special purpose entities ('SPEs') are excluded where significant risk has been transferred to third parties. Exposures to these SPEs are risk weighted as securitisation positions for regulatory purposes;
 - participating interests in banking associates are proportionally consolidated for regulatory purposes by including our share of assets, liabilities, profits and losses, and RWAs in accordance with the PRA's regulatory requirements; and
 - non-participating significant investments are deducted from capital, subject to thresholds.
- For further details of the differences between the accounting and regulatory scope of consolidation and their definition of exposure, see pages 8 to 11.

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

Table 2: Reconciliation of regulatory own funds to balance sheet in the financial statements (UK CC2)

Ref [†]	Accounting balance sheet \$m	Deconsolidation of insurance/ other entities \$m	Consolidation of banking associates \$m	Equity accounting of insurance subsidiaries \$m	Regulatory balance sheet \$m
Assets					
	242,859	(8)	414	–	243,265
Cash and balances at central banks					
	44,063	–	–	–	44,063
Hong Kong Government certificates of indebtedness					
	366,153	–	–	–	366,153
Trading assets					
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	133,063	(117,732)	1,064	–	16,395
– of which: debt securities eligible as tier 2 issued by Group Financial Sector Entities ('FSEs') that are outside the regulatory scope of consolidation	–	139	–	–	139
Derivatives	237,740	68	171	–	237,979
Loans and advances to banks	108,462	(536)	1,704	–	109,630
Loans and advances to customers	988,399	527	24,220	–	1,013,146
– of which: lending eligible as tier 2 to Group FSEs outside the regulatory scope of consolidation	–	844	–	–	844
– of which: expected credit losses on IRB portfolios	(7,950)	–	–	–	(7,950)
Reverse repurchase agreements – non-trading	298,392	146	80	–	298,618
Financial investments	567,211	(6,626)	8,769	–	569,354
– of which: lending eligible as tier 2 to Group FSEs outside the regulatory scope of consolidation	–	93	–	–	93
Assets held for sale	11,115	(6,623)	–	–	4,492
– of which: goodwill and intangible assets	3	–	–	–	3
– of which: expected credit losses on IRB portfolios	(8)	–	–	–	(8)
Capital invested in insurance and other entities	–	3,199	–	3,394	6,593
– of which -positive goodwill on acquisition	–	240	–	–	240
Prepayments, accrued income and other assets	184,794	(7,648)	832	–	177,978
– of which: retirement benefit assets	8,246	–	–	–	8,246
Current tax assets	864	(6)	1	–	859
Interests in associates and joint ventures	29,577	(464)	(6,624)	–	22,489
– of which: positive goodwill on acquisition	482	(11)	–	–	471
Goodwill and intangible assets	13,107	(503)	929	–	13,533
Deferred tax assets	7,235	(1,967)	44	–	5,312
Total assets at 31 Dec 2025	3,233,034	(138,173)	31,604	3,394	3,129,859

Table 2: Reconciliation of regulatory own funds to balance sheet in the financial statements (UK CC2) (continued)

Ref †	Accounting balance sheet \$m	Deconsolidation of insurance/ other entities \$m	Consolidation of banking associates \$m	Equity accounting of insurance subsidiaries \$m	Regulatory balance sheet \$m
Liabilities and equity					
	Hong Kong currency notes in circulation	44,063	—	—	44,063
	Deposits by banks	97,952	—	1,142	99,094
	Customer accounts	1,786,828	5,944	26,040	1,818,812
	Repurchase agreements – non-trading	204,974	(558)	1,013	205,429
	Trading liabilities	72,122	—	—	72,122
	Financial liabilities designated at fair value	158,456	(5,288)	—	153,168
	– of which: included in tier 2	9,175	—	—	9,175
	Derivatives	237,854	96	162	238,112
	– of which: debit valuation adjustment	(22)	—	—	(22)
	Debt securities in issue	99,675	(1,960)	645	98,360
	Liabilities of disposals group held for sale	23,382	(6,386)	—	16,996
	Accruals, deferred income and other liabilities	142,123	(3,697)	2,370	140,796
	Current tax liabilities	3,037	(463)	160	2,734
	Insurance contract liabilities	122,955	(122,955)	—	—
	Provisions	3,441	(49)	102	3,494
	– of which: credit-related contingent liabilities and contractual commitments on IRB portfolios	358	—	—	358
	Deferred tax liabilities	2,100	(25)	—	2,075
	Subordinated liabilities	28,406	—	—	28,406
	– of which: included in tier 2	23,906	—	—	23,906
	Total liabilities at 31 Dec 2025	3,027,368	(135,341)	31,634	2,923,661
Equity					
	Called up share capital	8,588	—	—	8,588
	Share premium account	111	—	—	111
	Other equity instruments	20,716	—	—	20,716
	Other reserves	(795)	2,157	40	6,555
	Retained earnings	169,605	(4,785)	(40)	163,021
	Total shareholders' equity	198,225	(2,628)	—	198,991
	Non-controlling interests	7,441	(204)	(30)	7,207
	Total equity at 31 Dec 2025	205,666	(2,832)	(30)	206,198
	Total liabilities and equity at 31 Dec 2025	3,233,034	(138,173)	31,604	3,129,859

† The references (a)–(p) identify balance sheet components that are used in the calculation of regulatory capital in Table 6: Composition of Regulatory own funds¹ (UK CC1). This table shows such items at their accounting values, which may be subject to analysis or adjustment in the calculation of regulatory capital shown in Table 6.

The table below lists the principal entities to which different accounting methods are applied under the regulatory scope of consolidation and refer to the structure of the regulatory group above.

Table 3: Principal entities with a different regulatory and accounting scope of consolidation (LI3)

			At 31 Dec 2025			
			Method of regulatory consolidation			
Principal activities	Method of accounting consolidation		Proportional consolidation	Neither consolidated nor deducted	Equity method	Deducted from capital subject to thresholds
Principal associates						
Saudi Awwal Bank	Banking services	Equity	●			
Principal insurance entities						
HSBC Life (International) Ltd	Life insurance manufacturing	Fully consolidated			●	●
Hang Seng Insurance Company Ltd	Life insurance manufacturing	Fully consolidated			●	●
HSBC Insurance (Singapore) Pte Ltd	Life insurance manufacturing	Fully consolidated			●	●
HSBC Life (UK) Ltd	Life insurance manufacturing	Fully consolidated			●	●
HSBC Life Assurance (Malta) Ltd	Life insurance manufacturing	Fully consolidated			●	●
HSBC Life Insurance Company Ltd	Life insurance manufacturing	Fully consolidated			●	●
HSBC Seguros S.A. (Mexico)	Life insurance manufacturing	Fully consolidated			●	●
HSBC Life (Singapore) Pte. Ltd.	Life insurance manufacturing	Fully consolidated			●	●
HSBC Insurance (Bermuda) Ltd	Reinsurance	Fully consolidated			●	●
Principal SPEs						
Metrix Portfolio Distribution plc	Securitisation	Fully consolidated		●		
Neon Portfolio Distribution DAC	Securitisation	Fully consolidated		●		
Regency Assets DAC	Securitisation	Fully consolidated		●		

► For further details of HSBC holdings' subsidiaries, funds, joint ventures and associates, see Note 38 on page 347 of the Financial Statements of the Annual Report and Accounts 2025.

Measurement of regulatory exposures

This section sets out the main reasons why the measurement of regulatory exposures is not directly comparable with the financial information presented in the Annual Report and Accounts 2025.

The Pillar 3 Disclosures at 31 December 2025 are prepared in accordance with regulatory capital and liquidity adequacy concepts and rules, while the Annual Report and Accounts 2025 is prepared in

accordance with IFRSs. The regulatory exposure value includes an estimation of risk, and is expressed as the amount expected to be outstanding were the counterparty to default.

Moreover, regulatory exposure classes are based on different criteria from accounting asset types and are therefore not comparable on a line by line basis.

The table below provides a breakdown of assets and liabilities under the accounting and regulatory scope of consolidation, by risk types that form the basis for regulatory capital requirements and the link to regulatory exposure value.

Table 4: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1)

	Carrying value of items							Not subject to own funds requirements or subject to deduction from own funds
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation ¹	Subject to the credit risk framework	Subject to the counterparty credit risk framework ²	Subject to the securitisation framework ³	Subject to the market risk framework ⁴		
	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn
Assets								
Cash and balances at central banks	242.8	243.3	243.3	—	—	—	—	—
Hong Kong Government certificates of indebtedness	44.1	44.1	44.1	—	—	—	—	—
Trading assets	366.1	366.1	2.3	33.4	0.1	363.8	—	—
Financial assets designated and otherwise mandatorily measured at fair value	133.1	16.4	9.4	6.7	0.1	—	0.2	—
Derivatives	237.7	238.0	—	238.0	—	238.0	—	—
Loans and advances to banks	108.5	109.6	109.4	0.2	—	—	—	—
Loans and advances to customers	988.4	1,013.1	968.5	0.3	43.4	—	0.9	—
Reverse repurchase agreements – non-trading	298.4	298.6	—	298.6	—	—	—	—
Financial investments	567.2	569.4	567.0	—	2.4	—	—	—
Assets held for sale	11.1	4.5	4.4	—	—	0.1	—	—
Capital invested in insurance and other entities	—	6.6	3.3	—	—	—	3.3	—
Prepayments, accrued income and other assets	184.8	178.0	60.7	62.1	—	30.9	36.6	—
Current tax assets	0.9	0.9	0.9	—	—	—	—	—
Interests in associates and joint ventures ⁵	29.6	22.5	11.3	—	—	—	11.2	—
Goodwill and intangible assets	13.1	13.5	—	—	—	—	12.9	—
Deferred tax assets	7.2	5.3	5.0	—	—	—	0.3	—
Total assets at 31 Dec 2025	3,233.0	3,129.9	2,029.6	639.3	46.0	632.8	65.4	
Liabilities								
Hong Kong currency notes in circulation	44.1	44.1	—	—	—	—	44.1	—
Deposits by banks	98.0	99.1	—	—	—	—	99.1	—
Customer accounts	1,786.8	1,818.8	—	—	—	—	1,818.8	—
Repurchase agreements – non-trading	204.9	205.4	—	205.4	—	—	—	—
Trading liabilities	72.1	72.1	—	19.4	—	72.1	—	—
Financial liabilities designated at FV	158.5	153.2	—	—	—	71.7	81.5	—
Derivatives	237.9	238.1	—	238.1	—	238.1	—	—
Debt securities in issue	99.7	98.4	—	—	—	—	98.4	—
Liabilities for disposal groups held for sale	23.4	17.0	—	—	—	—	17.0	—
Accruals, deferred income, and other liabilities	142.1	140.8	—	60.8	—	—	80.0	—
Current tax liabilities	3.0	2.7	—	—	—	—	2.7	—
Liabilities under insurance contract	123.0	—	—	—	—	—	—	—
Provisions	3.4	3.5	0.7	—	—	—	2.8	—
Deferred tax liabilities	2.1	2.1	1.0	—	—	—	3.6	—
Subordinated liabilities	28.4	28.4	—	—	—	—	28.4	—
Total liabilities at 31 Dec 2025	3,027.4	2,923.7	1.7	523.7	—	381.9	2,276.4	

1 The amounts shown do not equal the sum of the amounts shown in the remaining columns of this table for line items 'Derivatives', 'Trading assets' and 'Prepayments, accrued income and other assets' as some of the assets in this column are subject to regulatory capital charges for credit risk, counterparty credit risk and market risk.

2 The amounts shown include both non-trading book and trading book.

3 The amounts shown are non-trading book positions. Trading book securitisation positions are included in the market risk column.

4 The amounts shown do not consider exposures subject to foreign exchange risk RWA calculations.

5 Our investment in BoCom is recognised as a significant investment in a financial sector entity. At 31 December 2025, \$11.2bn was deducted from CET1 and \$28.3bn RWAs were reported for this investment, with a related exposure of \$11.3bn.

The table below shows the main differences between the accounting balances and the regulatory exposure amounts by risk type and the on and off-balance sheet treatment of the exposures. Row 1 and 2 excludes amounts subject to deduction from capital or not subject to regulatory capital requirements. Row 12 'exposure amounts considered for regulatory purposes' is a more meaningful measure for credit risk, counterparty credit risk and securitisation frameworks, however not for the market risk framework, as there are no exposures reported.

Table 5: Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

	of which items subject to:				
	Total	Credit risk framework	Securitisation framework	CCR framework	Market risk framework
	\$bn	\$bn	\$bn	\$bn	\$bn
1 Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)	3,064.5	2,029.6	46.0	639.3	632.8
2 Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	647.3	1.7	—	523.7	381.9
3 Total net amount under the regulatory scope of consolidation	2,417.2	2,027.9	46.0	115.6	250.9
4 Off-balance-sheet amounts	1,030.6	972.9	28.0	29.7	
6 Differences due to different netting rules, other than those already included in row 2	36.7	14.3	—	22.4	
7 Differences due to consideration of provisions	8.3	8.3	—	—	
8 Differences due to the use of credit risk mitigation techniques (CRMs)	(74.0)	(22.8)	(2.4)	(48.8)	
9 Differences due to credit conversion factors	(685.0)	(685.0)	—	—	
10 Differences due to Securitisation with risk transfer	(12.8)	—	(12.8)	—	
11 Other differences	59.8	0.7	—	59.1	
12 Exposure amounts considered for regulatory purposes at 31 Dec 2025	2,780.8	2,316.3	58.8	178.0	—

Explanations of differences between carrying values in financial statements and regulatory exposure amounts

Differences in netting rules

The increase from carrying value due to differences in netting rules is the reversal of amounts deducted from gross loans and advances to customers in the published financial statements in accordance with the offsetting criteria of IAS 32 'Financial instruments: presentation'. This also includes the differences between accounting carrying values versus regulatory exposures considered for counterparty credit risk reporting purposes.

Differences due to consideration of provisions

The carrying value of assets is net of credit risk adjustments. The regulatory exposure value under IRB approaches is before deducting credit risk adjustments.

Differences due to the use of credit risk mitigation techniques

Exposure value under the standardised approach ('SA/STD') is calculated after deducting credit risk mitigation whereas accounting value is before such deductions.

Differences due to credit conversion factors

Exposure value of off-balance sheet items are calculated after the application of the relevant conversion factors as defined in the CRR II.

Differences due to securitisation with risk transfer

Securitisation exposure is based on risk transfer of exposure at default ('EAD') of underlying loans instead of accounting value.

Other differences

Other differences primarily relate to exposures at default ('EAD') modelling impacts, potential future exposures ('PFE') and adjustments relating to funded settlement risk ('FSR') for counterparty credit risk.

Explanation of differences between accounting fair value and regulatory prudent valuation

Fair value is defined as the best estimate of the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Some fair value adjustments already reflect valuation uncertainty to some degree. These are market data uncertainty and model uncertainty. However, it is recognised that a variety of valuation techniques using stressed assumptions, and combined with the range of plausible market parameters at a given point in time, may still generate unexpected uncertainty beyond fair value.

A series of additional valuation adjustments ('AVAs') are therefore required to reach a specified degree of confidence (the 'prudent value') set by regulators that differs both in terms of scope and measurement from HSBC's own quantification for disclosure purposes.

AVAs should consider at the minimum: market price uncertainty, bid-offer (close-out) uncertainty, model risk, concentration, administrative costs, unearned credit spreads and investing and funding costs.

AVAs are not limited to level 3 exposures, for which a 95% uncertainty range is already computed and disclosed, but must also be calculated for any exposure for which the exit price cannot be determined with a high degree of certainty. Table 68 presents further information on the prudent valuation adjustment.

- ▶ For further details of level 3 exposures, see Note 12 on page 306 of the Financial Statements of the Annual Report and Accounts 2025.

Risk management

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 ('RMF'), including the key principles and practices that we deploy in managing material risks, both financial and non-financial.

The framework fosters continuous monitoring, promotes risk awareness and drives a positive risk culture. It encourages sound operational and strategic decision-making and escalation. It also supports a consistent approach to identifying, assessing, managing and reporting the risks we incur in our activities, with clear accountabilities.

- ▶ For further details of our RMF, see page 98 of the Annual Report and Accounts 2025.
- ▶ For details of the management and mitigation of principal risks facing the Group, see page 100 of the Annual Report and Accounts 2025.
- ▶ For details on our management of treasury risk, see page 14.

Material risks

Pillar 3 requires that all material risks be disclosed to provide a comprehensive view of a bank's risk profile. In addition to the disclosures in this document, other information on material risks can be found on page 105 of the Annual Report and Accounts 2025. References to the specific risk sections within the Annual Report and Accounts are provided below:

- Credit risk (refer to page 107)
 - Treasury risk (refer to page 156)
 - Market risk (refer to page 167)
 - Climate risk (refer to page 170)
 - Resilience risk (refer to page 180)
 - Regulatory compliance risk (refer to page 180)
 - Financial crime risk (refer to page 181)
 - Model risk (refer to page 181)
 - Insurance manufacturing operations risk (refer to page 182)
- ▶ For further details on our risk management see page 98 of the Annual Report and Accounts 2025.

Culture

HSBC understands the importance of a strong culture. Our culture refers to our shared attitudes, beliefs, values and standards that shape behaviours including those related to risk awareness, risk taking and risk management. It is instrumental in aligning the behaviours of individuals with our attitude to assuming and managing risk, which helps to ensure that our risk profile remains in line with our risk appetite. The fostering of a strong culture is a key responsibility of our senior executives.

Our culture is also reinforced by our approach to remuneration. Individual awards, including those for senior executives, are based on compliance with our values and the achievement of financial and non-financial objectives that are aligned to our risk appetite and global strategy.

- ▶ For further details of risk and remuneration, see page 216 of the Annual Report and Accounts 2025.

Risk governance

The Board has ultimate responsibility for the effective management of risk and approves our risk appetite. It is advised on risk-related matters by the Group Risk Committee ('GRC').

- ▶ For further details of the activities of the GRC, see page 209 of the Annual Report and Accounts 2025.

Executive accountability for the ongoing monitoring, assessment and management of the enterprise-wide risk environment, and the effectiveness of the RMF resides with the Group Chief Risk and Compliance Officer ('GCRCO'). The GCRCO is supported by the Group Risk Management Meeting ('GRMM') of the Group Operating Committee ('GOC').

- ▶ For further details of risk governance, see page 98 of the Annual Report and Accounts 2025.

Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making. These senior managers are supported by global functions. All our people have a role to play in risk management.

These roles are defined using the three lines of defence model, which takes into account our business and functional structures.

We use a defined executive risk governance structure to help enable appropriate oversight and accountability for risk, which facilitates the reporting and escalation to the Risk Management Meetings.

- ▶ For further details of the Group's three lines of defence model and executive risk governance structures, see page 99 of the Annual Report and Accounts 2025.

Risk appetite

Risk appetite is a key component of our management of risk. It defines our desired forward-looking risk profile, and informs the strategic and financial planning process. At HSBC, risk appetite is managed through a global risk appetite framework and articulated in a risk appetite statement, which is reviewed and approved by the Board on the advice of the GRC, to make sure it remains fit for purpose.

Our risk appetite provides an objective baseline to guide strategic decision making, helping to ensure that planned business activities provide an appropriate balance of return for the risk assumed, while remaining within acceptable risk levels. It is also integrated within other risk management tools, such as stress testing, to help ensure consistency in risk management.

- ▶ For further details of our risk management tools and risk appetite, see page 98 of the Annual Report and Accounts 2025.

Global Risk and Compliance

We have a dedicated Global Risk and Compliance function, headed by the GCRCO, which is responsible for the Group's risk management framework. This includes establishing global policy, monitoring risk profiles, and identifying and managing forward-looking risks.

Global Risk and Compliance is made up of sub-functions covering all risks to our business. It is independent from the business segments to provide challenge, appropriate oversight and balance in risk versus return decisions. The Global Risk and Compliance function operates in line with the three lines of defence model and plays an important role in reinforcing our culture and values. It focuses on creating an environment that encourages our people to speak up and do the right thing.

- ▶ For further details of Global Risk and Compliance, see page 98 of the Annual Report and Accounts 2025.

Stress testing

Our stress testing programme assesses potential financial risks to our business model, and forms part of our risk management and capital and liquidity planning. As well as undertaking regulatory-driven stress tests, we conduct our own internally defined stress tests to understand the nature of our potential vulnerabilities, quantify their impact 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 any consequences for financial stability.

The Group stress testing programme is overseen by the GRC, and results are reported, where appropriate to the Group Finance Management Meeting ('GFMM'), which governs various matters including risk management and controls, financial reporting and disclosures.

- ▶ For further details of stress testing and the Group's regulatory stress tests, see pages 99 and 157 of the Annual Report and Accounts 2025.

Risk management and internal control systems

The Directors are responsible for maintaining and reviewing the effectiveness of the risk management and internal control systems, and for determining the aggregate level of risk and the risk types they are willing to accept in achieving the Group's business objectives. On behalf of the Board, the Group Audit Committee ('GAC') has responsibility for the oversight of the effectiveness of all internal controls.

The Directors, through the GAC, receive regular updates and confirmation that management has taken, or is taking, the necessary actions to remediate any failings or weaknesses identified through the operation of our framework of internal controls.

- ▶ For further details of HSBC's key risk management and internal control procedures, see page 209 of the Annual Report and Accounts 2025, where the Report of the Directors on the effectiveness of internal controls can also be found.

Risk measurement and reporting systems

Our risk measurement and reporting systems are designed to help ensure that risks are comprehensively captured with all the attributes necessary to support well-founded decisions, that those attributes are accurately assessed, and that information is delivered in a timely manner for those risks to be managed and mitigated.

Risk measurement and reporting systems are also subject to a governance framework designed to help ensure that their build and implementation are fit for purpose and functioning appropriately. Risk information system development is a key responsibility of the Global Risk and Compliance function.

We have been advancing our programme aimed at strengthening our global regulatory reporting processes and making them more sustainable, including enhancing data, consistency and controls.

We remain committed to investing in the reliability and resilience of our technology systems and critical services, which support all parts of our business. We assess our third parties to help ensure they deliver the standard of services we require to provide resilient services to our customers. We do so to help protect our customers, affiliates and counterparties, and to help ensure that we minimise any disruption to services. In our approach to defending against these threats, we invest in business and technical controls to help us prevent, detect, respond to and recover from issues in a timely manner within our risk appetite.

Risk measurement and reporting structures deployed at Group level are applied throughout business segments and major operating entities through a common operating model for integrated risk management and control. This model sets out the respective responsibilities of Group, business segments, region and country level risk and compliance functions in respect of risk governance and oversight, approval authorities and lending guidelines, global and local scorecards, management information and reporting, and relations with third parties such as regulators, rating agencies and auditors.

Global Risk analytics and model governance

The Global Risk function manages a number of analytics disciplines supporting the development and management of models, including those for risk rating, behavioural scoring, economic capital, climate and stress testing, covering different risk types and business segments.

The analytics functions support technical responses to industry developments and regulatory policy in the field of risk analytics. They develop HSBC's global risk models, and oversee local model development and use across the Group as we work towards our implementation targets for IRB approaches. The Global Model Risk Committee ('GMRC') is the primary committee responsible for the oversight of model risk globally. It serves an important role in providing strategic direction on the management of models and their associated risks to HSBC's business segments and functions. It is also an essential element of the governance structure for model risk management ('MRM').

The GMRC meets regularly and reports to the GRMM. The GMRC is chaired by the GCRCO and its membership includes the chief executive officers ('CEOs') of the business segments, and senior executives from the risk and finance functions. The GMRC is responsible for providing advice and making recommendations relating to the oversight of model risk globally. The governance structure is implemented consistently for each business segment. The GMRC along with the business segments model risk committees form the formal governance level. The business segments model risk committees have discretion to create business specific or geographic sub-fora.

The GMRC is supported by the Global Functional Model Oversight Forums ('GMOFs') through which issues are escalated. The purpose of the GMOFs is to oversee and monitor the implementation of elements of the model risk framework and provide subject matter expertise. Their scope is a subset of the overall model landscape related to model categories including those for risk rating, behavioural scoring, economic capital, climate, and stress testing.

MRM undertakes four key activities including, model risk governance, model risk stewardship, independent model validation and infrastructure. Global model risk policy and procedures govern the development, validation, independent review, approval, implementation, performance monitoring of credit risk rating models and any model changes. The development and use of data and models to meet local requirements are the responsibility of the business segments or functions, as well as regional and/or local entities under the governance of their own management, subject to overall Group policy and oversight. MRM works closely with business segments and functions to help ensure that models in development meet risk management, pricing and capital management needs.

Models are subject to an independent validation process and governance oversight by the MRM and independent model review team within Global Risk. The team helps to challenge the modelling approaches used across the Group. It also helps to ensure that the performance of those models is transparent and that any limitations are visible to key stakeholders. The MRM function is separate from the risk analytics functions that are responsible for the development of models. All new or materially changed IRB capital models require pre-approval from the PRA.

Model risk remains a key area of focus given the regulatory scrutiny in this area, with local regulatory exams taking place in many jurisdictions and the PRA's supervisory statement SS1/23 Model risk management principles for banks coming into effect. This provided detailed principles-based guidance on how model risk should be managed, and further developments in policy are also expected from other regulators.

Regulatory and other expectations continue to evolve with regards to our capability and practice of MRM. In the 'Risk review, Our Responsibilities' section of the Annual Report and Accounts 2025 on page 99 we outline how roles are defined using the three lines of defence model, which considers our business segments and functional structures.

Global Internal Audit provides an independent and objective assessment of the Group's risk management framework, and control and governance processes, to check they are adequately designed and operating effectively. All three lines of defence at HSBC have responsibility to support effective management of model risk.

Within this Pillar 3 document, relevant risk types disclose their model information and governance in further detail to meet CRR II requirements.

- ▶ For further details of model risk management, see page 181 of the Annual Report and Accounts 2025.

Treasury Risk

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

The Group Treasurer owns all treasury risks, except pension and insurance risks. Pension risk is jointly owned with the Group Head of Performance and Reward, while insurance risk is owned by the Chief Executive Officer for Global Insurance. The Global Head of Traded and Treasury Risk Management and Risk Analytics is the risk steward for all treasury risks.

Treasury risks excluding pension and insurance risks are the responsibility of the GFMM and the GRC. These risks are actively managed by Global Treasury with support from the Holdings Asset and Liability Management Committee ('ALCO') and local ALCOs, overseen by Treasury Risk Management and Risk Management Meetings.

Pension risk is monitored through local and regional pension risk management meetings, with global oversight provided by the Global Pension Financial Risk Management Meeting, chaired by the accountable risk steward. Insurance risk is overseen by the Global Insurance Risk Management Meeting, chaired by the Chief Risk and Compliance Officer for Global Insurance.

HSBC employs stress testing to guide management of capital and liquidity required to withstand both internal and external shocks, such as a systems failure or economic downturn.

- ▶ For further details of our approach to treasury risk management including capital risk, liquidity risk, interest rate in the banking book, non-trading foreign exchange exposure and pension risk, see page 156 of the Annual Report and Accounts 2025.

Capital Risk

Our approach to capital management is shaped by our organisational needs and the regulatory, economic and commercial environment. We aim to maintain a strong capital base to manage inherent business risks and invest in accordance with our strategy, seeking to adhere to both consolidated and local regulatory capital requirements at all times.

This was demonstrated by our strong CET1 performance in the Bank Capital Stress Test published by the Bank of England as part of the Financial Stability Report on 2 December 2025.

As at 31 December 2025, capital securities included in the capital base of HSBC have been issued in accordance with the Capital Requirements Regulation. Capital securities are regularly reviewed for compliance with guidelines. A list of the main features of our capital instruments and eligible liabilities, in accordance with Articles 437 and 437a of CRR II, is published on our website at www.hsbc.com with reference to our balance sheet on 31 December 2025. The full terms and conditions of our securities are also available at www.hsbc.com.

HSBC has no current or foreseen practical or legal impediment envisaged with regard to planned dividends or payments from material subsidiaries to the parent. However, the ability of subsidiaries to pay dividends or advance monies to HSBC Holdings depends on, among other things, their respective local regulatory capital and banking requirements, exchange controls, statutory reserves, and financial and operating performance. None of our subsidiaries that are excluded from the regulatory consolidation had capital resources

below their minimum regulatory requirement as at 31 December 2025.

Liquidity risk

We aim to ensure management oversight of liquidity and funding risks at both Group and entity levels through governance arrangements aligned with our risk management framework. Liquidity and funding risks are managed at the operating entity level seeking to adhere to globally consistent policies, procedures and reporting standards to help ensure that obligations can be met in the jurisdiction under which they fall, and generally without reliance on other parts of the Group. Operating entities are required to meet internal minimum requirements and any applicable regulatory requirements at all times.

Interest rate risk in the banking book

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

Our global IRRBB risk management framework is designed to identify, measure, manage and monitor all material sources of IRRBB. We have established policies and frameworks to help ensure oversight.

To help manage IRRBB risk and provide more stable earnings, we use a structural hedge, which is a portfolio of fixed rate assets such as bonds, derivatives and customer loans. The size and duration of this hedge may be limited in certain currencies and locations, depending on available financial resources and market conditions. To reduce accounting mismatches, we mostly hedge with amortised cost financial instruments or hedge-accounted derivatives. However, bonds measured at fair value through other comprehensive income are also used.

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

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

- ▶ For further details of IRRBB, see page 26.

Non-trading book foreign exchange exposures

Structural foreign exchange exposures occur when capital is invested or net assets are held in a foreign operation, such as a subsidiary, associate, joint venture or branch operating in a different currency than the reporting entity. The functional currency of an entity typically aligns with the primary economic environment in which the entity operates. Our main goal in managing these exposures is to protect our consolidated capital ratios and those of our banking subsidiaries from exchange rate fluctuations. We employ hedging strategies, such as net investment and economic hedges, when it is capital efficient to do so and within approved limits. The hedging positions are monitored and rebalanced to manage RWAs or downside risks associated with HSBC's foreign currency investments.

Transactional foreign exchange risk stems from day-to-day transactions in the banking book generating profit and loss or fair value through other comprehensive income reserves in a currency different from the entity's reporting currency.

Transactional foreign exchange exposure generated through profit and loss is periodically transferred to Markets and Securities Services

('MSS') and managed within limits, with the exception of limited residual foreign exchange exposure arising from timing differences or for other reasons. Transactional foreign exchange exposure generated through other comprehensive income reserves is managed by Global Treasury within the approved appetite.

► For commentary on hedging strategies, see pages 87 and 92.

Own funds

The table below provides a detailed breakdown of the key components of our CET1, T1 and T2 capital, and the regulatory adjustments impacting our capital base. Effective 1 January 2025, the IFRS 9 transitional arrangements came to an end, followed by the end of the CRR II grandfathering provisions on 28 June 2025. Additional value adjustments are calculated on assets measured at fair value. The minimum deductions for holdings of own CET1, AT1 and T2 capital instruments are set by the PRA. The threshold deduction for significant investments relates to balances recorded on numerous lines on the balance sheet and includes: investments in insurance subsidiaries and non-consolidated associates; other CET1 equity held in financial institutions; connected funding of a capital nature; and other balance sheet lines.

Table 6: Composition of Regulatory own funds¹ (UK CC1)

Ref t	At		
	31 Dec 2025 \$m	31 Dec 2024 \$m	
Common equity tier 1 ('CET1') capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	8,699	22,378
	– ordinary shares	8,699	22,378
2	Retained earnings	152,936	138,959
3	Accumulated other comprehensive income (and other reserves)	(27)	(8,410)
5	Minority interests (amount allowed in consolidated CET1)	3,303	3,960
UK-5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	8,076	7,184
6	Common equity tier 1 capital before regulatory adjustments	172,987	164,071
Common equity tier 1 capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(1,348)	(1,141)
8	Intangible assets (net of related deferred tax liability) (negative amount)	(13,626)	(12,890)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR II are met) (negative amount)	(3,076)	(3,513)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	(450)	1,057
12	Negative amounts resulting from the calculation of expected loss amounts	(3,593)	(3,125)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	1,725	1,243
15	Defined-benefit pension fund assets (negative amount)	(6,167)	(5,651)
16	Direct and indirect holdings of own CET1 instruments (negative amount)	(40)	(40)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	(13,779)	(15,076)
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	(40)	(24)
28	Total regulatory adjustments to common equity tier 1 capital	(40,394)	(39,160)
29	Common equity tier 1 ('CET1') capital	132,593	124,911
Additional tier 1 ('AT1') capital: instruments			
30	Capital instruments and the related share premium accounts	20,716	19,070
31	– classified as equity under IFRSs	20,716	19,070
34	Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in CET1) issued by subsidiaries and held by third parties	158	216
36	Additional tier 1 capital before regulatory adjustments	20,874	19,286
Additional tier 1 capital: regulatory adjustments			
37	Direct and indirect holdings of own AT1 instruments (negative amount)	(70)	(70)
43	Total regulatory adjustments to additional Tier 1 capital	(70)	(70)
44	Additional tier 1 capital	20,804	19,216
45	Tier 1 capital (T1 = CET1 + AT1)	153,397	144,127
Tier 2 capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	29,061	24,292
UK-47b	Amount of qualifying items referred to in Article 494b (2) CRR II subject to phase out from T2	–	3,858
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in CET1 or AT1) issued by subsidiaries and held by third parties	1,106	1,184
51	Tier 2 capital before regulatory adjustments	30,167	29,334
Tier 2 capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	(110)	(80)
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	(1,083)	(995)
57	Total regulatory adjustments to tier 2 capital	(1,193)	(1,075)
58	Tier 2 capital	28,974	28,259
59	Total capital (TC = T1 + T2)	182,371	172,386
60	Total Risk exposure amount	888,647	838,254

Table 6: Composition of Regulatory own funds¹ (UK CC1) (continued)

Ref †		At	
		31 Dec 2025	31 Dec 2024
		\$m	\$m
61	Common equity tier 1 (as a percentage of total risk exposure amount)	14.9	14.9
62	Tier 1 (as a percentage of total risk exposure amount)	17.3	17.2
63	Total capital (as a percentage of total risk exposure amount)	20.5	20.6
64	Institution CET1 overall capital requirement (per Article 92 (1) CRR II, plus additional requirement in accordance with point (a) of Article 104(1) CRR II, and combined buffer requirement in accordance with Article 128(6) CRR II as a percentage of risk exposure amount)	11.1	11.1
65	– capital conservation buffer requirement	2.5	2.5
66	– countercyclical buffer requirement	0.7	0.7
67a	– Global systemically important institution ('G-SII') buffer	2.0	2.0
68	Common equity tier 1 available to meet buffers	9.0	8.9
Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	5,756	3,497
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	14,637	13,997
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR II are met)	4,028	4,364
Applicable caps on the inclusion of provisions in tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	2,555	2,251
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	3,067	3,015

¹ From 30 June 2025, the regulatory valuation of tier 2 capital includes the associated accrued interest.

† The references (a)–(q) identify balance sheet components in 'Table 2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (UK CC2)', which are used in the calculation of regulatory capital. This table shows how they contribute to the regulatory capital calculation. Their contribution may differ from their accounting value in Table 2 as a result of adjustment or analysis to apply regulatory definitions of capital.

At 31 December 2025, our CET1 capital ratio remained at 14.9%, unchanged from 31 December 2024. The increase in CET1 capital of \$7.7bn was offset by an increase in RWAs of \$50.3bn. The key drivers of the movements within the CET1 ratio during the year were:

- a 0.5 percentage point increase from capital generation, mainly through regulatory profits net of dividends and share buy-backs. Share buy-backs were paused following the announcement of the privatisation of Hang Seng Bank;
- a 0.1 percentage point increase in the fair value of hold-to-collect-and-sell debt instruments, following a decrease in yields, and the net impact from foreign exchange fluctuations, partly offset by regulatory deductions;

- a 0.2 percentage point decrease due to the loss on our portfolio of home and certain other loans in France under hold-to-collect-and-sell, measured at FVOCI in 1Q25, which was partly offset by PRA waivers granted for the exclusion of operational risk RWAs in 2Q25; and
- a 0.4 percentage point decrease due to an increase in RWAs, mainly driven by organic balance sheet growth.

Our Pillar 2A requirement at 31 December 2025, as per the PRA's Individual Capital Requirement based on a point-in-time assessment, was equivalent to 2.5% of RWAs, of which 1.4% must be met by CET1. Throughout 2025 we complied with the PRA's regulatory capital adequacy requirement.

Capital buffers

Our geographical breakdown and institution-specific countercyclical capital buffer ('CCyB') disclosure is provided on page 100 of this document. The global systemically important bank ('G-SIB') indicators disclosure is published annually on our website, www.hsbc.com/investors.

Pillar 1 minimum capital requirements and RWA flow

Pillar 1 covers the minimum capital resource requirements for credit risk, counterparty credit risk ('CCR'), equity, securitisation, market risk and operational risk. These requirements are expressed in terms of RWAs.

Risk category	Scope of permissible approaches	Our approach
Credit risk	The Basel committee's framework applies three approaches of increasing sophistication to the calculation of Pillar 1 credit risk capital requirements. The most basic level, the standardised approach, requires banks to use external credit ratings to determine the risk weightings applied to rated counterparties. Other counterparties are grouped into broad categories, and standardised risk weightings are applied to these categories. The next level, the Foundation IRB ('FIRB') approach, allows banks to calculate their credit risk capital requirements on the basis of their internal assessment of a counterparty's probability of default ('PD'), but subjects their quantified estimates of exposure at default ('EAD') and loss given default ('LGD') to standard supervisory parameters. Finally, the advanced IRB ('AIRB') approach allows banks to use their own internal assessment in both determining PD and quantifying EAD and LGD.	For consolidated Group reporting, we have adopted the AIRB approach for the majority of our business. Some portfolios utilise the standardised or FIRB approaches: pending the IRB model roll-out; following supervisory prescription of a non-advanced approach or under exemption from IRB treatment.
Counterparty credit risk	CCR covers the risk of counterparty default and potential mark-to-market losses in derivatives and securities financing transactions ('SFTs'). The potential for mark-to-market losses is known as credit valuation adjustment ('CVA') risk. The exposure value, for a given netting set, is determined either by the credit risk mitigation ('CRM') approach, Standardised Approach for Counterparty Credit Risk ('SA-CCR'), or by IMM. For SFTs either the simple or comprehensive approach is applied to recognition of collateral with SFTs or the Value at Risk ('VaR') approach. For CVA, permissible approaches are the Standardised Approach ('SA-CVA') and Advanced Approach ('AA-CVA').	We primarily use the SA-CCR and internal model method ('IMM') approaches for CCR. For CVA, we apply an approach consistent with our permissions. Details of the IMM permission we have received from the PRA can be found in the Financial Services Register on the PRA's website.
Equity	Capital requirements for non-trading book holdings of equity can be assessed under the standardised or IRB approaches. Underlying equity positions within collective investment undertakings ('CIU') must be treated using the IRB equity simple risk-weight approach.	We calculate capital requirements for: <ul style="list-style-type: none"> – non-trading book equity holdings using the standardised approach; and – underlying equity positions within collective investments undertakings using the IRB equity simple risk-weight approach.
Securitisation	The framework prescribes the following approaches: <ul style="list-style-type: none"> – internal ratings-based approach ('SEC-IRBA'); – standardised approach ('SEC-SA'); – external ratings-based approach ('SEC-ERBA'); and – internal assessment approach ('IAA'). 	Under the framework: <ul style="list-style-type: none"> – our originated positions are reported under SEC-IRBA; – our investment in third-party positions are reported under SEC-SA and SEC-ERBA; and – our sponsored positions in Regency are reported under IAA. Our IAA approach is audited annually by internal model review and is subject to review by the PRA. For the definition of Regency securities, see page 87.
Market risk	Market risk capital requirements can be determined under either the standardised rules or the internal models approach ('IMA'). The latter involves the use of internal value at risk ('VaR') models to measure market risks and determine the appropriate capital requirement. In addition to the VaR models, other internal models permitted under IMA include stressed value at risk ('SVaR'), incremental risk charge ('IRC') and comprehensive risk measure.	The market risk capital requirement is measured using internal market risk models, where approved by the PRA, or under the standardised rules. Our internal market risk models comprise VaR, SVaR and IRC. Non-proprietary details of the scope of our IMA permissions are available in the Financial Services Register on the PRA's website.
Operational risk	The PRA allows firms to calculate their operational risk capital requirement under the basic indicator approach, the standardised approach or the advanced measurement approach.	We use the standardised approach to determine our operational risk capital requirement. We have in place an economic capital model to assess operational risk capital requirements under Pillar 2.

Risk-weighted assets

The table below shows total RWAs including free deliveries, and the corresponding total own funds requirement split by risk type. Equities under the simple risk-weighted approach include off-balance sheet collective investment undertakings ('CIU') equity exposures, calculated as per the PRA Rulebook Article 132(c), and 'Other counterparty credit risk' includes securities financing transactions RWAs. Amounts below the thresholds for deduction are included in rows 2 and 5 of the table and include thresholds for the recognition of significant investments and deferred tax assets.

Table 7: Overview of risk-weighted exposure amounts (OV1)

	At		At		At	
	31 Dec 2025	31 Dec 2025	30 Sep 2025	30 Sep 2025	31 Dec 2024	31 Dec 2024
	RWAs \$m	Total own funds requirements \$m	RWAs \$m	Total own funds requirements \$m	RWAs \$m	Total own funds requirements \$m
1 Credit risk (excluding counterparty credit risk)	675,976	54,079	688,591	55,088	648,230	51,859
2 – standardised approach	198,810	15,905	199,821	15,986	177,202	14,176
3 – foundation IRB approach	87,373	6,989	93,494	7,480	84,195	6,736
4 – slotting approach	21,883	1,751	21,994	1,760	22,269	1,782
UK-4a – equities under the simple risk-weighted approach	4,895	392	5,417	433	4,700	376
5 – advanced IRB approach	363,015	29,042	367,865	29,429	359,864	28,789
6 Counterparty credit risk	42,380	3,390	42,270	3,381	37,642	3,012
7 – standardised approach	9,641	771	10,052	804	9,225	738
8 – internal model method	15,011	1,201	14,381	1,150	13,771	1,102
UK-8a – exposures to a central counterparty	2,293	183	2,589	207	1,808	145
UK-8b – credit valuation adjustment	1,294	104	1,709	137	2,235	179
9 – other counterparty credit risk	14,141	1,131	13,539	1,083	10,603	848
15 Settlement risk	54	4	88	7	40	3
16 Securitisation exposures in the non-trading book (after the cap)	11,031	882	9,910	793	9,665	774
17 – internal ratings-based approach ('SEC-IRBA')	3,836	307	2,547	204	2,832	227
18 – external ratings-based approach ('SEC-ERBA') (including internal assessment approach ('IAA'))	1,436	115	1,411	113	2,063	165
19 – standardised approach ('SEC-SA')	5,541	443	5,775	462	4,488	359
UK-19a – 1250%/deduction	218	17	177	14	282	23
20 Position, foreign exchange and commodities risks (market risk)	38,490	3,079	28,903	2,312	36,205	2,897
21 – standardised approach	16,182	1,294	10,086	807	9,334	747
22 – internal models approach	22,308	1,785	18,817	1,505	26,871	2,150
Operational risk	120,716	9,657	109,031	8,722	106,472	8,518
UK-23b – standardised approach	120,716	9,657	109,031	8,722	106,472	8,518
29 Total	888,647	71,091	878,793	70,303	838,254	67,062
24 – of which: Amounts below the thresholds for deduction (subject to 250% risk weight)	46,665	3,733	46,278	3,702	45,784	3,663

The quarter-on-quarter RWA movements in the table above are explained by risk type in the following comments.

Credit risk, including securitisation

Credit risk RWAs at 31 December 2025, including securitisation, decreased by \$11.5bn compared with 30 September 2025. This included an \$0.8bn increase from foreign currency translation differences and a \$12.3bn fall mainly attributable to:

- a \$10.6bn decrease mainly from credit risk parameter refinements including methodology changes to our undrawn exposures within the UK and CIB businesses, and a UK transaction where certain credit risk was transferred to a third party;
- a \$3.2bn decrease from asset quality movements primarily due to credit risk mitigations and portfolio mix changes in our Hong Kong and CIB businesses;
- a \$1.5bn decrease mainly due to the sale of our French retained portfolio of home and certain other loans; and
- a \$3.1bn increase from asset size movements largely driven by corporate lending in our UK business and in SAB within Corporate Centre.

Counterparty credit risk, including settlement risk

Counterparty credit risk RWAs increased by \$0.1bn, due to risk parameter refinements that were largely offset by a decrease in the derivatives portfolio within our CIB business.

Market risk

Market risk RWAs increased by \$9.5bn, mainly due to the \$5.7bn higher structural foreign exchange exposures to hedge the anticipated impact of the Hang Seng Bank privatisation and the stressed market conditions of the fourth quarter of 2025, which resulted in a \$1.5bn higher stressed value at risk, due to the changes in interest rate and foreign exchange risk profile.

Operational risk

Operational risk RWAs increased by \$11.6bn, driven by higher average income across our businesses.

The table below shows the drivers of the quarterly movements of credit risk RWAs, excluding counterparty credit risk and including free deliveries under the IRB approach. The table also excludes securitisation positions, equity exposures and non-credit obligation assets. Foreign exchange movements in this disclosure are computed by retranslating the RWAs into US dollars based on the underlying transactional currencies, and other movements in the table are presented on a constant currency basis.

Table 8: RWA flow statements of credit risk exposures under the IRB approach (CR8)

	Quarter ended			
	31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025
	\$m	\$m	\$m	\$m
1 RWAs at the opening period	471,315	477,551	467,474	454,249
2 Asset size	2,389	727	7,171	4,744
3 Asset quality	(3,387)	(460)	(1,418)	4,779
4 Model updates		(1,458)	—	49
5 Methodology and policy	(10,538)	(3,271)	(7,722)	(1,216)
6 Acquisitions and disposals	(36)	—	—	—
7 Foreign exchange movements	379	(1,774)	12,046	4,869
9 RWAs at the closing period	460,105	471,315	477,551	467,474

Excluding the \$0.4bn foreign exchange movements, RWAs under the IRB approach decreased by \$11.6bn during 4Q25. This was primarily due to credit risk parameter refinements including methodology changes to our undrawn exposures within the UK and CIB

businesses, and a UK transaction where certain credit risk was transferred to a third party. A further decrease was from asset quality movements mainly due to credit risk mitigations and portfolio mix changes in our Hong Kong and CIB businesses.

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

Table 9: RWA flow statements of CCR exposures under IMM (CCR7)

	Quarter ended			
	31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025
	\$m	\$m	\$m	\$m
1 RWAs at the opening period	14,381	15,199	12,429	13,771
2 Asset size	410	(720)	2,247	(1,120)
3 Credit quality of counterparties	(28)	(35)	45	30
5 Methodology and policy (IMM only)	248	(63)	478	(252)
9 RWAs at the closing period	15,011	14,381	15,199	12,429

RWAs under the internal model method ('IMM') increased by \$0.6bn in 4Q25, primarily due to organic movements on account of mark-to-market volatility and risk parameter refinements in our CIB business.

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

Table 10: RWA flow statements of market risk exposures under IMA (MR2-B)

	VaR	Stressed VaR	IRC	Other	Total RWAs	Total own funds requirements
						\$m
1 RWAs at 1 Oct 2025	5,226	7,253	4,568	1,770	18,817	1,505
1a Regulatory adjustment	(3,236)	(4,442)	(150)	—	(7,828)	(626)
1b RWAs at the previous quarter end (end of day)	1,990	2,811	4,418	1,770	10,989	879
2 Movement in risk levels	(304)	158	(224)	173	(197)	(16)
4 Methodology and policy	—	—	—	51	51	4
8a RWAs at the end of the reporting period (end of day)	1,686	2,969	4,194	1,994	10,843	867
8b Regulatory adjustment	4,011	6,492	962	—	11,465	918
8 RWAs at 31 Dec 2025	5,697	9,461	5,156	1,994	22,308	1,785
1 RWAs at 1 Jul 2025	5,147	10,448	5,302	2,141	23,038	1,843
1a Regulatory adjustment	(3,598)	(8,164)	(879)	—	(12,641)	(1,011)
1b RWAs at the previous quarter end (end of day)	1,549	2,284	4,423	2,141	10,397	832
2 Movement in risk levels	441	527	(5)	(371)	592	47
8a RWAs at the end of the reporting period (end of day)	1,990	2,811	4,418	1,770	10,989	879
8b Regulatory adjustment	3,236	4,442	150	—	7,828	626
8 RWAs at 30 Sep 2025	5,226	7,253	4,568	1,770	18,817	1,505

RWAs under IMA increased by \$3.5bn during 4Q25, mainly due to stressed market conditions resulting in higher SVaR due to the impact of changes to the interest rate and foreign exchange risk profile.

Leverage

We manage our leverage ratio in order to maintain appropriate levels of leverage to support our business strategy, and meet our regulatory and stress testing-related requirements.

Management continuously monitors key regulatory metrics, including leverage exposures and the leverage ratio, as part of the Group's capital and balance sheet management framework and risk appetite.

Changes in the leverage ratio during the period also reflected internal strategic management actions. Where appropriate, actions are taken either directly to manage leverage exposures – such as balance sheet optimisation, funding and collateral management, and the use of netting or compression techniques – or indirectly through broader business and strategic decisions, including changes in business mix, client activity, and treasury positioning. While these actions are not

always undertaken with the sole objective of managing the leverage ratio, they may nevertheless have a consequential impact on the Group's leverage exposure measure and leverage ratio. Throughout the period, management actions were undertaken within the context of maintaining a prudent leverage position and ensuring continued compliance with regulatory requirements and internal risk appetite thresholds.

The risk of excessive leverage is managed as part of HSBC's global risk appetite framework and monitored using the leverage ratio metric within the risk appetite statement ('RAS').

► For further details of our Treasury risk management framework see page 156 of the Annual Report and Accounts 2025.

The table below provides a detailed breakdown of the components of our leverage exposure, including the split of the on- and off-balance sheet exposures, leverage ratios, minimum requirements and buffers. Effective 1 January 2025, the IFRS 9 transitional arrangements came to an end. The components of the leverage ratio on an average basis are included below in accordance with the UK's leverage ratio framework.

Table 11: Leverage ratio common disclosure (UK LR2-LRCom)

		At	
		31 Dec 2025	31 Dec 2024
		\$bn	\$bn
On-balance sheet exposures (excluding derivatives and securities financing transactions ('SFTs'))			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	2,531.7	2,342.9
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	11.6	5.6
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(56.0)	(54.3)
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(40.4)	(40.4)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	2,446.9	2,253.8
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	42.4	60.3
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	132.1	114.9
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	(30.1)	(33.9)
11	Adjusted effective notional amount of written credit derivatives	62.6	56.6
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(57.1)	(54.7)
13	Total derivative exposures	149.9	143.2
SFT exposures			
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	641.5	486.8
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(286.4)	(190.7)
16	Counterparty credit risk exposure for SFT assets	22.5	13.5
18	Total securities financing transaction exposures	377.6	309.6
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	1,015.8	938.4
20	(Adjustments for conversion to credit equivalent amounts)	(752.0)	(707.2)
22	Total off-balance sheet exposures	263.8	231.2
Capital and total exposures measure			
23	Tier 1 capital (leverage)	153.4	144.1
24	Total exposure measure including claims on central banks	3,238.2	2,937.8
UK-24a	(-) Claims on central banks excluded	(361.1)	(366.7)
UK-24b	Total exposure measure excluding claims on central banks	2,877.1	2,571.1
Leverage ratios			
25	Leverage ratio excluding claims on central banks (%)	5.3	5.6
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.3	5.6
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	5.3	5.6
UK-25c	Leverage ratio including claims on central banks (%)	4.7	4.9
26	Regulatory minimum leverage ratio requirement (%)	3.3	3.3
Additional leverage ratio disclosure requirements – leverage ratio buffers			
27	Leverage ratio buffer (%)	0.9	0.9
UK-27a	– of which: G-SII or O-SII additional leverage ratio buffer (%)	0.7	0.7
UK-27b	– of which: countercyclical leverage ratio buffer (%)	0.2	0.2
Additional leverage ratio disclosure requirements – disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	359.6	297.2
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	355.1	296.1
UK-31	Average total exposure measure including claims on central banks	3,220.7	2,972.8
UK-32	Average total exposure measure excluding claims on central banks	2,862.2	2,608.4
UK-33	Average leverage ratio including claims on central banks (%)	4.7	4.9
UK-34	Average leverage ratio excluding claims on central banks (%)	5.3	5.5

Our leverage ratio was 5.3% at 31 December 2025 down from 5.6% at 31 December 2024. The increase in the leverage exposures led to a 0.6 percentage points fall in the leverage ratio, which was partly offset by higher tier 1 capital of 0.3 percentage points. The change in leverage exposure was driven by 0.4 percentage points increase due to growth in the balance sheet and by a 0.2 percentage points increase from foreign currency translation differences.

Balance sheet growth was mainly due to higher investments in debt securities and trading assets within our CIB and Hong Kong businesses, increased customer advances and commitments mainly across all business segments, and higher secured financing transactions in our CIB and UK businesses.

The table below provides a reconciliation of the total assets in our published balance sheet under IFRS and the total leverage exposure.

Table 12: Summary reconciliation of accounting assets and leverage ratio exposures (UK LR1- LRSum)

		At	
		31 Dec 2025	31 Dec 2024
		\$bn	\$bn
1	Total assets as per published financial statements	3,233.0	3,017.0
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(103.2)	(108.2)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	(0.8)	(0.9)
4	(Adjustment for exemption of exposures to central banks)	(361.1)	(366.7)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	(24.3)	(12.5)
7	Adjustment for eligible cash pooling transactions	(7.1)	(6.8)
8	Adjustment for derivative financial instruments	(132.5)	(174.4)
9	Adjustment for securities financing transactions ('SFTs')	41.6	30.6
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	263.8	231.2
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	(40.4)	(40.4)
12	Other adjustments	8.1	2.2
13	Total leverage ratio exposure	2,877.1	2,571.1

The table below provides a breakdown of on-balance sheet exposures excluding derivatives, SFTs and exempted exposures by asset class.

Table 13: Leverage ratio – split of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (UK LR3-LRSpl)

		At	
		31 Dec 2025	31 Dec 2024
		\$bn	\$bn
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	2,114.6	1,921.9
UK-2	Trading book exposures	342.6	285.6
UK-3	Banking book exposures, – of which:	1,772.0	1,636.3
UK-4	– Covered bonds	3.1	2.0
UK-5	– Exposures treated as sovereigns	483.9	429.2
UK-6	– Exposures to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereigns	2.0	2.6
UK-7	– Institutions	73.4	69.1
UK-8	– Secured by mortgages of immovable properties	389.4	362.9
UK-9	– Retail exposures	71.3	71.3
UK-10	– Corporates	515.3	492.8
UK-11	– Exposures in default	17.3	16.1
UK-12	– Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	216.3	190.3

Liquidity

Management of liquidity and funding risk

We manage liquidity and funding risk at an operating entity level, in accordance with globally consistent policies, procedures and reporting standards.

Liquidity coverage ratio

The LCR aims to ensure that a bank has sufficient unencumbered HQLA to meet its liquidity needs in a 30 calendar day liquidity stress scenario. For the disclosure of the LCR, we follow Article 451a of CRR II.

The average Group LCR for the 12 months to 31 December 2025 was 137% or \$190bn above the regulatory requirement and 138% or \$179bn for the 12 months to 31 December 2024. At 31 December 2025, our Group LCR and all of the material operating entities remained above their minimum required regulatory levels. The Group consolidation methodology includes a deduction to reflect the impact of limitations in the transferability of entity liquidity around the Group. The result was an adjustment of \$160bn to LCR HQLA and \$5bn to LCR inflows on an average basis.

The average Group LCR HQLA of \$702bn (31 December 2024: \$649bn) was held in a range of asset classes and currencies.

The Group and its entities actively manage liquidity and funding drivers within its balance sheet, including derivatives and collateral management.

Cross-currency management

The Group's internal liquidity and funding risk management framework requires all operating entities to monitor the material currency positions. Limits are set to ensure that outflows can be met, given assumptions on stressed capacity in the foreign exchange swap markets. This continuous monitoring helps with the overall management of currency exposures, in line with our internal framework.

Net stable funding ratio

We use the NSFR or other appropriate metrics as a basis for ensuring operating entities maintain a stable funding profile to support their business activities. The NSFR is defined as the ratio between the amount of stable funding available and the amount of stable funding required. The average Group NSFR over the previous four quarters remained at 143% at 31 December 2025, unchanged from 31 December 2024.

Sources of funding

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

The funding risk management framework seeks to ensure operating entities maintain a diversified funding profile defined in their funding plans which are taken through regular governance, in line with globally consistent policies and standards. Diversification is achieved through a balanced mix of funding sources, tenors, currencies and geographies, seeking to mitigate concentration risks and to avoid extraordinary reliance on central banks or intra-group funding support. The framework requires entities to have policies, processes and controls for monitoring and managing funding by tenors and sources, supported by governance of limits. Entities also model cashflows from maturing short-term debts within the internal liquidity monitoring to help ensure sufficient liquidity is maintained to meet the maturing debt obligations.

- ▶ For further details of our approach to treasury risk management, see page 156 of the Annual Report and Accounts 2025.
- ▶ More details on the concentration of funding and liquidity sources may be found on page 161 of the Annual Report and Accounts 2025.

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

Table 14: Quantitative information of LCR (UK LIQ1)

		Quarter ended 31 Dec 2025		Quarter ended 30 Sep 2025		Quarter ended 30 Jun 2025		Quarter ended 31 Mar 2025	
		Total unweighted value \$m	Total weighted value \$m	Total unweighted value \$m	Total weighted value \$m	Total unweighted value \$m	Total weighted value \$m	Total unweighted value \$m	Total weighted value \$m
UK-1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High quality liquid assets									
1	Total high quality liquid assets ('HQLA')		702,123		690,157		678,059		660,704
Cash outflows									
2	Retail deposits and small business funding	880,824	95,013	869,479	93,823	858,824	92,919	841,474	91,377
– of which:									
3	stable deposits	385,826	19,291	380,105	19,005	369,514	18,476	356,188	17,809
4	less stable deposits	494,998	75,722	489,374	74,818	489,310	74,443	485,286	73,568
5	Unsecured wholesale funding	836,769	384,384	822,617	377,597	811,908	370,670	797,686	363,636
6	– operational deposits (all counterparties) and deposits in networks of cooperative banks	256,413	62,495	252,512	61,565	251,183	61,280	247,716	60,465
7	– non-operational deposits (all counterparties)	568,558	310,091	558,161	304,088	549,061	297,726	538,213	291,414
8	– unsecured debt	11,798	11,798	11,944	11,944	11,664	11,664	11,757	11,757
9	Secured wholesale funding		37,536		35,283		34,283		33,373
10	Additional requirements	372,458	104,840	362,110	102,302	355,419	100,118	349,090	97,266
11	– outflows related to derivative exposures and other collateral requirements	52,608	44,140	52,655	43,828	52,198	43,038	50,502	41,311
13	– credit and liquidity facilities	319,850	60,700	309,455	58,474	303,221	57,080	298,588	55,955
14	Other contractual funding obligations	90,722	48,016	88,439	47,481	87,620	47,300	88,801	48,859
15	Other contingent funding obligations	664,016	27,232	657,033	25,713	650,477	24,138	642,402	22,796
16	Total cash outflows		697,021		682,199		669,428		657,307
Cash inflows									
17	Secured lending transactions (including reverse repos)	447,356	57,670	424,841	55,385	409,611	53,108	389,140	50,119
18	Inflows from fully performing exposures	95,474	70,108	95,654	70,797	97,982	73,092	100,148	75,459
19	Other cash inflows	94,592	57,151	97,671	57,737	103,266	57,710	107,002	56,495
20	Total cash inflows	637,422	184,929	618,166	183,919	610,859	183,910	596,290	182,073
UK-20c	Inflows subject to 75% Cap	637,422	184,929	618,166	183,919	610,859	183,910	596,290	182,073
Liquidity coverage ratio (Adjusted value)									
UK-21	Liquidity Buffer		702,123		690,157		678,059		660,704
22	Total net cash outflows		512,092		498,280		485,518		475,234
23	Liquidity coverage ratio (%)		137		139		140		139

The table below shows the components of the NSFR for unweighted values by residual maturity and the resultant weighted amounts. The NSFR is the average of the preceding four quarters.

Table 15: Net stable funding ratio (UK LIQ2)

		31 Dec 2025				Weighted value (average) (\$m)
		Unweighted value by residual maturity (average)				
		No maturity \$m	< 6 months \$m	6 months to < 1yr \$m	≥ 1yr \$m	
Available stable funding ('ASF') Items						
1	Capital items and instruments	186,580	–	–	29,142	215,722
2	– Own funds	186,580	–	–	29,142	215,722
4	Retail deposits		899,863	1,424	2,375	833,131
5	– Stable deposits		394,419	47	1	374,704
6	– Less stable deposits		505,444	1,377	2,374	458,427
7	Wholesale funding:		1,199,160	39,089	155,334	563,522
8	– Operational deposits		268,777	–	–	134,389
9	– Other wholesale funding		930,383	39,089	155,334	429,133
10	Interdependent liabilities		8,982	–	–	–
11	Other liabilities:	1,852	226,098	235	9,039	8,629
12	– NSFR derivative liabilities	1,852				
13	– All other liabilities and capital instruments not included in the above categories		226,098	235	9,039	8,629
14	Total available stable funding ('ASF')					1,621,004
Required stable funding ('RSF') Items						
15	Total high-quality liquid assets ('HQLA')					69,728
16	Deposits held at other financial institutions for operational purposes		453	–	–	226
17	Performing loans and securities:		550,215	108,811	837,926	858,528
18	– Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		175,957	12,275	5,283	18,790
19	– Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		89,686	6,372	11,036	23,531
20	– Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		143,937	51,357	280,038	330,391
21	– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		2,348	1,721	17,148	11,317
22	– Performing residential mortgages		9,665	7,688	365,270	262,944
23	– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		6,571	6,624	328,146	229,309
24	– Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		130,970	31,119	176,299	222,872
25	Interdependent assets		–	–	9,987	–
26	Other assets:		188,096	54	111,262	157,505
27	– Physical traded commodities				19,248	16,361
28	– Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		39,862	–	–	33,883
30	– NSFR derivative liabilities before deduction of variation margin posted		89,763	–	–	4,676
31	– All other assets not included in the above categories		58,471	54	92,014	102,585
32	Off-balance sheet items		196,727	85,966	703,410	47,362
33	Total RSF					1,133,349
34	Net stable funding ratio (%)					143

Table 15: Net stable funding ratio (UK LIQ2) (continued)

		31 Dec 2024				Weighted value (average) \$m
		Unweighted value by residual maturity (average)				
		No maturity \$m	< 6 months \$m	6 months to < 1yr \$m	≥ 1yr \$m	
Available stable funding ('ASF') items						
1	Capital items and instruments	183,355	40	234	29,219	212,569
2	– Own funds	183,355	40	234	29,219	212,569
4	Retail deposits		845,389	351	990	779,605
5	– Stable deposits		351,341	71	1	333,806
6	– Less stable deposits		494,048	280	989	445,799
7	Wholesale funding:		1,139,335	42,884	143,605	525,447
8	– Operational deposits		236,022	4	—	118,013
9	– Other wholesale funding		903,313	42,880	143,605	407,434
10	Interdependent liabilities		3,681	—	—	—
11	Other liabilities:	2,775	241,996	317	5,789	5,786
12	– NSFR derivative liabilities	2,775				
13	– All other liabilities and capital instruments not included in the above categories		241,996	317	5,789	5,786
14	Total available stable funding ('ASF')					1,523,407
Required stable funding ('RSF') Items						
15	Total high-quality liquid assets ('HQLA')					67,798
16	Deposits held at other financial institutions for operational purposes		591	—	—	296
17	Performing loans and securities:		531,192	99,530	806,162	824,970
18	– Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		168,066	7,406	3,338	13,947
19	– Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		88,863	6,147	7,223	19,402
20	– Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		143,943	54,110	267,634	329,340
21	– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		2,291	1,690	22,680	23,862
22	– Performing residential mortgages		8,992	7,629	348,177	243,710
23	– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		6,217	6,173	306,117	205,843
24	– Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		121,328	24,238	179,790	218,571
25	Interdependent assets		—	—	4,347	—
26	Other assets:		193,348	41	89,880	132,550
27	– Physical traded commodities				14,306	12,160
28	– Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		35,032	—	—	29,777
30	– NSFR derivative liabilities before deduction of variation margin posted		92,569	—	—	4,830
31	– All other assets not included in the above categories		65,747	41	75,574	85,783
32	Off-balance sheet items		182,151	90,206	656,639	38,877
33	Total RSF					1,064,491
34	Net stable funding ratio (%)					143

Interest rate risk in the banking book

Banking net interest income sensitivity and Economic value of equity 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 Group. It is aligned with the presentation in the Group's financial disclosures of banking NII as an alternative performance measure intended to approximate the Group's banking revenue that is directly impacted by changes in interest rates.

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

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

The measurement frequency of BNII sensitivity and EVE sensitivity is quarterly, and for the material entities we assess this monthly.

Interest rate shock and stress scenarios applied

The BNII sensitivities are indicative and based on the shocks prescribed by the PRA instructions (Rule 9.7 of the PRA Rulebook: CRR II Firms: Internal Capital Adequacy Assessment) and in accordance with Article 448(1) of the CRR II.

The BNII sensitivity calculations are done under the following shocks:

- parallel up;
- parallel down.

These shocks consider an immediate impact of +/-200 basis points for US dollars, euros, Hong Kong dollars and +/-250 basis points for pounds sterling to the current market-implied path of interest rates across all four currencies (effects over one year); and other currency shocks are as per the regulatory guidelines (effects over one year).

The EVE sensitivities are based on the six PRA Supervisory Outlier Test shocks:

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

Key modelling assumptions

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

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

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

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

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

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

Quantitative information on IRRBB

The most adverse BNII sensitivity scenario over the next 12 months is the parallel down shock, resulting in a decrease in projected BNII of \$8,136m as at 31 December 2025, compared with \$6,624m as at 31 December 2024. At 31 December 2025, the maximum decline in EVE was in the parallel up shock at \$10,881m. This is equivalent to 7.09% of tier 1 capital.

The changes in sensitivities have been driven by factors including balance sheet evolution, an increase in stabilisation activities in line with our strategy and modelling improvements. Additionally, the BNII sensitivity in the down scenario is further impacted due to rate floors in the context of lower prevailing market rates.

The average repricing maturity for NMDs as of 31 December 2025, was 16 months, which was stable compared with 31 December 2024. The longest repricing maturity for NMDs as of 31 December 2025, was 120 months.

- ▶ For further details of our IRRBB and BNII, see page 164 of the Annual Report and Accounts 2025.

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

Table 16: Quantitative information on IRRBB (UK IRRBB1)

		ΔEVE		ΔNII		Tier 1 capital	
		31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024
		\$m	\$m	\$m	\$m	\$m	\$m
10	Parallel shock up	(10,881)	(8,369)	5,118	4,696		
20	Parallel shock down	5,355	4,095	(8,136)	(6,624)		
30	Steeper shock	(607)	(460)				
40	Flattener shock	(2,188)	(1,648)				
50	Short rates shock up	(5,559)	(4,371)				
60	Short rates shock down	2,810	2,211				
70	Maximum	(10,881)	(8,369)	(8,136)	(6,624)		
80	Tier 1 capital					153,397	144,127

Asset encumbrance

The below asset encumbrance tables are prepared on the regulatory scope of consolidation basis consistent with the regulatory scope of consolidation used to prepare other liquidity reporting. Each of the reported values in the below tables is based on the average of the previous four quarters.

Assets pledged that are subject to any restrictions in withdrawal, such as assets that require prior approval before withdrawal or replacement by other assets, are considered encumbered.

The carrying amount of unencumbered assets includes amounts that are not readily available for encumbrance in the normal course of business, such as debt and equity securities designated through profit and loss, prepayments, accrued income and Hong Kong Government certificates of indebtedness.

HSBC Group has \$299bn of encumbered assets, which represents 9.7% of the total assets. The carrying amount of encumbered other assets is \$99bn, which is predominantly cash collateral posted for derivative margin requirements of \$58bn and loans and advances of \$27bn.

HSBC Group has \$2.8tn of unencumbered assets, which represents 90.3% of the total assets. The carrying amount of unencumbered other assets of \$2.1tn is predominantly loans and advances of \$1.4tn and derivatives financial assets of \$229bn.

The table below provides a split of on-balance sheet assets between encumbered and unencumbered.

Table 17: Encumbered and unencumbered assets (UK AE1)

	At 31 Dec 2025								
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets		
	Total	of which: notionally eligible EHQLA	Total	of which: notionally eligible EHQLA	Total	of which: EHQLA and HQLA	Total	of which: EHQLA	
		\$m		\$m		\$m		\$m	\$m
010	Assets of the reporting institution	298,541	154,439			2,768,345	746,274		
030	Equity instruments	50,030	26,750	50,030	26,750	114,870	22,701	114,870	22,701
040	Debt securities	149,756	127,689	149,635	127,689	552,043	468,012	551,217	467,312
050	– of which:								
	covered bonds	162	162	162	162	11,992	11,311	11,995	11,311
060	securitisations	600	–	600	–	9,156	4,561	9,146	4,561
070	issued by general governments	139,390	123,277	139,270	123,277	429,971	382,592	429,220	381,923
080	issued by financial corporations	5,601	2,643	5,601	2,643	70,311	52,122	70,290	52,122
090	issued by non-financial corporations	3,799	1,042	3,799	1,042	16,559	4,645	16,561	4,646
120	Other assets	98,755	–			2,101,432	255,561		

The table below provides details for collateral received and own debt securities issued.

Table 18: Collateral received and own debt securities issued (UK AE2)

		At 31 Dec 2025			
		Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		Total	of which: notionally eligible EHQLA and HQLA	Total	of which: EHQLA and HQLA
		\$m	\$m	\$m	\$m
130	Collateral received by the reporting institution	313,429	216,476	281,637	184,279
150	Equity instruments	47,569	18,885	26,495	5,223
160	Debt securities	265,860	197,591	255,142	179,056
170	– of which:				
	covered bonds	1,774	1,714	5,783	5,273
180	securitisations	1,571	2	7,975	1,428
190	issued by general governments	228,724	188,089	188,979	155,195
200	issued by financial corporations	25,676	5,812	36,664	9,263
210	issued by non-financial corporations	11,171	3,447	23,513	10,188
241	Own covered bonds and asset-backed securities issued and not yet pledged			2,948	–
250	Total assets, collateral received and own debt securities issued	611,970	370,915		

The table below provides sources of encumbrance, values are the average of quarterly data points in the year.

Table 19: Sources of encumbrance (UK AE3)

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		\$m	\$m
010	Carrying amount of selected financial liabilities at 31 Dec 2025	325,020	453,738

Pillar 2 and ICAAP

Pillar 2

We conduct an Internal capital adequacy assessment process ('ICAAP') to determine a forward-looking assessment of our capital requirements given our business strategy, risk profile, risk appetite and capital plan. The process incorporates the Group's risk management processes and governance framework. Economic capital models, coupled with stress testing and other risk assessment techniques, are used to assess our internal capital adequacy requirements and inform our view of our internal capital planning buffer. The ICAAP is formally approved by the Board, which holds ultimate responsibility for risk management.

The ICAAP is reviewed by the PRA as part of the joint risk assessment and decision process, during the Supervisory Review and Evaluation Process. This process occurs periodically to enable the regulator to define the individual capital requirement ('ICR') or total minimum capital requirements for HSBC, including Pillar 2A.

Pillar 2A considers any supplementary requirements for those risks assessed under Pillar 1, and any requirements for risk categories not captured under Pillar 1. The risk categories covered under Pillar 2A depend on the specific circumstances of a firm and the nature and scale of its business.

Pillar 2B, also known as the PRA buffer, consists of guidance from the PRA on the capital buffer a firm would require in order to remain above its ICR in adverse circumstances that may be largely outside the firm's normal and direct control; for example, during a period of severe but plausible downturn stress, when asset values and the firm's capital surplus may become strained. The assessment is informed by stress tests and a rounded judgement of a firm's business model, also taking into account the PRA's view of a firm's options and capacity to protect its capital position under stress, such as through capital generation.

Where the PRA assesses that a firm's risk management and governance are significantly weak, it may also increase the PRA buffer to cover the risks posed by those weaknesses until they are addressed.

The PRA buffer is not intended to duplicate the Capital Requirements Regulation and Directive (CRD IV) buffers, and is intended to be drawn upon in times of stress. Its use is not of itself a breach of capital requirements that would trigger automatic restrictions on distributions. In specific circumstances, the PRA should agree a plan with a firm for its restoration over an agreed timescale. The PRA buffer is not disclosed.

Internal capital adequacy assessment

The Board manages the Group ICAAP and, together with the RMM and the GRC, it examines the Group's risk profile from a regulatory and economic capital viewpoint. They aim to ensure that capital resources:

- remain sufficient to support our risk profile and outstanding commitments;
- meet current and future regulatory requirements;
- allow the Group to remain adequately capitalised in the event of a severe economic downturn stress scenario; and
- remain consistent with our strategic and operational goals, and our shareholder and investor expectations.

The minimum regulatory capital that we are required to hold is determined by the rules and guidance established by the PRA for the consolidated Group and by local regulators for individual Group companies. These capital requirements are a primary factor in influencing and shaping the business planning process, in which targets are established for our businesses in accordance with the Group's strategic direction and risk appetite.

Economic capital is the internally calculated capital requirement that we deem necessary to support the risks to which we are exposed. The economic capital assessment is a more risk-sensitive measure than the regulatory minimum, and takes account of the diversification of risk accruing from our operations. Both the regulatory and the economic capital assessments rely upon the use of models that are integrated into our risk management processes.

Our economic capital models are calibrated to quantify the level of capital that is sufficient to absorb potential losses over a one-year time horizon to a 99.95% level of confidence for our credit risk, a

99.9% level of confidence for our trading and operational risks, and a 99.5% level of confidence for our insurance activities and pension risks.

Preserving our strong capital position remains a priority, and the level of integration of our risk and capital management helps to optimise our response to business demand for regulatory and economic capital. Risks that are explicitly assessed through economic capital are credit risk, counterparty credit risk, market risk, operational risk, IRRBB, insurance risk, pension risk and structural foreign exchange risk.

Minimum requirement for own funds and eligible liabilities

Overview and requirements

A minimum requirement for total loss-absorbing capacity ('TLAC') in line with the final standards adopted by the Financial Stability Board came into effect in the UK in January 2019. This includes a minimum requirement for own funds and eligible liabilities ('MREL').

MREL includes own funds and eligible liabilities that can be written down or converted into capital resources in order to absorb losses or recapitalise a bank in the event of its failure. The framework is complemented with disclosure requirements and these disclosures are based on the formats provided in the Basel Committee Standards for Pillar 3 disclosures requirements.

HSBC's preferred resolution strategy is a multiple point of entry ('MPE') bail-in, as determined by the BoE in coordination with HSBC's other regulators and members of HSBC's Global Crisis Management Group. This strategy provides flexibility for a resolution in two ways:

- through a bail-in at the HSBC Holdings level, which facilitates recapitalisation of operating bank subsidiaries in the Group (as required) through the write-down or conversion to equity of TLAC/MREL issued on an intra-Group basis, while restructuring actions are undertaken, with the Group remaining together; and/or
- at a resolution group level pursuant to the application of statutory resolution powers by host resolution authorities locally.

HSBC is expected to maintain a sufficient amount of resources that can credibly and feasibly be used to absorb losses in resolution and recapitalise to a level that ensures compliance with the conditions for regulatory authorisation and sustains market confidence. Further details on HSBC's resolvability can be found in our Resolvability Assessment Framework available on the [hsbc.com](https://www.hsbc.com) website.

HSBC considers that the first option is the optimal strategy to deliver the most effective resolution outcome for its stakeholders, as it should help reduce the risk of disrupting the continuity of critical functions, including cross-border, wholesale services to clients between resolution groups and across the HSBC network, avoid the destruction of value associated with a disorderly and/or sudden break-up of our business segment lines, and minimise the risk to public funds.

HSBC issues loss-absorbing instruments to external investors from HSBC Holdings in order to ensure loss-absorbing capacity is available to support the objectives of a resolution, were such an event to occur. In the event of a resolution of the Group, it is anticipated that the BoE will apply statutory powers to write down or convert to equity the

TLAC/MREL issued externally by HSBC Holdings. This would enable operating bank subsidiaries of the Group to be recapitalised, as needed, to support the resolution objectives and maintain the provision of critical functions globally. Recapitalisation of operating bank subsidiaries could be achieved through the write-down, or conversion to equity, of internally issued TLAC/MREL as required. This approach to recapitalising the Group's operating bank subsidiaries would aim to allow the Group to stay together to ensure an effective stabilisation of the Group as a whole and the continuity of critical functions, while also facilitating an orderly restructuring process, to address the cause of failure.

It is anticipated that any resolution of HSBC as a group would be coordinated by the BoE and the PRA as HSBC's home resolution authority and prudential regulator, respectively. HSBC expects that the BoE would coordinate closely with the Group's host resolution authorities outside the UK in the run-up to resolution and would seek to apply our resolution strategy pre-emptively to recapitalise operating bank subsidiaries as needed.

Given the Group's corporate structure, HSBC is overseen by various regulators and resolution authorities. Host resolution authorities outside the UK could also use their statutory resolution powers in respect of their resolution groups for which they are responsible. This may occur, for example, in the event that host resolution authorities felt that holding the Group together may no longer achieve their resolution objectives. The application of these local statutory resolution powers may or may not result in such resolution groups ceasing to be part of the Group, depending on the resolution strategy adopted by the relevant host resolution authority. HSBC's operating bank subsidiaries that are not part of the three resolution groups would be subject to relevant statutory proceedings independently of the rest of the Group, if the conditions to initiating such proceedings were met.

In line with its existing structure and business model, HSBC has three resolution groups - the European resolution group ('ERG'), the Asian resolution group ('ARG') and the US resolution group ('URG'). There are some smaller entities that fall outside of these resolution groups. The table below lists the resolution groups, the related resolution entities and their material subsidiaries that are subject to TLAC requirements.

Resolution structure

Resolution group	Resolution entity	Material entity or subgroup with MREL requirements
European resolution group	HSBC Holdings plc	HSBC Bank plc
		HSBC UK Bank plc
		HSBC Continental Europe
Asian resolution group	HSBC Asia Holdings Limited	The Hongkong and Shanghai Banking Corporation Limited
		Hang Seng Bank Limited
US resolution group	HSBC North America Holdings Inc	N/A

The current binding requirement for the Group is the sum-of-the-parts ('SoTP') requirement, which is made up of the sum of each resolution group's local regulatory requirements and other group entities' local regulatory requirements.

Including capital buffers this requirement is equivalent to 28.4% of RWAs as at 31 December 2025 against which we have a buffer of \$40bn. The chart below highlights the Group's binding requirements.

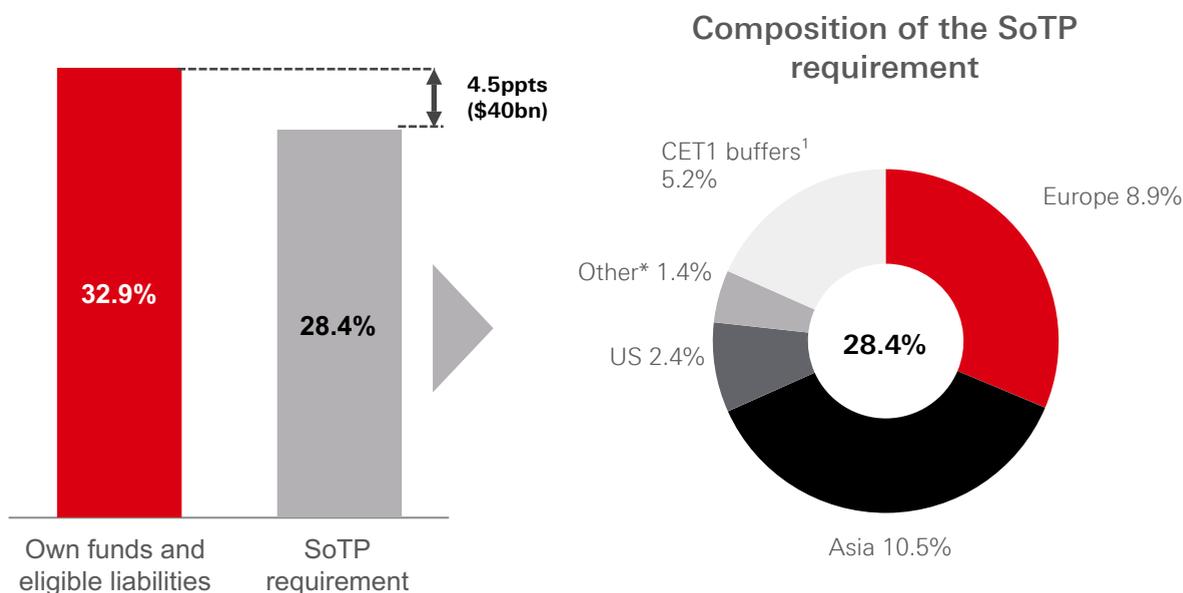
The external MREL requirement applicable in 2025 was the highest of the following:

- the sum of all loss absorbing capital ('LAC') requirements and other capital requirements relating to other Group entities or subgroups; or
- 18% of the Group's consolidated RWAs; or
- 6.75% of the Group's consolidated leverage exposure.

An additional requirement will take effect from 1 January 2026, equivalent to twice the combined Pillar 1 and Pillar 2 requirements, however we expect the SoTP requirement to remain binding.

MREL/TLAC position versus requirements of Group RWAs

Current binding requirement



¹ Group CET1 buffers are shown in addition to the MREL requirements. The requirements are calculated in accordance with PRA supervisory statement 16/16 updated in December 2020, and exclude Pillar 2B requirements

* Capital or TLAC requirements relating to other Group entities.

HSBC Holdings is the provider of own funds, MREL-eligible debt and other types of funding to its subsidiaries. These investments are funded by HSBC Holdings' own equity capital and MREL-eligible debt.

In line with the BoE MREL statement of policy, non-CET1 own funds instruments issued to external holders are no longer eligible as external or internal MREL if issued by a non-resolution entity.

Therefore, non-CET1 own funds issued by HSBC Bank plc and HSBC Bank USA do not qualify as external or internal MREL. Their eligibility as own funds is not impacted.

- ▶ For further details of our approach to capital management, see 'Treasury risk management' on page 156 of the Annual Report and Accounts 2025.

Key metrics of the resolution groups

The Group and the ERG report in accordance with CRR II, while reporting for the ARG and URG follow the Hong Kong Monetary Authority ('HKMA') regulatory rules and US regulatory rules respectively. The ARG results reflect the implementation of the Basel 3.1 standards in Hong Kong from 1 January 2025.

IFRS9 transitional arrangements, and those in the US accounting standard corresponding to IFRS 9, ceased to apply after 31 December 2024. Accordingly, our current period capital figures are the same on both the transitional and end-point basis. No such arrangements applied in HKMA reporting.

Leverage exposures and ratios in the ERG exclude central bank claims, in line with UK PRA rules. For URG, leverage exposures and ratios are based on 'total assets for the leverage ratio' as reported in US regulatory capital calculations.

The following tables summarise key metrics for the TLAC of each of the Group's three resolution groups.

Table 20.i: Key metrics of the European resolution group¹ (KM2)

		At				
		31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025	31 Dec 2024
		\$bn	\$bn	\$bn	\$bn	\$bn
1	Total loss absorbing capacity ('TLAC') available	116.5	111.0	114.7	102.2	107.1
1a	Fully loaded ECL accounting model TLAC available	116.5	111.0	114.7	102.2	107.0
2	Total RWAs at the level of the resolution group	327.7	319.4	322.6	298.1	290.9
3	TLAC as a percentage of RWA (row1/row2) (%)	35.5	34.7	35.6	34.3	36.8
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	35.5	34.7	35.6	34.3	36.8
4	Leverage exposure measure at the level of the resolution group	1,163.3	1,144.6	1,123.6	1,026.1	966.8
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	10.0	9.7	10.2	10.0	11.1
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)	10.0	9.7	10.2	10.0	11.1
6a	Does the subordination exemption in the antepenultimate paragraph of section 11 of the FSB TLAC term sheet apply?	No	No	No	No	No
6b	Does the subordination exemption in the penultimate paragraph of section 11 of the FSB TLAC term sheet apply?	No	No	No	No	No
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external TLAC if no cap was applied (%)	N/A	N/A	N/A	N/A	N/A

1 From 30 June 2025, the regulatory valuation of tier 2 capital and TLAC includes the associated accrued interest. Prior periods have not been restated.

Table 20.ii: Key metrics of the Asian resolution group (KM2)

		At				
		31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025	31 Dec 2024
		\$bn	\$bn	\$bn	\$bn	\$bn
1	Total loss absorbing capacity ('TLAC') available	120.6	116.4	116.8	113.3	111.3
1a	Fully loaded ECL accounting model TLAC available	120.6	116.4	116.8	113.3	111.3
2	Total RWAs at the level of the resolution group	380.0	388.7	383.4	383.6	407.8
3	TLAC as a percentage of RWA (row1/row2) (%)	31.7	29.9	30.5	29.5	27.3
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	31.7	29.9	30.5	29.5	27.3
4	Leverage exposure measure at the level of the resolution group	1,384.6	1,379.9	1,354.3	1,306.1	1,292.1
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	8.7	8.4	8.6	8.7	8.6
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)	8.7	8.4	8.6	8.7	8.6
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No	No
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No	No
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external TLAC if no cap was applied (%)	N/A	N/A	N/A	N/A	N/A

Table 20.iii: Key metrics of the US resolution group (KM2)

		At				
		31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025	31 Dec 2024
		\$bn	\$bn	\$bn	\$bn	\$bn
1	Total loss absorbing capacity ('TLAC') available	24.0	24.2	26.1	26.9	23.8
1a	Fully loaded ECL accounting model TLAC available	24.0	24.2	26.1	26.9	23.8
2	Total RWAs at the level of the resolution group	109.7	110.9	110.8	109.0	106.4
3	TLAC as a percentage of RWA (row1/row2) (%)	21.9	21.8	23.6	24.7	22.3
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	21.9	21.8	23.6	24.7	22.3
4	Leverage exposure measure at the level of the resolution group	237.6	238.4	237.5	233.3	233.4
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	10.1	10.1	11.0	11.5	10.2
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)	10.1	10.1	11.0	11.5	10.2
6a	Does the subordination exemption in the antepenultimate paragraph of section 11 of the FSB TLAC term sheet apply?	No	No	No	No	No
6b	Does the subordination exemption in the penultimate paragraph of section 11 of the FSB TLAC term sheet apply?	No	No	No	No	No
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external TLAC if no cap was applied (%)	N/A	N/A	N/A	N/A	N/A

Given the MPE resolution strategy, and the fact that the BoE framework includes requirements set on the basis of the HSBC Group consolidated position, the following table presents data for both the consolidated Group and the resolution groups.

The ERG must meet minimum eligible liabilities requirements and it has no capital or leverage requirements. Total TLAC resources are reduced to avoid duplication of own funds and TLAC eligible liabilities across resolution groups and non-resolution group entities. This deduction is made on a corresponding basis in that the deduction is made from the same tier at which it is invested in each subsidiary.

To allow for this, we exclude these investments from the RWA calculation. The leverage exposure measure also excludes all items excluded from total TLAC resources rather than solely those from tier 1, as the ERG is not subject to capital or leverage requirements. This approach ensures that all items are treated consistently in both the numerator and denominators of both the TLAC/RWA and TLAC/leverage ratios.

The difference between Group CET1 and the aggregate of resolution groups' CET1 is driven by entities that fall outside of the resolution groups and by differences in regulatory frameworks.

Table 21: TLAC composition (TLAC1)

		At 31 Dec 2025				At 31 Dec 2024			
		Group ¹	Resolution group			Group	Resolution group		
			European ¹	Asian	US		European	Asian	US
Regulatory capital elements of TLAC and adjustments (\$bn)									
1	Common equity tier 1 capital ('CET1')	132.6	19.3	72.4	12.4	124.9	19.2	66.5	12.9
2	Additional tier 1 capital ('AT1') before TLAC adjustments	20.8	20.5	10.2	1.6	19.2	19.0	8.4	1.6
4	Other adjustments	—	(11.3)	—	—	—	(9.5)	—	—
5	AT1 instruments eligible under the TLAC framework	20.8	9.2	10.2	1.6	19.2	9.5	8.4	1.6
6	Tier 2 capital ('T2') before TLAC adjustments	29.0	29.4	7.0	2.1	28.3	28.1	8.0	2.2
7	Amortised portion of T2 instruments where remaining maturity > 1 year	1.6	1.6	—	—	1.4	1.4	—	—
8	T2 capital ineligible as TLAC as issued out of subsidiaries to third parties	(1.0)	(0.5)	—	—	(0.9)	(0.5)	—	—
9	Other adjustments	—	(10.0)	—	(2.1)	—	(9.4)	—	(2.2)
10	T2 instruments eligible under the TLAC framework	29.6	20.5	7.0	—	28.8	19.6	8.0	—
11	TLAC arising from regulatory capital	183.0	49.0	89.6	14.0	172.9	48.3	82.9	14.5
Non-regulatory capital elements of TLAC									
12	External TLAC instruments issued directly by the bank and subordinated to excluded liabilities	109.3	109.3	31.0	10.0	96.5	96.5	28.4	9.3
17	TLAC arising from non-regulatory capital instruments before adjustments	109.3	109.3	31.0	10.0	96.5	96.5	28.4	9.3
Non-regulatory capital elements of TLAC: adjustments									
18	TLAC before deductions	292.3	158.3	120.6	24.0	269.4	144.8	111.3	23.8
19	Deductions of exposures between MPE resolution groups that correspond to items eligible for TLAC ¹	—	(41.8)	—	—	—	(37.7)	—	—
22	TLAC after deductions	292.3	116.5	120.6	24.0	269.4	107.1	111.3	23.8
Risk-weighted assets and leverage exposure measure for TLAC purposes									
23	Total risk-weighted assets	888.6	327.7	380.0	109.7	838.3	290.9	407.8	106.4
24	Leverage exposure measure	2,877.1	1,163.3	1,384.6	237.6	2,571.1	966.8	1,292.1	233.4
TLAC ratios and buffers									
25	TLAC (as a percentage of risk-weighted assets)	32.9	35.5	31.7	21.9	32.1	36.8	27.3	22.3
26	TLAC (as a percentage of leverage exposure)	10.2	10.0	8.7	10.1	10.5	11.1	8.6	10.2
27	CET1 (as a percentage of risk-weighted assets) available after meeting the resolution group's minimum capital and TLAC requirements	9.0	N/A	N/A	3.9	8.9	N/A	N/A	4.3
28	Institution-specific buffer requirement expressed as a percentage of risk-weighted assets	5.2	N/A	N/A	2.5	5.2	N/A	N/A	2.5
29	– of which:								
	capital conservation buffer requirement	2.5	N/A	N/A	2.5	2.5	N/A	N/A	2.5
30	bank specific countercyclical buffer requirement	0.7	N/A	N/A	N/A	0.7	N/A	N/A	N/A
31	higher loss absorbency (G-SIB) requirement	2.0	N/A	N/A	N/A	2.0	N/A	N/A	N/A

1 From 30 June 2025, the regulatory valuation of tier 2 capital and TLAC includes the associated accrued interest. Prior periods have not been restated.

Creditor ranking at legal entity level

The following tables present information regarding the ranking of creditors in the liability structure of HSBC legal entities at 31 December 2025.

- The main features of capital instruments disclosure for the Group, ARG and URG are published on our website, <https://www.hsbc.com/investors/fixed-income-investors/regulatory-debt-main-features>.

European resolution group

The ERG comprises HSBC Holdings plc, the designated resolution entity, together with its material operating entities – namely HSBC Bank plc and its subsidiaries including HSBC Continental Europe, and HSBC UK Bank plc and its subsidiaries. The tables below present the ranking of creditors of HSBC Holdings plc and their material sub-group entities. Nominal values are disclosed.

Table 22: HSBC Holdings plc creditor ranking (TLAC3)

		Creditor ranking (\$m)				Sum of 1 to 4
		1 (most junior)	2	3	4 (most senior)	
1	Description of creditor ranking					
2	Total capital and liabilities net of credit risk mitigation	8,588	20,895	35,075	116,486	181,044
3	– of row 2 that are excluded liabilities ²	–	–	–	110	110
4	Total capital and liabilities less excluded liabilities (row 2 minus row 3) ³	8,588	20,895	35,075	116,376	180,934
5	– of row 4 that are potentially eligible as TLAC ³	8,588	20,895	31,289	109,702	170,474
6	– of row 5:					
	with 1 year ≤ residual maturity < 2 years	–	–	872	10,593	11,465
7	with 2 years ≤ residual maturity < 5 years	–	–	2,044	47,510	49,554
8	with 5 years ≤ residual maturity < 10 years	–	–	18,709	39,001	57,710
9	with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	8,772	12,598	21,370
10	that are perpetual securities	8,588	20,895	–	–	29,483

1 Excludes the value of share premium and reserves attributable to ordinary shareholders.

2 Excluded liabilities are defined in CRR II Article 72a (2). The current balance mainly relates to intercompany accruals for service company recharges.

3 The total difference between rows 4 and 5 represents senior securities of \$3.7bn (which are maturing within one year hence ineligible for TLAC), pari passu liabilities of \$2.2bn, and voluntarily derecognised legacy securities comprised of \$0.7bn senior securities and \$3.8bn subordinated securities.

4 The total difference of \$0.9bn between row 5 and the sum of rows 6-10 represents the full notional value of instruments maturing within one year, which are considered eligible for TLAC up to the value included in own funds.

Table 23: HSBC UK Bank plc creditor ranking (TLAC2)

		Creditor ranking (\$m)				Sum of 1 to 4
		1 (most junior)	2	3	4 (most senior)	
1	Is the resolution entity the creditor/investor? ¹	Yes	Yes	Yes	Yes	
2	Description of creditor ranking	Ordinary shares ²	AT1 instruments	Subordinated loans	Senior subordinated loans	
3	Total capital and liabilities net of credit risk mitigation	–	3,615	4,826	17,381	25,822
5	Total capital and liabilities less excluded liabilities	–	3,615	4,826	17,381	25,822
6	– of row 5 that are eligible as TLAC	–	3,615	4,826	17,381	25,822
7	– of row 6:					
	with 1 year ≤ residual maturity < 2 years	–	–	–	1,342	1,342
8	with 2 years ≤ residual maturity < 5 years	–	–	–	12,686	12,686
9	with 5 years ≤ residual maturity < 10 years	–	–	3,360	3,353	6,713
10	with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	1,466	–	1,466
11	that are perpetual securities	–	3,615	–	–	3,615

1 The entity's capital and TLAC are owned by HSBC Holdings plc.

2 The nominal value of ordinary shares is £50,002. This excludes the value of share premium and reserves attributable to ordinary shareholders.

Table 24: HSBC Bank plc creditor ranking (TLAC2)

		Creditor ranking (\$m)					Sum of 1 to 4
		1 (most junior)	2	3	4 (most senior)	4 (most senior)	
1	Is the resolution entity the creditor/investor? ¹	Yes	Yes	No	No	Yes	
2	Description of creditor ranking	Ordinary shares ²	Third Dollar preference shares and AT1 instruments	Deeply Subordinated Notes	Subordinated notes and subordinated loans	Subordinated notes and subordinated loans	
3	Total capital and liabilities net of credit risk mitigation	1,069	6,039	939	623	25,056	33,726
5	Total capital and liabilities less excluded liabilities ³	1,069	6,039	939	623	25,056	33,726
6	– of row 5 that are eligible as TLAC	1,069	6,039	–	–	25,056	32,164
7	– of row 6: with 1 year ≤ residual maturity < 2 years	–	–	–	–	750	750
8	with 2 years ≤ residual maturity < 5 years	–	–	–	–	6,891	6,891
9	with 5 years ≤ residual maturity < 10 years	–	–	–	–	15,817	15,817
10	with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–	–	1,598	1,598
11	that are perpetual securities	1,069	6,039	–	–	–	7,108

- 1 The entity's ordinary shares are owned by HSBC Holdings plc.
2 Excludes the value of share premium and reserves attributable to ordinary shareholders.
3 The difference between row 5 and 6 relates to externally issued non-CET1 own funds.

Asian resolution group

The ARG comprises HSBC Asia Holdings Limited, The Hongkong and Shanghai Banking Corporation Limited, Hang Seng Bank and their subsidiaries. HSBC Asia Holdings Ltd is the designated resolution entity and the entity's capital and LAC are held by HSBC Holdings plc. The following tables present information regarding the ranking of creditors of HSBC Asia Holdings Limited, The Hongkong and Shanghai Banking Corporation Limited, and Hang Seng Bank.

Table 25: HSBC Asia Holdings Ltd creditor ranking (TLAC3)

		Creditor ranking (\$m)				Sum of 1 to 4
		1 (most junior)	2	3	4 (most senior)	
1	Description of creditor ranking	Ordinary shares	AT1 instruments	Tier 2 instruments	LAC loans	
2	Total capital and liabilities net of credit risk mitigation	57,587	10,288	3,086	30,868	101,829
4	Total capital and liabilities less excluded liabilities	57,587	10,288	3,086	30,868	101,829
5	– of row 4 that are potentially eligible as TLAC	57,587	10,288	3,086	30,868	101,829
6	– of row 5					
7	with 1 year ≤ residual maturity < 2 years	–	–	–	3,517	3,517
8	with 2 years ≤ residual maturity < 5 years	–	–	–	11,532	11,532
9	with 5 years ≤ residual maturity < 10 years	–	–	3,086	10,206	13,292
10	with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–	5,613	5,613
11	that are perpetual securities	57,587	10,288	–	–	67,875

Table 26: The Hongkong and Shanghai Banking Corporation Limited creditor ranking (TLAC2)

		Creditor ranking (\$m)				Sum of 1 to 4
		1 (most junior)	2	3	4 (most senior)	
1	Is the resolution entity the creditor/investor?	Yes	Yes	Yes	Yes	
2	Description of creditor ranking	Ordinary shares	AT1 instruments	Tier 2 instruments	LAC loans	
3	Total capital and liabilities net of credit risk mitigation	23,147	10,288	3,086	30,868	67,389
5	Total capital and liabilities less excluded liabilities (row 3 minus row 4)	23,147	10,288	3,086	30,868	67,389
6	– of row 5 that are eligible as TLAC	23,147	10,288	3,086	30,868	67,389
7	– of row 6 with 1 year ≤ residual maturity < 2 years	–	–	–	3,517	3,517
8	– of row 6 with 2 years ≤ residual maturity < 5 years	–	–	–	11,532	11,532
9	– of row 6 with 5 years ≤ residual maturity < 10 years	–	–	3,086	10,206	13,292
10	– of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–	5,613	5,613
11	– of row 6 that are perpetual securities	23,147	10,288	–	–	33,435

Table 27: Hang Seng Bank Ltd creditor ranking (TLAC2)

		Creditor ranking (\$m)			Sum of 1 to 3
		1 (most junior)	2	3 (most senior)	
1	Is the resolution entity the creditor/investor?	No	No	No	
2	Description of creditor ranking	Ordinary shares	AT1 instruments	LAC loans	
3	Total capital and liabilities net of credit risk mitigation	1,241	1,500	2,730	5,471
5	Total capital and liabilities less excluded liabilities (row 3 minus row 4)	1,241	1,500	2,730	5,471
6	– of row 5 that are eligible as TLAC	1,241	1,500	2,730	5,471
7	– of row 6 with 1 year ≤ residual maturity < 2 years	–	–	642	642
8	– of row 6 with 2 years ≤ residual maturity < 5 years	–	–	2,088	2,088
11	– of row 6 that are perpetual securities	1,241	1,500	–	2,741

US resolution group

The URG comprises HSBC North America Holdings Inc. and its subsidiaries. HSBC North America Holdings Inc. is the designated resolution entity. The following table presents information regarding the ranking of creditors of HSBC North America Holdings Inc.

Table 28: HSBC North America Holdings Inc. creditor ranking¹ (TLAC3)

		Creditor ranking (\$m)				Sum of 1 to 4
		1 (most junior)	2	3	4 (most senior)	
1	Description of creditor ranking	Common stock ²	Preferred stock	Subordinated loans	Senior unsecured loans and other pari passu liabilities	
2	Total capital and liabilities net of credit risk mitigation	–	1,640	–	14,522	16,162
3	– of row 2 that are excluded liabilities ³	–	–	–	217	217
4	Total capital and liabilities less excluded liabilities (row 2 minus row 3) ⁴	–	1,640	–	14,305	15,945
5	– of row 4 that are potentially eligible as TLAC	–	1,640	–	10,000	11,640
7	– of row 5					
	with 2 years ≤ residual maturity < 5 years	–	–	–	4,750	4,750
8	with 5 years ≤ residual maturity < 10 years	–	–	–	3,250	3,250
9	with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–	2,000	2,000
10	that are perpetual securities	–	1,640	–	–	1,640

1 The entity's capital and TLAC are held by HSBC Overseas Holdings (UK) Limited.

2 The nominal value of common stock is \$2. This excludes the value of share premium and reserves attributable to ordinary shareholders.

3 Excluded liabilities consists of 'unrelated liabilities' as defined in the Final US TLAC rules. This mainly represents accrued employee benefit obligations.

4 Row 4 includes liabilities related to intercompany borrowings with URG subsidiaries that are not eligible as TLAC.

Credit risk

Overview and responsibilities

Credit risk represents our largest regulatory capital requirement.

The principal objectives of our credit risk management function are:

- to maintain across HSBC a strong culture of responsible lending and a robust credit risk policy and control framework;
- to both partner and challenge our businesses in defining, implementing and continually re-evaluating our credit risk appetite under actual and stress scenario conditions; and
- to ensure there is independent, expert scrutiny of credit risks, their costs and their mitigation.

The credit risk functions within Wholesale and Retail Credit Risk Management are the constituent parts of Global Risk that support the GCRCO in overseeing credit risks. Their major duties comprise undertaking independent reviews of large and high-risk credit proposals, overseeing large exposure policy and reporting on our wholesale and retail credit risk management disciplines. They also own our credit policy and credit systems programmes, oversee portfolio management and report on risk matters to senior executive management and regulators.

These credit risk functions work closely with other parts of Global Risk, for example, with Enterprise Risk Management on the internal control framework and the risk appetite process. In addition, they work jointly with Treasury Risk and Global Finance on stress testing.

► For further details of the credit responsibilities of Global Risk, see page 99 of the Annual Report and Accounts 2025.

The credit risk functions form a network of credit risk management offices around the Group reporting within regional risk functions. They fulfil an essential role as independent risk control units distinct from business line management, providing objective scrutiny of risk rating assessments, credit proposals for approval and other risk matters.

Our credit risk procedures operate through a hierarchy of personal credit limit approval authorities. Operating company chief executives, acting under authorities delegated by their boards and Group standards, are accountable for credit risk and other risks in their business. In turn, chief executives delegate authority to operating company chief risk officers and management teams on an individual basis. Each operating company is responsible for the quality and performance of its credit portfolios in accordance with Group standards. Above these thresholds of delegated personal credit limited approval authorities, approval must be sought from the regional and, as appropriate, the global credit risk function.

Credit risk management

Credit risk

Our exposure to credit risk arises from a wide range of customer types and products, and the risk rating systems in place to measure and monitor these risks are correspondingly diverse. Senior management receives reports on our credit risk exposures, including expected credit losses ('ECL'), total exposures and RWAs, as well as updates on specific portfolios that are considered to have heightened credit risk.

Credit risk exposures are generally measured and managed in portfolios of either customer types or product categories. Risk rating systems are designed to assess the PD and LGD associated with distinct customers who are typically managed as individual relationships or, in the case of retail business exposures, on a product portfolio basis.

Risk rating systems for retail exposures are generally quantitative in nature, applying techniques such as behavioural analysis across product portfolios comprising large numbers of homogeneous transactions.

Rating systems for individually managed relationships typically use customer financial statements and market data analysis, but also qualitative elements and a final judgemental overlay to reflect any relevant risk drivers not captured in the rating system.

► For further details of the application of the IRB approach, see page 59.

A fundamental principle of our policy and approach is that analytical risk rating systems and scorecards are valuable management tools that are fully embedded within the credit risk management framework, ensuring compliance with the regulatory use test requirements.

The credit process for wholesale lending requires a review of the PDs at least annually, and for retail lending revolving facilities an annual review is undertaken. Review may be more frequent as required by circumstances, such as the emergence of adverse risk factors.

We seek to continually improve the quality of our risk management. Group IT systems that process credit risk data continue to be enhanced to deliver both comprehensive management information in support of business strategy, and solutions to evolving regulatory reporting requirements.

Like other facets of risk management, analytical risk rating systems are not static. They are subject to review and modification in light of the changing economic environment, changing regulatory requirements and any deficiencies identified through internal and external regulatory review. Structured processes and metrics are in place to capture relevant data and feed this into continuous model improvement.

Post Model Adjustments ('PMAs') are held to ensure that capital requirements are not understated due to non-compliance of risk rating systems or other IRB model limitations. PMAs will be held until new models are approved by the PRA or model limitations have been remediated. PMAs are reviewed at least quarterly and updated where required.

► For further details of model performance, see page 79.

Dilution risk

Dilution risk is the risk that an amount receivable is reduced through cash or non-cash credit to the obligor, and arises mainly from factoring and invoice discounting transactions.

Where there is recourse to the seller, we treat these transactions as loans secured by the collateral of the debts purchased and do not report dilution risk for them. For our non-recourse portfolio we obtain an indemnity from the seller that indemnifies us against this risk.

Factoring transactions involve lending at a discount to the face-value of the receivables, which provides protection against dilution risk.

Credit risk linkage to Annual Report and Accounts 2025

In addition to prudential consolidations differences, financial reporting has scoping treatment differences for acceptance and settlement balances, reverse purchase agreements, other demands deposits, in the below tables 29 to 37.

Credit quality of assets

Our credit risk is diversified across a number of asset classes and geographies with a credit quality profile mainly concentrated in the higher quality bands.

The IFRS 9 stages have the following characteristics:

- Stage 1: These financial assets are unimpaired and without a significant increase in credit risk. A 12-month allowance for ECL is recognised.

- Stage 2: A significant increase in credit risk has been experienced on these financial assets since initial recognition. A lifetime ECL is recognised.
- Stage 3: There is objective evidence of impairment and the financial assets are therefore considered to be in default or otherwise credit impaired. A lifetime ECL is recognised.
- Purchased or originated credit-impaired: Financial assets purchased or originated at a deep discount are seen to reflect incurred credit losses and a lifetime ECL is recognised. These exposures are included in stage 3 in the table below.

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

Table 29: Performing and non-performing exposures and related provisions (CR1)

	Gross carrying amount/ nominal amount										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Collateral and financial guarantees received	
	Performing exposures			Non- performing exposures			Performing exposures		Non- performing exposures		Accu- mulated partial write- off	On per- forming expo- sures	On non- per- forming expo- sures		
	of which: stage 1	of which: stage 2	of which: stage 3	of which: stage 1	of which: stage 2	of which: stage 1	of which: stage 2	of which: stage 1	of which: stage 2						
	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn		
005 Cash balances at central banks and other demand deposits	294.2	294.1	0.1	—	—	—	—	—	—	—	—	—	—		
010 Loans and advances	1,398.9	1,305.8	83.7	25.4	25.4	(3.8)	(1.3)	(2.5)	(7.5)	(7.5)	(4.9)	980.7	14.9		
020 Central banks	22.8	22.8	—	—	—	—	—	—	—	—	—	6.3	—		
030 General governments	10.2	10.1	0.1	0.1	0.1	—	—	—	—	—	—	3.0	—		
040 Credit institutions	159.2	158.9	—	—	—	—	—	—	—	—	—	119.2	—		
050 Other financial corporations	305.1	295.0	3.5	0.7	0.7	(0.1)	(0.1)	—	(0.3)	(0.3)	(0.2)	208.5	0.4		
060 Non-financial corporations	424.3	365.9	56.0	20.6	20.6	(1.8)	(0.5)	(1.3)	(6.3)	(6.3)	(3.3)	218.4	12.0		
070 – of which: SMEs	21.0	17.1	3.8	1.0	1.0	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)	—	16.4	0.5		
080 Households	477.3	453.1	24.1	4.0	4.0	(1.9)	(0.7)	(1.2)	(0.9)	(0.9)	(1.4)	425.3	2.5		
090 Debt securities	570.6	566.8	0.3	—	—	—	—	—	—	—	—	40.1	—		
100 Central banks	25.7	25.7	—	—	—	—	—	—	—	—	—	—	—		
110 General governments	485.6	484.4	0.3	—	—	—	—	—	—	—	—	38.5	—		
120 Credit institutions	41.7	41.3	—	—	—	—	—	—	—	—	—	1.4	—		
130 Other financial corporations	12.2	11.5	—	—	—	—	—	—	—	—	—	0.1	—		
140 Non-financial corporations	5.4	3.9	—	—	—	—	—	—	—	—	—	0.1	—		
150 Off-balance-sheet exposures	1,087.1	701.7	22.3	2.2	1.1	(0.3)	(0.2)	(0.1)	(0.4)	(0.2)	—	108.9	0.1		
160 Central banks	1.1	1.0	—	—	—	—	—	—	—	—	—	—	—		
170 General governments	6.7	5.5	0.1	—	—	—	—	—	—	—	—	—	—		
180 Credit institutions	65.5	58.7	—	—	—	—	—	—	—	—	—	—	—		
190 Other financial corporations	116.6	91.9	4.0	—	—	—	—	—	—	—	—	12.4	—		
200 Non-financial corporations	623.3	272.7	16.2	2.1	1.0	(0.3)	(0.2)	(0.1)	(0.4)	(0.2)	—	34.9	0.1		
210 Households	273.9	271.9	2.0	0.1	0.1	—	—	—	—	—	—	61.6	—		
220 Total at 31 Dec 2025	3,350.8	2,868.4	106.4	27.6	26.5	(4.1)	(1.5)	(2.6)	(7.9)	(7.7)	(4.9)	1,129.7	15.0		
005 Cash balances at central banks and other demand deposits	314.7	314.6	0.1	—	—	—	—	—	—	—	—	—	—		
010 Loans and advances	1,278.0	1,174.0	96.4	23.3	23.3	(3.9)	(1.2)	(2.7)	(6.3)	(6.4)	(3.2)	886.8	13.4		
020 Central banks	23.1	23.1	—	—	—	—	—	—	—	—	—	3.6	—		
030 General governments	11.4	11.3	0.1	0.2	0.2	—	—	—	—	—	—	5.1	0.1		
040 Credit institutions	125.9	125.3	0.1	—	—	—	—	—	—	—	—	87.3	—		
050 Other financial corporations	258.3	250.8	2.3	0.7	0.7	(0.1)	(0.1)	—	(0.3)	(0.4)	—	187.9	0.3		
060 Non-financial corporations	410.1	354.4	53.8	18.8	18.8	(2.0)	(0.5)	(1.5)	(5.2)	(5.2)	(3.0)	204.3	10.7		
070 – of which: SMEs	21.7	18.1	3.7	1.2	1.2	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)	(0.1)	16.2	0.9		
080 Households	449.2	409.1	40.1	3.6	3.6	(1.8)	(0.6)	(1.2)	(0.8)	(0.8)	(0.2)	398.6	2.3		
090 Debt securities	494.6	491.3	0.8	—	—	(0.1)	(0.1)	—	—	—	—	35.4	—		
100 Central banks	22.9	22.9	—	—	—	—	—	—	—	—	—	—	—		
110 General governments	416.3	414.7	0.8	—	—	(0.1)	(0.1)	—	—	—	—	31.6	—		
120 Credit institutions	38.4	38.2	—	—	—	—	—	—	—	—	—	3.5	—		
130 Other financial corporations	12.3	12.0	—	—	—	—	—	—	—	—	—	0.1	—		
140 Non-financial corporations	4.7	3.5	—	—	—	—	—	—	—	—	—	0.2	—		
150 Off-balance-sheet exposures	985.7	626.7	23.1	2.7	1.4	(0.4)	(0.1)	(0.1)	(0.4)	(0.2)	—	106.2	0.2		
160 Central banks	0.7	0.7	—	—	—	—	—	—	—	—	—	—	—		
170 General governments	3.8	3.4	—	—	—	—	—	—	—	—	—	—	—		
180 Credit institutions	50.8	43.1	0.1	—	—	—	—	—	—	—	—	0.5	—		
190 Other financial corporations	104.0	78.1	2.1	0.1	0.1	—	—	—	—	—	—	13.5	—		
200 Non-financial corporations	571.3	248.4	19.2	2.5	1.2	(0.4)	(0.1)	(0.1)	(0.4)	(0.2)	—	36.1	0.2		
210 Households	255.1	253.0	1.7	0.1	0.1	—	—	—	—	—	—	56.1	—		
220 Total at 31 Dec 2024	3,072.9	2,606.6	120.4	26.0	24.7	(4.4)	(1.4)	(2.8)	(6.7)	(6.6)	(3.2)	1,028.4	13.6		

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

Table 30: Maturity of exposures (CR1-A)

		Net exposure value					Total \$m
		On demand \$m	<= 1 year \$m	> 1 year <= 5 years \$m	> 5 years \$m	No stated maturity \$m	
1	Loans and advances	79,782	583,555	293,568	427,746	28,391	1,413,042
2	Debt securities	51	198,316	270,334	101,392	436	570,529
3	Total at 31 Dec 2025	79,833	781,871	563,902	529,138	28,827	1,983,571
<hr/>							
1	Loans and advances	72,757	527,107	265,383	403,805	22,039	1,291,091
2	Debt securities	177	196,961	205,187	91,831	342	494,498
3	Total at 31 Dec 2024	72,934	724,068	470,570	495,636	22,381	1,785,589

The table below shows changes in gross carrying amount of on-balance sheet non-performing loans and advances during the 12 months to December 2025. 'Outflow due to other situations' include foreign exchange movements, repayments and assets held for sale in default.

Table 31: Changes in the stock of non-performing loans and advances (CR2)

		12 months to 31 Dec 2025 Gross carrying value \$m
10	Initial stock of non-performing loans and advances	23,340
20	Inflows to non-performing portfolios	11,196
30	Outflows from non-performing portfolios	(1,797)
40	Outflows due to write-offs	(3,569)
50	Outflow due to other situations	(3,776)
60	Final stock of non-performing loans and advances	25,394

Non-performing and forborne exposures

Tables 32 to 36 are presented in accordance with the European Banking Authority's ('EBA') 'Guidelines on disclosure of non-performing and forborne exposures'. The PRA has acknowledged that, while the EBA's guidelines relating to the management of non-performing exposures and forborne exposures are not applicable in the UK, the prudential aspects of these guidelines broadly represent good credit risk management standards.

The EBA defines non-performing exposures as exposures with material amounts that are more than 90 days past due or exposures where the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of collateral, regardless of the existence of any past due amounts or number of days past due. For our retail portfolios a past due credit obligation is recognised where any amount of principal, interest or fees has not been paid at the date it was due (or the cycle date). Any debtors that are in default for regulatory purposes or impaired under the applicable accounting framework are always considered as non-performing exposures. The Annual Report and Accounts 2025 definition of stage 3 credit-impaired is aligned to the EBA's definition of non-performing exposures. Under the IFRS 9 accounting standard, ECLs are classified as regulatory specific credit risk adjustments.

Forborne exposures are defined by the EBA as exposures where the bank has made concessions to a debtor that is experiencing or about to experience financial difficulties in meeting its financial commitments. Our definition of forborne captures non-payment related concessions.

In the Annual Report and Accounts 2025, forborne exposures are reported within the table 'Forborne loans and advances to customers at amortised cost by stage allocation'.

Forbearance measures consist of concessions towards a debtor that is experiencing or about to experience difficulties in meeting its financial commitments ('financial difficulties').

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

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

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

Table 32: Credit quality of forborne exposures (CQ1)

	Gross carrying amount/nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non performing forborne exposures	Total	of which: forborne non-performing exposures
		Total	of which: defaulted	of which: impaired				
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
010 Loans and advances	4,735	9,998	9,998	9,998	(372)	(2,701)	7,945	5,304
050 Other financial corporations	165	4	4	4	(4)	—	137	—
060 Non-financial corporations	3,951	8,336	8,336	8,336	(303)	(2,373)	6,775	4,468
070 Households	619	1,658	1,658	1,658	(65)	(328)	1,033	836
090 Loan commitments given	525	254	254	254	(4)	(3)	120	78
100 Total at 31 Dec 2025	5,260	10,252	10,252	10,252	(376)	(2,704)	8,065	5,382
010 Loans and advances	4,869	9,051	9,051	9,051	(533)	(2,365)	6,636	4,404
050 Other financial corporations	78	191	191	191	(1)	(36)	214	150
060 Non-financial corporations	4,246	7,438	7,438	7,438	(462)	(2,023)	5,565	3,556
070 Households	545	1,422	1,422	1,422	(70)	(306)	857	698
090 Loan commitments given	186	307	307	307	—	(4)	67	33
100 Total at 31 Dec 2024	5,055	9,358	9,358	9,358	(533)	(2,369)	6,703	4,437

The table below shows an analysis of gross performing and non-performing exposures by days past due. The gross non-performing loan ratio at 31 December 2025 was 1.78 % calculated in line with the EBA's guidelines.

Table 33: Credit quality of performing and non-performing exposures by past due days (CQ3)

		Gross carrying amount/nominal amount											
		Performing exposures				Non-performing exposures							
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which: defaulted	
		\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	
005	Cash balances at central banks and other demand deposits	294.2	294.2	—	—	—	—	—	—	—	—	—	
010	Loans and advances	1,398.9	1,397.5	1.4	25.4	15.4	2.3	2.3	3.1	1.9	0.3	0.1	25.4
020	Central banks	22.8	22.8	—	—	—	—	—	—	—	—	—	—
030	General governments	10.2	10.2	—	0.1	—	—	—	0.1	—	—	—	0.1
040	Credit institutions	159.2	159.2	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	305.1	304.9	0.2	0.7	0.4	0.1	—	0.1	0.1	—	—	0.7
060	Non-financial corporations	424.3	424.0	0.3	20.6	12.8	1.4	1.9	2.8	1.3	0.3	0.1	20.6
070	– of which SMEs	21.0	20.9	0.1	1.0	0.5	0.1	0.3	—	0.1	—	—	1.0
080	Households	477.3	476.4	0.9	4.0	2.2	0.8	0.4	0.2	0.4	—	—	4.0
090	Debt securities	570.6	570.6	—	—	—	—	—	—	—	—	—	—
100	Central banks	25.7	25.7	—	—	—	—	—	—	—	—	—	—
110	General governments	485.6	485.6	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	41.7	41.7	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	12.2	12.2	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	5.4	5.4	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	1,087.1			2.2								2.2
160	Central banks	1.1											
170	General governments	6.7											
180	Credit institutions	65.5											
190	Other financial corporations	116.6											
200	Non-financial corporations	623.3			2.1								2.1
210	Households	273.9			0.1								0.1
220	Total at 31 Dec 2025	3,350.8	2,262.3	1.4	27.6	15.4	2.3	2.3	3.1	1.9	0.3	0.1	27.6
005	Cash balances at central banks and other demand deposits	314.7	314.7	—	—	—	—	—	—	—	—	—	—
010	Loans and advances	1,278.0	1,276.8	1.2	23.3	14.6	2.2	2.9	1.5	1.8	0.1	0.2	23.3
020	Central banks	23.1	23.1	—	—	—	—	—	—	—	—	—	—
030	General governments	11.4	11.4	—	0.2	—	—	—	0.1	—	0.1	—	0.2
040	Credit institutions	125.9	125.9	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	258.3	258.2	0.1	0.7	0.7	—	—	—	—	—	—	0.7
060	Non-financial corporations	410.1	409.9	0.2	18.8	11.7	1.6	2.5	1.4	1.4	0.1	0.1	18.8
070	– of which SMEs	21.7	21.6	0.1	1.2	0.6	0.1	0.5	—	—	—	—	1.2
080	Households	449.2	448.3	0.9	3.6	2.2	0.6	0.4	0.1	0.3	—	—	3.6
090	Debt securities	494.6	494.6	—	—	—	—	—	—	—	—	—	—
100	Central banks	22.9	22.9	—	—	—	—	—	—	—	—	—	—
110	General governments	416.3	416.3	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	38.4	38.4	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	12.3	12.3	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	4.7	4.7	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	985.7			2.7								2.7
160	Central banks	0.7											
170	General governments	3.8											
180	Credit institutions	50.8											
190	Other financial corporations	104.0			0.1								0.1
200	Non-financial corporations	571.3			2.5								2.5
210	Households	255.1			0.1								0.1
220	Total at 31 Dec 2024	3,072.9	2,086.1	1.2	26.0	14.6	2.2	2.9	1.5	1.8	0.1	0.2	26.0

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

Table 34: Collateral obtained by taking possession and execution processes (CQ7)

		At			
		At 31 Dec 2025		At 31 Dec 2024	
		Collateral obtained by taking possession		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
		\$m	\$m	\$m	\$m
020	Other than property, plant and equipment	100	(19)	93	(18)
030	– Residential immovable property	70	(4)	67	(6)
040	– Commercial immovable property	30	(15)	25	(12)
050	– Movable property (auto, shipping, etc.)	–	–	1	–
080	Total	100	(19)	93	(18)

Concentration risk

Concentration of credit risk occurs when multiple counterparties share similar economic traits or operate in the same sectors or regions, making them collectively vulnerable to changes in economic or political conditions. 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 businesses.

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

Table 35: Quality of non-performing exposures by geography (CQ4)

		Gross carrying/ Nominal amount				Provisions on off-balance sheet commit- ments and financial guarantee given
		of which: non-performing			Accumulated impairment	
		Total	of which: defaulted	of which: subject to impairment		
		\$m	\$m	\$m	\$m	\$m
010	On-balance sheet exposures	1,994,883	25,405	25,405	1,981,994	(11,305)
020	United Kingdom	448,703	4,553	4,553	447,023	(2,008)
030	Hong Kong	333,040	11,551	11,551	330,095	(3,735)
040	United States	375,936	1,204	1,204	373,774	(378)
070	Other countries/territories	837,204	8,097	8,097	831,102	(5,184)
080	Off-balance sheet exposures	1,089,286	2,217	2,217		(727)
090	Hong Kong	234,498	128	128		(27)
100	United Kingdom	143,337	445	445		(148)
110	United States	136,833	288	288		(92)
140	Other countries/territories	574,618	1,356	1,356		(460)
150	Total at 31 Dec 2025	3,084,169	27,622	27,622	1,981,994	(11,305)
010	On-balance sheet exposures	1,795,926	23,347	23,347	1,785,814	(10,329)
020	United Kingdom	375,331	4,694	4,694	373,007	(2,242)
030	Hong Kong	341,109	9,693	9,693	339,321	(2,945)
040	United States	318,818	904	904	317,371	(352)
070	Other countries/territories	760,668	8,056	8,056	756,115	(4,790)
080	Off-balance sheet exposures	988,355	2,682	2,682		(769)
090	Hong Kong	218,528	224	224		(30)
100	United Kingdom	127,378	614	614		(164)
110	United States	122,885	366	366		(56)
140	Other countries/territories	519,564	1,478	1,478		(519)
150	Total at 31 Dec 2024	2,784,281	26,029	26,029	1,785,814	(10,329)

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

Table 36: Credit quality of loans and advances to non-financial corporations by industry (CQ5)

	Gross carrying amount				
	Total	of which:			Accumulated impairment
		of which: non-performing	of which: defaulted	of which: subject to impairment	
	\$m	\$m	\$m	\$m	\$m
010 Agriculture, forestry and fishing	7,686	355	355	7,686	(98)
020 Mining and quarrying	7,908	126	126	7,908	(88)
030 Manufacturing	93,648	2,405	2,405	92,581	(1,035)
040 Electricity, gas, steam and air conditioning supply	21,848	240	240	21,789	(147)
050 Water supply	2,570	112	112	2,570	(41)
060 Construction	27,404	3,286	3,286	26,810	(1,668)
070 Wholesale and retail trade	95,435	2,790	2,790	95,213	(1,529)
080 Transport and storage	22,398	307	307	22,375	(177)
090 Accommodation and food service activities	14,392	1,436	1,436	14,389	(399)
100 Information and communication	25,445	377	377	25,408	(198)
110 Financial and insurance activities	981	93	93	981	(43)
120 Real estate activities	61,686	7,256	7,256	61,642	(1,682)
130 Professional, scientific and technical activities	24,877	520	520	24,571	(218)
140 Administrative and support service activities	19,554	672	672	19,548	(407)
150 Public administration and defence, compulsory social security	80	—	—	80	(3)
160 Education	3,230	74	74	3,230	(49)
170 Human health services and social work activities	4,460	98	98	4,404	(32)
180 Arts, entertainment and recreation	2,313	123	123	2,313	(52)
190 Other services	8,961	329	329	8,940	(173)
200 Total at 31 Dec 2025	444,876	20,599	20,599	442,438	(8,039)
010 Agriculture, forestry and fishing	7,101	282	282	7,101	(96)
020 Mining and quarrying	8,419	318	318	8,419	(46)
030 Manufacturing	89,832	1,602	1,602	88,921	(943)
040 Electricity, gas, steam and air conditioning supply	18,407	239	239	18,339	(133)
050 Water supply	2,963	43	43	2,963	(23)
060 Construction	30,184	3,279	3,279	29,993	(1,768)
070 Wholesale and retail trade	87,428	2,989	2,989	87,203	(1,595)
080 Transport and storage	24,003	418	418	23,956	(322)
090 Accommodation and food service activities	14,795	1,611	1,611	14,715	(298)
100 Information and communication	19,883	229	229	19,850	(160)
110 Financial and insurance activities	270	—	—	270	(1)
120 Real estate activities	61,175	5,700	5,700	61,129	(964)
130 Professional, scientific and technical activities	26,158	648	648	25,878	(266)
140 Administrative and support service activities	20,272	739	739	20,269	(320)
150 Public administration and defence, compulsory social security	87	—	—	87	—
160 Education	2,637	81	81	2,637	(58)
170 Human health services and social work activities	4,031	184	184	4,031	(51)
180 Arts, entertainment and recreation	2,065	78	78	2,065	(35)
190 Other services	9,212	338	338	9,194	(116)
200 Total at 31 Dec 2024	428,922	18,778	18,778	427,020	(7,195)

Risk mitigation

Our approach to granting credit facilities is on the basis of capacity to repay, rather than placing primary reliance on credit risk mitigants. Depending on a customer's standing and the type of product, facilities may be provided unsecured.

Mitigation of credit risk is a key aspect of effective risk management and takes many forms. Our general policy is to promote the use of credit risk mitigation, justified by commercial prudence and capital efficiency. Detailed policies cover the acceptability, structuring and terms relating to the availability of credit risk mitigation, such as in the form of collateral security. These policies, together with the setting of suitable valuation parameters, are subject to regular review to ensure that they are supported by empirical evidence and continue to fulfil their intended purpose.

Collateral

The most common method of mitigating credit risk is to take a charge over collateral. In our retail residential and commercial real estate ('CRE') businesses, a mortgage over the property is usually taken to

help secure claims. Physical collateral is also taken in various forms of specialised lending and leasing transactions where income from the physical assets that are financed is also the principal source of facility repayment. In the commercial and industrial sectors, charges are created over business assets such as premises, stock and debtors. Loans to private banking clients may be made against a pledge of eligible marketable securities, cash or real estate. Facilities to SMEs are commonly granted against guarantees given by their owners and/or directors.

For credit risk mitigants in the form of immovable property, the key determinant of concentration at Group level is geography. Use of immovable property mitigants for risk management purposes is predominantly in Asia and Europe.

► For further details of collateral held over CRE and residential property, see pages 143 and 134 of the Annual Report and Accounts 2025.

Financial collateral

In the institutional sector, trading facilities are supported by charges over financial instruments, such as cash, debt securities and equities. Financial collateral in the form of marketable securities is used in much of the Group's derivatives activities and in securities financing transactions, such as repos, reverse repos, securities lending and borrowing. Netting is used extensively and is a prominent feature of market standards documentation.

► For further details of collateral held for trading exposures, see page 144 of the Annual Report and Accounts 2025.

In the banking book, we provide customers with working capital management products. In some cases, these products combine loans and advances to customers, whose accounts we have the right of offset, which complies with the regulatory requirements for on-balance sheet netting. Where this applies, the customer accounts are treated as cash collateral and are reflected in our LGD estimates.

Under on-balance sheet netting agreements, the customer accounts are treated as though they are covered by cash collateral and the effects of this collateral are incorporated in our LGD estimates. For risk management purposes, the net amounts of such exposures are subject to limits and the relevant customer agreements are subject to review to ensure the legal right of offset remains appropriate.

Other forms of credit risk mitigation

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

In our corporate lending, we also take guarantees from banks, corporates and export credit agencies. Corporates would normally provide guarantees as part of a parent and subsidiary or common parent relationship and would span a number of credit grades. The external credit agency ('ECAs') will normally be investment grade.

Policy and procedures

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

Valuing collateral

Valuation strategies are established to monitor collateral mitigants to ensure that they will continue to provide the anticipated secure secondary repayment source. The frequency of valuation increases with the volatility of the collateral. For market trading activities such as collateralised over-the-counter ('OTC') derivatives and SFTs, we typically carry out daily valuations. For residential mortgages, Group policy prescribes a revaluation of the portfolio at a minimum of every three years, or every 6 months for material portfolios. More frequent revaluations are required where market conditions are subject to significant change, and for non performing loans are subject to monitoring at a minimum annually. Residential property collateral values are determined through a combination of professional appraisals, desktop valuations, automated valuation models ('AVMs'), house price indices or statistical analysis.

For CRE, where the facility exceeds regulatory threshold requirements, Group policy requires an independent review of the valuation at least every three years, or more frequently as the need arises. Revaluations are sought where, for example, material concerns arise in relation to the performance of the collateral. CRE

revaluation also occurs commonly 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.

Recognition of risk mitigation under the IRB approach

Within an IRB approach, risk mitigants are considered in two broad categories:

- those which reduce the intrinsic PD of an obligor and therefore operate as determinants of PD; and
- those which affect the estimated recoverability of obligations and require adjustment of LGD or, in certain limited circumstances, EAD.

The first category typically includes full parental guarantees where one obligor within a group guarantees another. In these circumstances, the PD of the parent guarantor is used to adjust or substitute the PD of the guaranteed obligor. PD estimates may be subject to a 'sovereign ceiling', constraining the risk ratings assigned to obligors in countries of higher risk, and where only partial parental support exists. In certain jurisdictions, certain types of third-party guarantee are recognised by substituting the obligor's PD with that of the guarantor.

In the second category, LGD estimates are affected by a wider range of collateral, including cash, charges over real estate property, fixed assets, trade goods, receivables and floating charges such as mortgage debentures. Unfunded mitigants, such as third-party guarantees, are also considered in LGD estimates where there is evidence that they reduce loss expectation.

The main types of guarantor are banks, other financial institutions and corporates. The creditworthiness of providers of unfunded credit risk mitigation is taken into consideration as part of the guarantor's risk profile. Internal limits for such contingent exposure are approved in the same way as direct exposures.

EAD and LGD values are calculated using regulatory approved models, where available. For those portfolios on a Foundation IRB approach, regulatory values are used. For retail portfolios, funded and unfunded credit protection is typically reflected in the LGD risk parameter based on a modelled impact using historical data.

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

- Unfunded protection, includes credit derivatives and guarantees under the AIRB approach, recognition may be through PD or LGD.
- Eligible financial collateral under the AIRB approach is recognised in LGD models. Under the FIRB approach, regulatory LGD values are adjusted. The adjustment to LGD is based on the degree to which the exposure value would be adjusted notionally if the financial collateral comprehensive method were applied.
- For all other types of collateral, including real estate, the LGD for exposures under the AIRB approach is calculated by models. For FIRB, regulatory LGDs are adjusted depending on the value and type of the asset taken as collateral relative to the exposure. The types of eligible mitigation recognised under the FIRB approach are more limited.

Table 37 sets out the exposure value and the effective value of credit risk mitigation expressed as the exposure value covered by the credit risk mitigant.

Recognition of risk mitigation under the standardised approach

Where credit risk mitigation is available in the form of an eligible guarantee, non-financial collateral or a credit derivative, the exposure is divided into covered and uncovered portions. The covered portion is determined after applying an appropriate 'haircut' for currency and maturity mismatches (and for omission of restructuring clauses in credit derivatives, where appropriate) to the amount of the protection provided and attracts the risk weight of the protection provider. The uncovered portion attracts the risk weight of the obligor.

The value of exposure fully or partially covered by eligible financial collateral is adjusted under the financial collateral comprehensive method using supervisory volatility adjustments (including those for currency mismatch) which are determined by the specific type of

collateral (and its credit quality, in the case of eligible debt securities) and its liquidation period. The adjusted exposure value is subject to the risk rating of the obligor.

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

Table 37: Credit risk mitigation techniques – overview (CR3)

	Total Exposures: secured and unsecured \$m	Exposures unsecured: carrying amount \$m	Exposures secured: carrying amount \$m	of which: Exposures secured by collateral \$m	of which: Exposures secured by financial guarantees \$m
1	Loans and advances	1,707,263	711,602	995,661	890,002
	Central banks	301,584	295,267	6,317	50
	General governments	10,316	7,285	3,031	338
	Credit Institutions	174,608	55,379	119,229	734
	Other financial corporations	305,503	96,624	208,879	8,773
	Non-financial corporations	436,838	206,439	230,399	95,040
	Households	478,414	50,608	427,806	724
2	Debt securities	570,529	530,436	40,093	—
	Central banks	25,641	25,641	—	—
	General governments	485,572	447,128	38,444	38,444
	Credit Institutions	41,737	40,297	1,440	1,440
	Other financial corporations	12,175	12,084	91	91
	Non-financial corporations	5,404	5,286	118	118
3	Total at 31 Dec 2025	2,277,792	1,242,038	1,035,754	890,002
4	– of which: non-performing exposures	17,941	3,013	14,928	13,139
5	– of which: defaulted	17,941	3,013	14,928	1,789
1	Loans and advances	1,605,775	705,621	900,154	806,819
	Central banks	324,486	320,865	3,621	3,567
	General governments	11,535	6,384	5,151	4,785
	Credit Institutions	139,167	51,856	87,311	87,082
	Other financial corporations	258,618	70,437	188,181	179,161
	Non-financial corporations	421,727	206,757	214,970	138,361
	Households	450,242	49,322	400,920	393,863
2	Debt securities	494,498	459,101	35,397	—
	Central banks	22,876	22,876	—	—
	General governments	416,270	384,634	31,636	—
	Credit Institutions	38,338	34,851	3,487	—
	Other financial corporations	12,330	12,250	80	—
	Non-financial corporations	4,684	4,490	194	—
3	Total at 31 Dec 2024	2,100,273	1,164,722	935,551	806,819
4	– of which: non-performing exposures	16,993	3,670	13,323	11,159
5	– of which: defaulted	16,993	3,670	13,323	2,164

The table below shows the composition of total exposures for loans and advances reported in the above table 37, credit risk mitigation techniques - overview ('CR3'), based on Group's financial balance sheet line items. Cash and balances at central banks recognised as loans and advances excludes cash in hand of \$5,131m. Other financial assets includes acceptances, settlement balances and items in course of collection; financial assets measured at fair value through other comprehensive income ('FVOCI'); fair value through profit or loss ('FVTPL') and amortised cost, and de-consolidation of insurance/other entities and consolidation of banking associates.

Table 37.i: Analysis of accounting lines comprising total exposures in CR3

	Loans and advances : Secured and unsecured	
	31 Dec 2025 \$m	31 Dec 2024 \$m
Assets as reported in financial statements		
Cash and balances at central banks	237,728	262,559
Loans and advances to banks	108,462	102,039
Loans and advances to customers	988,399	930,639
Reverse repurchase agreement - non trading	298,392	252,549
Other financial assets	74,282	57,989
Carrying amount reported in the table CR3	1,707,263	1,605,775

The table below shows the split of credit risk exposures under the standardised approach, reflecting the EAD before and after the impact of CRM techniques and credit conversion factors ('CCF'). Securitisation positions are not included in this table.

Table 38: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4)

	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
	\$m	\$m	\$m	\$m	\$m	%
Asset classes						
1 Central governments or central banks	291,952	1,677	317,402	3,804	4,522	1.4
2 Regional governments or local authorities	3,431	365	6,446	65	599	9.2
3 Public sector entities	12,268	1,620	1,871	348	1,105	49.8
4 Multilateral development banks	22,166	482	24,810	306	125	0.5
5 International organisations	8,783	—	8,783	—	—	—
6 Institutions	1,394	2,913	2,159	3,685	1,942	33.2
7 Corporates ¹	108,211	104,808	90,385	18,244	96,954	89.3
8 Retail	23,285	64,583	22,430	330	16,896	74.2
9 Secured by mortgages on immovable property	52,797	1,261	52,797	320	19,441	36.6
10 Exposures in default	3,363	574	3,012	173	3,965	124.5
11 Exposures associated with particularly high risk	193	76	160	13	260	150.0
14 Collective investment undertakings	2,132	12	2,132	6	1,683	78.7
15 Equity	18,024	—	18,024	—	39,981	221.8
16 Other items	15,715	248	15,715	248	11,337	71.0
17 Total at 31 Dec 2025	563,714	178,619	566,126	27,542	198,810	33.5
1 Central governments or central banks	298,838	1,928	321,444	3,321	4,873	1.5
2 Regional governments or local authorities	3,354	192	6,103	15	770	12.6
3 Public sector entities	8,868	249	107	—	73	68.8
4 Multilateral development banks	17,356	476	19,593	314	130	0.7
5 International organisations	5,833	—	5,833	—	—	—
6 Institutions	1,390	2,285	1,892	2,169	1,801	44.4
7 Corporates	78,859	90,033	76,381	13,569	80,622	89.6
8 Retail	27,609	53,621	20,777	243	15,566	74.1
9 Secured by mortgages on immovable property	52,133	1,263	52,133	325	19,147	36.5
10 Exposures in default	2,775	745	2,695	208	3,672	126.5
11 Exposures associated with particularly high risk	919	52	866	14	1,320	150.0
14 Collective investment undertakings	2,279	12	2,279	6	2,123	92.9
15 Equity	16,460	66	16,460	66	37,503	226.9
16 Other items	13,319	278	13,319	278	9,602	70.6
17 Total at 31 Dec 2024	529,992	151,200	539,882	20,528	177,202	31.6

1 We moved a portfolio from the internal ratings-based approach to the standardised approach.

The table below provides a breakdown of IRB credit risk RWAs before and after credit derivatives CRM effects. The table excludes securitisation positions, equity, corporate slotting exposures and non-credit obligation assets.

Table 39: IRB – Effect on the RWA of credit derivatives used as CRM techniques (CR7)

	At			
	At 31 Dec 2025		At 31 Dec 2024	
	Pre-credit derivatives RWAs	Actual RWAs	Pre-credit derivatives RWAs	Actual RWAs
	\$m	\$m	\$m	\$m
1 Exposures under FIRB	87,987	87,373	84,566	84,195
2 Central governments and central banks	56	56	116	116
3 Institutions	67	67	65	65
4 Corporates	87,864	87,250	84,385	84,014
4.1 – of which: SMEs	4,135	4,135	3,973	3,973
4.3 – of which: Others	83,729	83,115	80,412	80,041
5 Exposures under AIRB	352,385	350,849	348,623	347,785
6 Central governments and central banks	59,359	59,329	53,789	53,760
7 Institutions	15,579	15,549	13,331	13,310
8 Corporates	201,113	199,637	211,584	210,796
8.1 – of which: SMEs	6,110	6,110	5,838	5,838
8.2 – of which: Specialised lending	6,722	6,722	4,953	4,953
8.3 – of which: Others	188,281	186,805	200,793	200,005
9 Retail	76,334	76,334	69,919	69,919
9.1 – of which Retail – SMEs - Secured by immovable property collateral	66	66	78	78
9.2 – of which Retail – non-SMEs - Secured by immovable property collateral	44,405	44,405	40,255	40,255
9.3 – of which Retail – Qualifying revolving	16,632	16,632	15,566	15,566
9.4 – of which Retail – SMEs - Other	2,936	2,936	2,450	2,450
9.5 – of which Retail – Non-SMEs - Other	12,295	12,295	11,570	11,570
10 Total	440,372	438,222	433,189	431,980

The table below discloses percentage of exposures secured by various CRM techniques, separately for each exposure class in AIRB and FIRB approaches.

Table 40: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A)

		Credit risk mitigation techniques									Credit risk mitigation methods in the calculation of RWAs		
		Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)	RWA post-all CRM assigned to the obligor exposure class	RWA with substitution effects
		Part of exposures covered by Other eligible collateral (%)			Part of exposures covered by Other funded credit protection (%)			Part of exposures covered by life insurance policies					
		Total exposures	Part of exposures covered by financial collateral	Total	Part of exposures covered by Immovable property collateral	Part of exposures covered by receivables	Part of exposures covered by other physical collateral	Total	Part of exposures covered by life insurance policies	Part of exposures covered by guarantees			
\$bn	%	%	%	%	%	%	%	%	\$bn	\$bn			
AIRB													
1	Central governments and central banks	509.2	5.3	—	—	—	—	—	—	—	—	58.9	59.3
2	Institutions	87.0	0.8	2.7	—	0.1	2.6	—	—	—	—	15.5	15.5
3	Corporates	415.7	7.8	11.9	8.1	2.3	1.5	0.3	0.3	1.0	—	199.9	199.6
3.1	– of which: Corporates – SMEs	9.7	8.0	58.3	51.1	1.7	5.5	4.6	4.6	2.8	—	6.1	6.1
3.2	Corporates – specialised lending	17.6	0.8	1.2	0.6	0.2	0.4	—	—	8.7	—	6.7	6.7
3.3	Corporates – other	388.4	8.1	11.3	7.4	2.4	1.5	0.2	0.2	0.6	—	187.1	186.8
4	Retail	460.5	4.5	73.4	73.3	—	0.1	0.6	0.6	2.7	—	76.3	76.3
4.1	– of which: Retail – immovable property SMEs	0.1	0.5	99.5	96.1	3.4	—	—	—	—	—	0.1	0.1
4.2	Retail – immovable property non-SMEs	351.0	0.1	96.1	96.1	—	—	—	—	3.5	—	44.4	44.4
4.3	Retail – qualifying revolving	72.4	—	—	—	—	—	—	—	—	—	16.6	16.6
4.4	Retail – other SMEs	5.4	0.7	—	—	—	—	—	—	0.1	—	2.9	2.9
4.5	Retail – other non-SMEs	31.6	65.0	2.2	—	—	2.2	8.2	8.2	—	—	12.3	12.3
5	Total at 31 Dec 2025	1,472.4	5.5	26.5	25.2	0.7	0.6	0.3	0.3	1.1	—	350.6	350.7
FIRB													
1	Central governments and central banks	—	—	—	—	—	—	—	—	—	—	—	0.1
2	Institutions	—	—	—	—	—	—	—	—	—	—	—	0.1
3	Corporates	172.7	21.1	16.0	9.5	4.6	1.9	—	—	—	—	87.5	87.3
3.1	– of which: Corporates – SMEs	6.9	0.4	53.6	39.9	9.2	4.5	—	—	—	—	4.1	4.1
3.3	Corporates – other	165.8	21.9	14.4	8.2	4.4	1.8	—	—	—	—	83.4	83.2
4	Total at 31 Dec 2025	172.7	21.1	16.0	9.5	4.6	1.9	—	—	—	—	87.5	87.5
IRB													
1	Specialised lending under the slotting approach	33.2	—	—	—	—	—	—	—	—	—	21.9	21.9
2	Equity exposures	2.1	—	—	—	—	—	—	—	—	—	4.9	4.9

Table 40: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) (continued)

AIRB		Credit risk mitigation techniques									Credit risk mitigation methods in the calculation of RWAs	
		Funded credit protection							Part of exposures covered by Other funded credit protection (%)	Unfunded credit protection (UFCP)	RWA post- all CRM assigned to the obligor exposure class \$bn	RWA with substitution effects \$bn
		Total exposures \$bn	Part of exposures covered by financial collateral %	Part of exposures covered by Other eligible collateral (%)			Part of exposures covered by life insurance policies %	Part of exposures covered by guarantees %				
				Total %	Part of exposures covered by Immovable property collateral %	Part of exposures covered by receivables %			Part of exposures covered by other physical collateral %			
1	Central governments and central banks	463.9	5.1	—	—	—	—	—	—	0.1	53.4	53.8
2	Institutions	76.1	0.5	1.6	—	—	1.6	—	—	—	13.0	13.3
3	Corporates	421.5	9.6	12.7	9.2	2.2	1.4	0.2	0.2	1.0	211.4	210.8
	– of which:											
3.1	Corporates – SMEs	9.8	6.8	63.5	56.8	1.6	5.2	4.1	4.1	0.8	5.8	5.8
3.2	Corporates – specialised lending	11.7	1.2	2.1	0.9	0.4	0.9	—	—	9.8	5.0	5.0
3.3	Corporates – other	400.0	9.9	11.8	8.3	2.2	1.3	0.2	0.2	0.7	200.6	200.0
4	Retail	425.9	4.0	73.1	72.9	—	0.3	0.5	0.5	2.9	69.9	69.9
	– of which:											
4.1	Retail – immovable property SMEs	0.2	0.3	99.3	96.3	3.0	—	—	—	0.1	0.1	0.1
4.2	Retail – immovable property non-SMEs	323.3	0.1	95.9	95.9	—	—	—	—	3.8	40.2	40.2
4.3	Retail – qualifying revolving	66.9	—	—	—	—	—	—	—	—	15.6	15.6
4.4	Retail – other SMEs	5.8	0.4	0.4	—	0.4	—	—	—	—	2.4	2.4
4.5	Retail – other non-SMEs	29.7	56.8	3.6	—	—	3.6	7.7	7.7	—	11.6	11.6
5	Total at 31 Dec 2024	1,387.4	5.9	26.4	25.2	0.7	0.6	0.2	0.2	1.2	347.7	347.8
FIRB												
1	Central governments and central banks	—	—	—	—	—	—	—	—	—	—	0.1
2	Institutions	—	—	—	—	—	—	—	—	—	—	0.1
3	Corporates	168.0	21.6	17.0	11.6	3.2	2.2	—	—	—	84.3	84.0
	– of which:											
3.1	Corporates – SMEs	6.9	0.6	62.0	47.6	9.4	5.0	—	—	—	4.0	4.0
3.3	Corporates – other	161.1	22.6	15.1	10.1	3.0	2.1	—	—	—	80.3	80.0
4	Total at 31 Dec 2024	168.0	21.6	17.0	11.6	3.2	2.2	—	—	—	84.3	84.2
IRB												
1	Specialised lending under the slotting approach	31.8	—	—	—	—	—	—	—	—	22.3	22.3
2	Equity exposures	2.1	—	—	—	—	—	—	—	—	4.7	4.7

Credit risk approaches

The table below shows exposures and percentages covered by the IRB and SA portfolio. This table excludes counterparty credit risk exposures and securitisation exposures. The key driver for differences in IRB exposure value reported in columns 'Exposure value as defined in Article 166 CRR II for exposures subject to IRB approach' and 'Total exposure value for exposures subject to the standardised approach and to the IRB approach' is primarily the CCF applied to the off-balance sheet exposures. 'Percentage of total exposure value subject to a roll-out plan', includes other STD exposures which are not subject to permanent partial use.

Table 41: Scope of the use of IRB and SA approaches (UK CR6-A)

	Exposure value as defined in Article 166 CRR II for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA	Percentage of total exposure value subject to IRB Approach	Percentage of total exposure value subject to a roll-out plan
	\$m	\$m	%	%	%
1 Central governments or central banks	509,220	849,753	20.76	59.88	19.36
1.1 of which: Regional governments or local authorities		14,602	0.02	75.93	24.05
1.2 of which: Public sector entities		15,523	2.16	17.26	80.58
2 Institutions	87,010	90,000	1.33	96.21	2.46
3 Corporates	621,518	742,976	8.15	81.50	10.35
3.1 of which: Corporates - Specialised lending, excluding slotting approach		17,183	—	100.00	—
3.2 of which: Corporates - Specialised lending under slotting approach		31,502	—	100.00	—
4 Retail	460,490	497,927	9.78	82.72	7.50
4.1 of which: Retail – Secured by real estate SMEs		190	—	78.21	21.79
4.2 of which: Retail – Secured by real estate non-SMEs		396,254	5.87	86.99	7.14
4.3 of which: Retail – Qualifying revolving		30,581	—	100.00	—
4.4 of which: Retail – Other SMEs		6,529	22.02	77.97	0.01
4.5 of which: Retail – Other non-SMEs		64,373	37.32	48.67	14.01
5 Equity	2,077	19,857	15.19	10.46	74.35
6 Other non-credit obligation assets	62,883	78,847	18.92	79.75	1.33
7 Total at 31 Dec 2025	1,743,198	2,279,360	13.38	73.60	13.02
1 Central governments or central banks	463,918	800,084	24.12	57.99	17.89
1.1 of which: Regional governments or local authorities		13,115	0.02	74.27	25.71
1.2 of which: Public sector entities		9,558	0.55	5.85	93.60
2 Institutions	76,098	77,371	0.98	96.12	2.90
3 Corporates	621,375	704,294	7.21	84.93	7.86
3.1 of which: Corporates-Specialised lending, excluding slotting approach		11,435	—	100.00	—
3.2 of which: Corporates - Specialised lending under slotting approach		30,802	—	100.00	—
4 Retail	425,899	467,054	10.56	81.88	7.56
4.1 of which: Retail – Secured by real estate SMEs		205	—	77.80	22.20
4.2 of which: Retail – Secured by real estate non-SMEs		369,662	6.08	86.29	7.63
4.3 of which: Retail – Qualifying revolving		28,520	0.10	99.87	0.04
4.4 of which: Retail – Other SMEs		7,036	13.24	77.60	9.16
4.5 of which: Retail – Other non-SMEs		61,631	41.96	47.60	10.44
5 Equity	2,067	18,714	14.00	11.05	74.96
6 Other non-credit obligation assets	60,128	73,725	17.19	81.56	1.26
7 Total at 31 Dec 2024	1,649,485	2,141,242	14.44	73.84	11.72

Standardised approach

Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

The standardised approach is applied where exposures do not qualify for use of an IRB approach and/or where an exemption from IRB has been granted. The standardised approach requires banks to use risk assessments prepared by external credit assessment institutions ('ECAIs') or ECAs to determine the risk weightings applied to rated counterparties.

ECAI risk assessments are used within the Group as part of the determination of risk weightings for the following classes of exposure:

- central governments and central banks;
- regional governments and local authorities;
- institutions;
- corporates;
- securitisation positions; and
- short-term claims on institutions and corporates.

We have nominated three ECAIs for this purpose – Moody's Investor Service ('Moody's'), Standard and Poor's rating agency ('S&P') and Fitch Ratings ('Fitch'). In addition to this, we use Morningstar DBRS ('DBRS'), ARC ratings and Scope ratings specifically for securitisation positions. We have not nominated any ECAs.

Data files of external ratings from the nominated ECAIs are matched with customer records in our centralised credit database.

When calculating the risk-weighted value of an exposure using ECAI risk assessments, risk systems identify the customer in question and

look up the available ratings in the central database according to the rating selection rules. The systems then apply the prescribed credit quality step mapping to derive from the rating the relevant risk weight.

All other exposure classes are assigned risk weightings as prescribed in the PRA's Rulebook.

Credit quality step	Moody's assessment	S&P's assessment	Fitch's assessment	DBRS assessment
1	Aaa to Aa3	AAA to AA-	AAA to AA-	AAA to AAL
2	A1 to A3	A+ to A-	A+ to A-	AH to AL
3	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-	BBBH to BBBL
4	Ba1 to Ba3	BB+ to BB-	BB+ to BB-	BBH to BBL
5	B1 to B3	B+ to B-	B+ to B-	BH to BL
6	Caa1 and below	CCC+ and below	CCC+ and below	CCCH and below

Exposures to, or guaranteed by, central governments and central banks of the UK and equivalent countries are risk-weighted at 0% provided that they are denominated and funded in local currency or qualify for that weight by virtue of their external rating.

Table 43 provides further details of the risk weighting of our standardised non-counterparty credit exposures. For information about the risk weighting of our standardised counterparty credit risk exposures, refer to table 54.

Table 42: CQS reference table

	Institutions (includes banks)				
	Corporates	Central government or central banks	Sovereign method	Credit assessment method	
			Sovereign method	Maturity > 3 months	Maturity 3 months or less
Credit Quality Step 1	20 %	0 %	20 %	20 %	20 %
Credit Quality Step 2	50 %	20 %	50 %	50 %	20 %
Credit Quality Step 3	100 %	50 %	100 %	50 %	20 %
Credit Quality Step 4	100 %	100 %	100 %	100 %	50 %
Credit Quality Step 5	150 %	100 %	100 %	100 %	50 %
Credit Quality Step 6	150 %	150 %	150 %	150 %	150 %

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

Table 43: Standardised approach – exposures by asset classes and risk weights (CR5)

Risk weight ('RW%')												Total credit exposure amount (post-CCF and CRM)	of which: un-rated
	0%	2%	20%	35%	50%	75%	100%	150%	250%	1250%			
	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn
Asset classes													
1	Central governments or central banks	318.4	—	0.3	—	0.8	—	0.1	—	1.6	—	321.2	0.1
2	Regional governments or local authorities	5.9	—	—	—	0.2	—	0.3	—	0.1	—	6.5	0.2
3	Public sector entities	—	—	0.1	—	2.0	—	0.1	—	—	—	2.2	—
4	Multilateral development banks	24.7	—	0.2	—	0.2	—	—	—	—	—	25.1	—
5	International organisations	8.8	—	—	—	—	—	—	—	—	—	8.8	—
6	Institutions	—	2.5	0.3	—	2.4	—	0.6	—	—	—	5.8	2.4
7	Corporates ¹	—	—	11.9	0.6	3.5	—	91.7	0.9	—	—	108.6	63.3
8	Retail	—	—	—	—	—	—	22.8	—	—	—	22.8	22.8
9	Secured by mortgages on immovable property	—	—	—	51.8	—	—	1.3	—	—	—	53.1	53.1
10	Exposures in default	—	—	—	—	—	—	1.6	1.6	—	—	3.2	3.2
11	Exposures associated with particularly high risk	—	—	—	—	—	—	—	0.2	—	—	0.2	0.2
14	Units or shares in collective investment undertakings	0.6	—	0.4	—	0.2	—	0.8	—	—	0.1	2.1	0.7
15	Equity exposures	—	—	—	—	—	—	3.4	—	14.6	—	18.0	6.7
16	Other items	0.2	—	5.6	—	—	—	10.2	—	—	—	16.0	16.0
17	Total at 31 Dec 2025	358.6	2.5	18.8	52.4	9.3	22.8	110.1	2.7	16.3	0.1	593.6	168.7

Asset classes													
1	Central governments or central banks	322.1	—	0.1	—	0.7	—	0.2	—	1.7	—	324.8	0.2
2	Regional governments or local authorities	5.3	—	—	—	0.2	—	0.5	—	0.1	—	6.1	0.4
3	Public sector entities	—	—	—	—	—	—	0.1	—	—	—	0.1	—
4	Multilateral development banks	19.5	—	0.2	—	0.2	—	—	—	—	—	19.9	—
5	International organisations	5.8	—	—	—	—	—	—	—	—	—	5.8	—
6	Institutions	—	1.1	0.1	—	2.2	—	0.7	—	—	—	4.1	1.8
7	Corporates	—	—	10.6	0.5	2.1	—	74.8	1.9	—	—	89.9	51.8
8	Retail	—	—	—	—	—	—	21.0	—	—	—	21.0	21.0
9	Secured by mortgages on immovable property	—	—	—	51.3	—	—	1.2	—	—	—	52.5	52.5
10	Exposures in default	—	—	—	—	—	—	1.4	1.5	—	—	2.9	2.9
11	Exposures associated with particularly high risk	—	—	—	—	—	—	—	0.9	—	—	0.9	0.9
14	Units or shares in collective investment undertakings	0.5	—	0.5	—	0.2	—	0.9	0.1	—	0.1	2.3	0.9
15	Equity exposures	—	—	—	—	—	—	2.5	—	14.0	—	16.5	6.0
16	Other items	0.2	—	4.8	—	—	—	8.6	—	—	—	13.6	13.6
17	Total at 31 Dec 2024	353.4	1.1	16.3	51.8	5.6	21.0	90.9	4.4	15.8	0.1	560.4	152.0

1 We moved a portfolio from the internal ratings-based approach to the standardised approach.

Application of the IRB approach

Our Group IRB credit risk rating framework incorporates obligor PD and facility LGD and EAD measures. These are used to calculate regulatory expected loss ('EL') and capital requirements. They are also used with other inputs to inform rating assessments for the purposes of credit approval and many other purposes, meeting the requirements of the use test, for example:

- credit approval and monitoring: IRB models are used in the assessment of customer and portfolio risk in lending decisions;
- risk appetite: IRB measures are an important element in identifying risk exposure at customer, sector and portfolio level;
- pricing: IRB parameters are used in pricing tools for new transactions and reviews; and
- economic capital and portfolio management: IRB parameters are used in the economic capital model that has been implemented across HSBC.

Roll-out of the IRB approach

With the PRA's permission, we have adopted the AIRB approach for the majority of our business. At the end of 2025, portfolios in much of Europe, Asia and North America were on AIRB approaches for wholesale and retail portfolios where applicable. The permanent partial use permission from the PRA allows some portfolios to adopt the standardised or foundation approaches pending the development of models for the PRA's approval in line with our IRB roll-out plans where the primary focus is on corporate and retail exposures. The remainder is permanently exempt and covers non-significant business units and immaterial exposure classes across all geographic regions.

Expected losses and credit risk adjustments

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

When comparing regulatory EL with measures of ECL allowance or provisions, against commitments and guarantees under IFRS 9, differences in the definition and scope of each are considered.

These can give rise to material differences in the way economic, business and methodological drivers are reflected quantitatively in the accounting and regulatory measures of loss.

In general, HSBC calculates ECL using three main components namely probability of default, loss given default, and exposure at default.

ECLs include impairment allowances (or provisions, against commitments and guarantees) calculated for a 12-month period ('12-month ECL'), for the remaining life of an exposure ('lifetime ECL'), and on financial assets that are considered to be in default or otherwise credit impaired. ECLs resulting from default events that are possible:

- within the next 12 months are recognised for financial instruments in stage 1; and
- beyond 12 months are recognised for financial instruments in stages 2 and 3.

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

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

Change in ECL and other credit impairment charges represents the movement in the ECL during the year including write-offs, recoveries and foreign exchange. EL represents the one-year regulatory expected loss accumulated in the book at the balance sheet date.

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

The table below discloses the detailed key parameters used for the calculation of capital requirements of credit risk exposure under the IRB approach, broken down by exposure class and PD range. The risk parameters within this table do not reflect the application of PMAs. The table excludes securitisation positions and non-credit obligation assets. The number of obligors discloses the single obligor with multiple PD ratings, counted separately for every PD band. We count these on the basis of our exposure to the original counterparty, reported in the first two columns of this table. The disclosures across all PD ranges are modelled LGD. Deferred tax RWAs reported on an IRB approach are not included in this table. Slotting exposures are disclosed in table 51 for the specialised lending and equity exposures, under the simple risk-weight approach (CR10).

Table 44: IRB – Credit risk exposures by portfolio and PD range (CR6)

PD scale	On-balance sheet exposures \$bn	Off-balance sheet exposures pre-CCF \$bn	Exposure weighted average CCF %	Exposure post-CCF and post-CRM \$bn	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors \$bn	Density of risk weighted exposure amount %	Expected loss amount \$bn	Value adjustments and provisions \$bn
AIRB – Central government and central banks												
0.00 to <0.15	490.8	3.4	32.5	492.1	0.02	291	43.3	2.2	41.7	8.5	—	—
– 0.00 to <0.10	478.5	2.0	47.3	481.5	0.01	177	43.3	2.2	37.8	7.8	—	—
– 0.10 to <0.15	12.3	1.4	0.2	10.6	0.13	114	45.0	2.2	3.9	37.2	—	—
0.15 to <0.25	1.9	0.1	17.0	1.9	0.22	17	44.9	1.1	0.7	36.6	—	—
0.25 to <0.50	1.4	—	16.0	1.3	0.37	9	44.9	1.3	0.7	53.0	—	—
0.50 to <0.75	2.2	—	22.4	2.1	0.63	13	44.9	1.0	1.3	65.8	—	—
0.75 to <2.50	7.4	0.2	93.1	7.1	1.75	98	45.0	1.2	7.4	104.0	0.1	—
– 0.75 to <1.75	3.1	0.1	16.7	3.0	1.08	90	44.9	1.3	2.7	89.9	—	—
– 1.75 to <2.5	4.3	0.1	94.8	4.1	2.25	8	45.0	1.2	4.7	114.4	0.1	—
2.50 to <10.00	1.5	0.4	21.5	1.3	3.96	11	42.6	1.2	1.7	128.6	—	—
– 2.5 to <5	0.8	0.1	10.9	0.9	3.08	7	41.4	1.3	1.0	114.4	—	—
– 5 to <10	0.7	0.3	100.0	0.4	5.82	4	45.0	1.1	0.7	158.5	—	—
10.00 to <100.00	—	0.2	—	—	13.00	2	93.0	1.0	—	450.6	—	—
– 10 to <20	—	0.2	—	—	13.00	2	93.0	1.0	—	450.6	—	—
– 30.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
100.00 (Default)	0.1	—	—	0.1	100.00	1	4.6	4.0	—	57.2	—	—
Sub-total at 31 Dec 2025	505.3	4.3	33.1	505.9	0.07	442	43.3	2.2	53.5	10.6	0.1	—
0.00 to <0.15	447.6	2.0	31.0	448.6	0.02	295	43.3	2.1	36.7	8.2	—	—
– 0.00 to <0.10	436.6	1.5	33.5	439.0	0.01	172	43.3	2.1	33.0	7.5	—	—
– 0.10 to <0.15	11.0	0.5	16.1	9.6	0.13	123	45.0	2.2	3.7	38.0	—	—
0.15 to <0.25	1.1	0.5	1.7	1.1	0.22	10	45.1	1.1	0.4	37.4	—	—
0.25 to <0.50	1.5	0.2	67.7	1.3	0.37	14	45.3	1.3	0.7	53.4	—	—
0.50 to <0.75	2.2	—	45.0	2.2	0.63	8	45.0	1.0	1.5	65.8	—	—
0.75 to <2.50	6.0	0.5	84.3	6.0	1.57	103	45.0	1.2	5.9	98.2	0.1	—
– 0.75 to <1.75	3.1	0.1	49.6	3.1	0.92	92	45.0	1.3	2.6	83.6	0.1	—
– 1.75 to <2.5	2.9	0.4	89.0	2.9	2.25	11	45.0	1.2	3.3	113.6	—	—
2.50 to <10.00	1.4	0.3	38.9	1.2	3.65	12	42.2	1.3	1.4	123.3	—	—
– 2.5 to <5	1.1	0.1	23.3	1.0	3.07	9	41.8	1.3	1.2	114.9	—	—
– 5 to <10	0.3	0.2	73.5	0.2	7.85	3	45.0	1.5	0.2	184.1	—	—
10.00 to <100.00	0.3	—	—	0.3	13.01	4	45.0	1.0	0.7	216.9	—	—
– 10 to <20	0.3	—	—	0.3	13.00	3	45.0	1.0	0.7	216.8	—	—
– 30.00 to <100.00	—	—	—	—	36.00	1	45.0	1.0	—	261.4	—	—
100.00 (Default)	0.2	—	—	0.1	100.00	2	6.4	4.2	0.1	57.9	—	—
Sub-total at 31 Dec 2024	460.3	3.5	30.3	460.8	0.08	448	43.3	2.1	47.4	10.3	0.1	—

Table 44: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures \$bn	Off-balance sheet exposures pre-CCF \$bn	Exposure weighted average CCF %	Exposure post-CCF and post-CRM \$bn	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years) years	Risk weighted exposure amount after supporting factors \$bn	Density of risk weighted exposure amount %	Expected loss amount \$bn	Value adjustments and provisions \$bn
AIRB – Institutions												
0.00 to <0.15	76.7	14.4	27.2	80.3	0.05	2,462	38.5	1.3	12.6	15.7	—	—
– 0.00 to <0.10	66.7	11.1	27.5	69.5	0.04	1,509	38.1	1.2	9.0	12.9	—	—
– 0.10 to <0.15	10.0	3.3	26.1	10.8	0.13	953	40.9	1.6	3.6	33.2	—	—
0.15 to <0.25	2.1	1.3	25.6	2.2	0.22	172	31.2	1.6	0.7	31.5	—	—
0.25 to <0.50	0.5	0.4	26.2	0.6	0.37	222	45.6	0.8	0.3	55.8	—	—
0.50 to <0.75	1.9	0.4	16.3	1.2	0.63	78	44.7	0.7	0.8	67.2	—	—
0.75 to <2.50	1.2	1	21.6	1.1	1.22	177	41.3	1.2	1.0	91.0	—	—
– 0.75 to <1.75	1.0	0.8	21.4	1.0	1.14	137	42.1	1.2	0.9	90.9	—	—
– 1.75 to <2.5	0.2	0.2	29.0	0.1	2.25	40	30.9	1.3	0.1	92.9	—	—
2.50 to <10.00	—	0.1	45.9	—	4.18	16	45.0	4.1	0.1	225.6	—	—
– 2.5 to <5	—	0.1	45.9	—	4.18	16	45.0	4.1	0.1	225.6	—	—
– 5 to <10	—	—	—	—	—	—	—	—	—	—	—	—
10.00 to <100.00	—	—	20.0	—	10.00	1	56.6	—	—	219.0	—	—
– 10 to <20	—	—	20.0	—	10.00	1	56.6	—	—	219.0	—	—
100.00 (Default)	—	—	—	—	100.00	1	1.0	3.5	—	12.5	—	—
Sub-total at 31 Dec 2025	82.4	17.6	26.7	85.4	0.10	3,129	38.5	1.3	15.5	18.2	—	—
0.00 to <0.15	66.1	14.7	26.6	71.2	0.05	2,790	38.7	1.4	11.3	15.8	—	—
– 0.00 to <0.10	58.4	10.9	25.8	62.1	0.04	1,720	38.3	1.4	8.3	13.3	—	—
– 0.10 to <0.15	7.7	3.8	28.6	9.1	0.13	1,070	41.8	1.6	3.0	33.2	—	—
0.15 to <0.25	1.5	1.5	25.0	2.0	0.22	145	32.0	1.4	0.5	24.3	—	—
0.25 to <0.50	0.4	0.5	21.9	0.4	0.37	76	37.9	1.8	0.2	49.5	—	—
0.50 to <0.75	1.3	0.4	32.5	1.3	0.63	102	44.4	0.9	0.9	73.8	—	—
0.75 to <2.50	2.1	2.0	25.3	0.4	1.29	153	45.3	1.6	0.4	98.2	—	—
– 0.75 to <1.75	0.6	0.8	25.4	0.4	1.26	116	45.5	1.5	0.4	93.9	—	—
– 1.75 to <2.5	1.5	1.2	25.2	—	2.25	37	41.7	4.7	—	211.7	—	—
2.50 to <10.00	—	0.1	15.3	—	4.21	13	43.6	1.9	—	149.2	—	—
– 2.5 to <5	—	0.1	9.8	—	3.20	9	43.2	1.0	—	115.7	—	—
– 5 to <10	—	—	21.0	—	7.85	4	45.0	5.0	—	271.0	—	—
10.00 to <100.00	—	—	48.2	—	10.00	3	45.0	1.5	—	197.7	—	—
– 10 to <20	—	—	48.2	—	10.00	3	45.0	1.5	—	197.7	—	—
100.00 (Default)	—	—	—	—	100.00	2	2.3	3.8	—	22.7	—	—
Sub-total at 31 Dec 2024	71.4	19.2	26.4	75.3	0.10	3,284	38.7	1.4	13.3	17.7	—	—

Table 44: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures \$bn	Off-balance sheet exposures pre-CCF \$bn	Exposure weighted average CCF %	Exposure post-CCF and post-CRM \$bn	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years) years	Risk weighted exposure amount after supporting factors \$bn	Density of risk weighted exposure amount %	Expected loss amount \$bn	Value adjustments and provisions \$bn
AIRB – Corporate – specialised lending (excluding slotting)												
0.00 to <0.15	4.2	1.3	56.8	4.5	0.09	54	21.9	3.7	0.8	17.1	—	—
– 0.00 to <0.10	2.7	0.6	86.3	2.9	0.06	32	23.2	4.1	0.5	18.3	—	—
– 0.10 to <0.15	1.5	0.7	27.9	1.6	0.13	22	19.6	3.0	0.3	15.1	—	—
0.15 to <0.25	1.8	1.5	52.2	2.5	0.22	48	24.4	3.7	0.7	28.7	—	—
0.25 to <0.50	2.3	1.4	47.3	3.0	0.37	58	30.8	3.4	1.4	47.1	—	—
0.50 to <0.75	1.7	1.3	37.6	2.0	0.63	45	30.2	3.2	1.0	49.3	—	—
0.75 to <2.50	3.0	2.3	56.9	3.2	1.09	68	33.7	3.4	2.1	70.6	0.1	0.1
– 0.75 to <1.75	2.8	2.2	57.2	3.0	1.02	61	34.2	3.3	2.0	70.4	0.1	0.1
– 1.75 to <2.5	0.2	0.1	45.4	0.2	2.25	7	25.5	4.5	0.1	73.8	—	—
2.50 to <10.00	0.3	0.3	54.9	0.4	4.46	13	26.6	2.5	0.4	94.1	—	—
– 2.5 to <5	0.2	0.2	54.5	0.3	4.10	11	23.0	2.0	0.2	73.9	—	—
– 5 to <10	0.1	0.1	56.6	0.1	5.75	2	39.3	4.3	0.2	165.8	—	—
10.00 to <100.00	0.1	—	86.5	0.1	15.81	7	29.2	2.4	0.2	141.7	—	—
– 10 to <20	0.1	—	86.5	0.1	15.81	7	29.2	2.4	0.2	141.7	—	—
100.00 (Default)	0.1	—	35.0	0.1	100.00	4	30.0	1.5	0.1	70.3	—	—
Sub-total at 31 Dec 2025	13.5	8.1	51.1	15.8	1.19	297	27.6	3.5	6.7	42.7	0.1	0.1
0.00 to <0.15	2.8	1.1	50.1	3.1	0.10	54	29.5	3.5	0.7	23.2	—	—
– 0.00 to <0.10	1.1	0.6	76.9	1.5	0.07	23	30.7	3.9	0.3	22.5	—	—
– 0.10 to <0.15	1.7	0.5	22.2	1.6	0.13	31	28.3	3.1	0.4	23.8	—	—
0.15 to <0.25	1.2	0.7	49.5	1.4	0.22	46	26.5	3.3	0.4	26.8	—	—
0.25 to <0.50	1.0	0.5	40.9	1.1	0.37	32	32.9	3.6	0.6	50.0	—	—
0.50 to <0.75	1.4	1.0	44.6	1.5	0.63	43	35.4	2.9	0.9	58.7	—	—
0.75 to <2.50	1.9	2.1	48.8	2.4	1.07	54	33.2	3.4	1.7	72.3	—	—
– 0.75 to <1.75	1.8	2.0	48.7	2.3	1.05	49	33.2	3.3	1.6	71.4	—	—
– 1.75 to <2.5	0.1	0.1	70.6	0.1	2.25	5	35.7	4.7	0.1	111.5	—	—
2.50 to <10.00	0.2	0.3	52.3	0.3	5.42	7	41.6	4.5	0.5	199.5	—	0.1
– 2.5 to <5	—	0.1	28.5	0.1	3.71	3	39.2	1.8	0.1	120.4	—	—
– 5 to <10	0.2	0.2	66.6	0.2	5.75	4	42.1	5.0	0.4	214.7	—	0.1
10.00 to <100.00	0.1	—	69.2	0.1	16.86	3	28.9	1.7	0.1	139.0	—	—
– 10 to <20	0.1	—	69.2	0.1	16.86	3	28.9	1.7	0.1	139.0	—	—
100.00 (Default)	0.1	—	91.5	0.1	100.00	4	24.5	3.6	0.1	85.4	0.1	—
Sub-total at 31 Dec 2024	8.7	5.7	48.0	10.0	1.42	243	31.5	3.4	5.0	49.6	0.1	0.1

Table 44: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures \$bn	Off-balance sheet exposures pre-CCF \$bn	Exposure weighted average CCF %	Exposure post-CCF and post-CRM \$bn	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years) years	Risk weighted exposure amount after supporting factors \$bn	Density of risk weighted exposure amount %	Expected loss amount \$bn	Value adjustments and provisions \$bn
AIRB – Corporate – SME												
0.00 to <0.15	0.1	0.4	23.1	0.2	0.11	222	49.2	1.2	—	17.5	—	—
– 0.00 to <0.10	—	0.1	25.2	0.1	0.06	53	55.2	1.0	—	12.2	—	—
– 0.10 to <0.15	0.1	0.3	22.1	0.1	0.13	169	46.3	1.3	—	20.2	—	—
0.15 to <0.25	0.3	0.9	25.0	0.6	0.22	541	44.3	1.8	0.2	29.4	—	—
0.25 to <0.50	0.4	1.2	23.1	0.7	0.37	692	40.7	1.6	0.3	35.9	—	—
0.50 to <0.75	0.6	1.1	23.1	1.0	0.63	611	40.5	1.7	0.4	46.7	—	—
0.75 to <2.50	4.3	3.5	23.5	5.0	1.54	2,645	35.0	1.9	2.9	58.0	—	—
– 0.75 to <1.75	3.0	2.7	23.4	3.7	1.28	1,952	34.8	2.0	2.0	55.1	—	—
– 1.75 to <2.5	1.3	0.8	23.8	1.3	2.25	693	35.8	1.8	0.9	66.1	—	—
2.50 to <10.00	1.7	1.0	25.1	1.8	4.10	951	42.6	1.7	1.7	96.1	—	—
– 2.5 to <5	1.4	0.8	25.0	1.5	3.65	759	41.9	1.7	1.3	91.7	—	—
– 5 to <10	0.3	0.2	25.6	0.3	6.41	192	46.1	1.6	0.4	118.8	—	—
10.00 to <100.00	0.1	0.1	41.9	0.1	23.74	121	44.6	2.1	0.2	163.1	—	—
– 10 to <20	0.1	0.1	24.4	0.1	13.57	108	52.4	2.4	0.2	198.7	—	—
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	—
– 30.00 to <100.00	—	—	77.3	—	54.10	13	21.5	1.2	—	56.8	—	—
100.00 (Default)	0.2	—	26.7	0.3	100.00	52	32.7	2.3	0.4	151.6	0.1	0.1
Sub-total at 31 Dec 2025	7.7	8.2	23.8	9.7	4.56	5,835	38.3	1.8	6.1	63.1	0.1	0.1
0.00 to <0.15	0.1	0.4	26.4	0.3	0.09	240	50.1	1.4	0.1	19.7	—	—
– 0.00 to <0.10	—	0.1	31.4	0.2	0.06	40	59.0	1.6	0.1	22.0	—	—
– 0.10 to <0.15	0.1	0.3	24.0	0.1	0.13	200	40.2	1.3	—	17.0	—	—
0.15 to <0.25	0.4	0.9	26.1	0.6	0.22	551	38.2	1.6	0.1	23.8	—	—
0.25 to <0.50	0.4	1.1	23.9	0.8	0.37	698	40.6	1.6	0.3	35.3	—	—
0.50 to <0.75	0.6	0.9	23.7	0.9	0.63	645	36.3	2.0	0.3	44.0	—	—
0.75 to <2.50	4.7	3.6	24.8	5.5	1.56	2,721	34.3	1.9	3.2	57.3	—	—
– 0.75 to <1.75	3.1	2.8	24.7	3.9	1.28	2,008	35.0	2.0	2.2	55.2	—	—
– 1.75 to <2.5	1.6	0.8	25.5	1.6	2.25	713	32.7	1.9	1.0	62.3	—	—
2.50 to <10.00	1.3	0.9	26.7	1.4	4.01	786	40.8	1.7	1.2	88.7	—	—
– 2.5 to <5	1.1	0.7	26.5	1.2	3.58	631	39.7	1.7	1	83.7	—	—
– 5 to <10	0.2	0.2	27.9	0.2	6.44	155	47.0	1.5	0.2	117.7	—	—
10.00 to <100.00	0.2	0.1	24.7	0.2	22.38	101	34.7	1.1	0.2	131.3	—	—
– 10 to <20	0.1	0.1	25.2	0.1	14.53	87	41.7	1.0	0.1	145.2	—	—
– 20 to <30	—	—	—	—	23.33	1	35.6	1.3	—	130.2	—	—
– 30.00 to <100.00	0.1	—	3.8	0.1	36.02	13	22.5	1.3	0.1	106.9	—	—
100.00 (Default)	0.2	—	29.4	0.2	100.00	44	38.6	1.8	0.4	197.5	0.1	0.1
Sub-total at 31 Dec 2024	7.9	7.9	25.0	9.9	3.83	5,786	36.7	1.8	5.8	59.3	0.1	0.1

Table 44: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures \$bn	Off-balance sheet exposures pre-CCF \$bn	Exposure weighted average CCF %	Exposure post-CCF and post-CRM \$bn	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years) years	Risk weighted exposure amount after supporting factors \$bn	Density of risk weighted exposure amount %	Expected loss amount \$bn	Value adjustments and provisions \$bn
AIRB – Corporate – Other												
0.00 to <0.15	90.6	177.4	30.8	170.1	0.07	8,876	43.8	1.6	35.6	21.0	—	0.1
– 0.00 to <0.10	62.4	117.4	31.8	118.5	0.05	5,043	43.0	1.6	19.6	16.6	—	0.1
– 0.10 to <0.15	28.2	60.0	28.9	51.6	0.13	3,833	45.4	1.7	16.0	31.0	—	—
0.15 to <0.25	29.0	56.6	27.9	49.5	0.22	4,270	43.1	1.7	20.1	40.5	—	—
0.25 to <0.50	22.2	40.7	26.9	35.5	0.37	4,168	42.1	1.6	18.0	50.7	0.1	—
0.50 to <0.75	24.3	34.2	28.1	34.9	0.63	3,957	41.4	1.5	22.3	63.9	0.1	0.1
0.75 to <2.50	66.6	93.2	23.8	64.9	1.35	20,266	40.9	1.5	57.9	89.2	0.4	0.2
– 0.75 to <1.75	42.6	62.8	23.4	54.9	1.19	14,852	41.1	1.5	48.8	88.8	0.3	0.1
– 1.75 to <2.5	24.0	30.4	26.2	10.0	2.24	5,414	39.5	1.6	9.1	91.6	0.1	0.1
2.50 to <10.00	18.9	23.5	28.8	14.1	4.33	5,302	42.0	1.7	18.5	131.6	0.3	0.2
– 2.5 to <5	12.8	17.4	28.5	10.7	3.59	3,983	42.8	1.8	13.7	127.8	0.2	0.1
– 5 to <10	6.1	6.1	30.1	3.4	6.68	1,319	39.5	1.6	4.8	143.6	0.1	0.1
10.00 to <100.00	5.5	3.5	29.4	4.2	22.10	1,101	31.1	1.9	5.9	140.9	0.3	0.2
– 10 to <20	4.9	3.2	27.7	3.5	12.68	885	30.6	1.9	5.1	145.8	0.1	0.1
– 20 to <30	—	—	19.9	—	23.19	35	36.4	2.9	—	212.8	—	—
– 30.00 to <100.00	0.6	0.3	39.0	0.7	70.31	181	33.2	1.9	0.8	115.2	0.2	0.1
100.00 (Default)	8.0	1.2	39.6	8.3	100.00	2,239	38.9	1.4	8.5	102.5	3.5	2.9
Sub-total at 31 Dec 2025	265.1	430.3	28.6	381.5	2.97	50,179	42.5	1.6	186.8	49.0	4.7	3.7
0.00 to <0.15	101.7	165.6	31.3	176.1	0.07	8,592	42.5	1.8	38.5	21.8	0.1	0.1
– 0.00 to <0.10	72.5	111.3	32.5	123.7	0.05	4,954	40.8	1.8	21.2	17.2	—	0.1
– 0.10 to <0.15	29.2	54.3	28.8	52.4	0.13	3,638	46.2	1.7	17.3	32.9	0.1	—
0.15 to <0.25	24.9	53.3	29.1	46.3	0.22	4,131	41.7	1.7	18.5	39.9	—	—
0.25 to <0.50	24.4	43.5	25.4	36.3	0.37	4,126	41.4	1.6	18.4	50.7	0.1	—
0.50 to <0.75	25.4	32.3	25.4	32.7	0.63	4,601	41.5	1.5	21.3	65.3	0.1	—
0.75 to <2.50	67.9	92.5	26.3	70.2	1.34	21,421	40.9	1.7	63.9	91.0	0.4	0.2
– 0.75 to <1.75	46.1	62.4	26.6	59.7	1.19	16,390	41.1	1.7	53.4	89.3	0.3	0.1
– 1.75 to <2.5	21.8	30.1	24.6	10.5	2.24	5,031	39.2	1.6	10.5	100.2	0.1	0.1
2.50 to <10.00	21.7	21.9	27.6	17.2	4.34	6,538	39.5	1.7	21.7	126.1	0.3	0.2
– 2.5 to <5	13.0	16.1	27.1	12.1	3.53	4,944	40.5	1.6	14.5	120.4	0.2	0.1
– 5 to <10	8.7	5.8	29.3	5.1	6.25	1,594	37.4	2.0	7.2	139.7	0.1	0.1
10.00 to <100.00	4.7	3.4	29.8	3.6	29.65	1,092	40.0	1.9	6.8	187.9	0.4	0.4
– 10 to <20	3.4	3.0	28.3	2.3	14.76	874	36.0	1.7	4.0	177.0	0.1	0.1
– 20 to <30	—	—	4.3	—	23.33	92	25.2	1.8	—	186.6	—	—
– 30.00 to <100.00	1.3	0.4	38.5	1.3	55.48	126	47.0	2.2	2.8	206.9	0.3	0.3
100.00 (Default)	8.3	1.5	40.2	8.5	100.00	2,103	37.3	1.4	10.9	128.7	3.0	2.8
Sub-total at 31 Dec 2024	279.0	414.0	28.9	390.9	3.02	52,604	41.6	1.7	200.0	51.2	4.4	3.7
Wholesale AIRB – Total at 31 Dec 2025	874.0	468.5	28.8	998.3		59,882		1.9	268.6	26.9	5.0	3.9
Wholesale AIRB – Total at 31 Dec 2024	827.3	450.3	28.9	946.9		62,365		1.9	271.5	28.7	4.7	3.9

Table 44: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures \$bn	Off-balance sheet exposures pre-CCF \$bn	Exposure weighted average CCF %	Exposure post CCF and post CRM \$bn	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors \$bn	Density of risk weighted exposure amount %	Expected loss amount \$bn	Value adjustments and provisions \$bn
AIRB – Secured by mortgages on immovable property SME												
0.00 to <0.15	—	—	—	—	0.12	39	25.3	—	—	5.6	—	—
– 0.00 to <0.10	—	—	—	—	0.07	8	21.0	—	—	3.0	—	—
– 0.10 to <0.15	—	—	—	—	0.13	31	26.0	—	—	6.1	—	—
0.15 to <0.25	—	—	—	—	0.22	60	25.6	—	—	8.9	—	—
0.25 to <0.50	—	—	—	—	0.37	67	25.2	—	—	12.8	—	—
0.50 to <0.75	—	—	1.1	—	0.64	57	24.2	—	—	17.9	—	—
0.75 to <2.50	—	—	35.9	—	1.35	127	25.1	—	—	30.4	—	—
– 0.75 to <1.75	—	—	43.8	—	1.16	103	25.0	—	—	27.7	—	—
– 1.75 to <2.5	—	—	15.6	—	2.25	24	25.8	—	—	43.5	—	—
2.50 to <10.00	0.1	—	15.4	0.1	4.09	485	24.8	—	0.1	59.1	—	—
– 2.5 to <5	0.1	—	15.1	0.1	3.84	442	24.6	—	0.1	56.7	—	—
– 5 to <10	—	—	15.7	—	6.41	43	26.8	—	—	80.4	—	—
10.00 to <100.00	—	—	20.3	—	19.93	83	26.6	—	—	94.3	—	—
– 10 to <20	—	—	20.3	—	10.27	66	27.3	—	—	100.9	—	—
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	—
– 30 to <100	—	—	—	—	70.71	17	23.4	—	—	59.7	—	—
100.00 (Default)	—	—	—	—	100.00	72	37.7	—	—	34.8	—	—
Sub-total at 31 Dec 2025	0.1	—	1.0	0.1	11.23	990	26.0	—	0.1	44.8	—	—
0.00 to <0.15	—	—	—	—	0.08	6	15.6	—	—	2.0	—	—
– 0.00 to <0.10	—	—	—	—	0.03	5	24.2	—	—	1.8	—	—
– 0.10 to <0.15	—	—	—	—	0.11	1	10.0	—	—	2.1	—	—
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	—
0.25 to <0.50	—	—	—	—	0.47	34	25.9	—	—	15.5	—	—
0.50 to <0.75	0.1	—	1.9	—	0.58	76	24.9	—	—	17.3	—	—
0.75 to <2.50	—	—	4.7	0.1	1.41	234	25.3	—	—	31.3	—	—
– 0.75 to <1.75	—	—	0.2	0.1	1.12	179	25.4	—	—	27.5	—	—
– 1.75 to <2.5	0.0	—	44.2	0.0	2.33	55	24.9	—	—	43.2	—	—
2.50 to <10.00	0.1	—	19.8	0.1	4.30	682	25.3	—	0.1	61.6	—	—
– 2.5 to <5	0.1	—	16.7	0.1	3.76	553	25.0	—	0.1	57.0	—	—
– 5 to <10	—	—	22.6	—	6.81	129	26.8	—	—	83.1	—	—
10.00 to <100.00	—	—	—	—	12.29	33	26.2	—	—	102.3	—	—
– 10 to <20	—	—	—	—	11.80	32	26.3	—	—	102.3	—	—
– 20 to <30	—	—	—	—	25.48	1	21.8	—	—	102.3	—	—
– 30 to <100	—	—	—	—	—	—	—	—	—	—	—	—
100.00 (Default)	—	—	36.3	—	100.00	62	26.2	—	—	16.7	—	—
Sub-total at 31 Dec 2024	0.2	—	0.9	0.2	9.20	1,127	25.3	—	0.1	49.0	—	—

Table 44: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures \$bn	Off-balance sheet exposures pre-CCF \$bn	Exposure weighted average CCF %	Exposure post CCF and post CRM \$bn	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors \$bn	Density of risk weighted exposure amount %	Expected loss amount \$bn	Value adjustments and provisions \$bn
AIRB – Secured by mortgages on immovable property non-SME												
0.00 to <0.15	83.2	13.1	69.1	91.9	0.08	360,017	11.4	—	3.9	4.2	—	—
– 0.00 to <0.10	44.1	8.6	73.9	50.3	0.05	167,915	11.4	—	1.8	3.6	—	—
– 0.10 to <0.15	39.1	4.5	60.0	41.6	0.12	192,102	11.5	—	2.1	5.0	—	—
0.15 to <0.25	40.7	2.5	53.2	41.8	0.19	181,197	11.3	—	3.1	7.4	—	—
0.25 to <0.50	105.9	2.3	43.5	106.8	0.32	533,071	13.9	—	9.5	9.0	0.1	—
0.50 to <0.75	42.3	0.3	66.3	42.5	0.52	214,545	14.7	—	8.2	19.2	0.1	—
0.75 to <2.50	56.5	2.3	33.6	57.5	1.10	258,260	13.3	—	12.5	21.7	0.1	0.1
– 0.75 to <1.75	51.3	2.2	33.3	52.3	1.01	222,856	13.2	—	10.5	20.1	0.1	0.1
– 1.75 to <2.5	5.2	0.1	39.7	5.2	1.97	35,404	14.4	—	2.0	38.8	—	—
2.50 to <10.00	8.0	0.4	27.2	8.1	4.16	35,015	12.9	—	4.0	49.1	—	—
– 2.5 to <5	7.5	0.3	28.2	7.6	3.99	31,902	12.1	—	3.4	44.3	—	—
– 5 to <10	0.5	0.1	20.8	0.5	6.57	3,113	23.6	—	0.6	115.3	—	—
10.00 to <100.00	0.8	—	226.4	0.9	23.16	7,460	10.8	—	0.8	89.8	—	—
– 10 to <20	0.6	—	250.4	0.7	13.27	6,014	11.1	—	0.7	104.4	—	—
– 20 to <30	—	—	—	—	22.53	94	13.2	—	—	79.5	—	—
– 30.00 to <100.00	0.2	—	99.3	0.2	48.31	1,352	10.0	—	0.1	52.9	—	—
100.00 (Default)	1.5	—	23.2	1.5	100.00	9,138	13.4	—	2.4	156.9	0.1	0.1
Sub-total at 31 Dec 2025	338.9	20.9	59.9	351.0	0.98	1,598,703	12.9	—	44.4	12.7	0.4	0.2
0.00 to <0.15	77.5	12.6	61.4	84.9	0.08	346,567	11.3	—	3.5	4.2	—	—
– 0.00 to <0.10	40.0	8.4	64.2	45.1	0.05	158,297	11.2	—	1.6	3.5	—	—
– 0.10 to <0.15	37.5	4.2	55.9	39.8	0.12	188,270	11.5	—	1.9	4.9	—	—
0.15 to <0.25	38.9	2.5	48.5	39.9	0.19	176,819	11.3	—	3.0	7.5	—	—
0.25 to <0.50	95.1	2.5	37.6	95.9	0.32	518,048	12.9	—	8.2	8.5	—	—
0.50 to <0.75	40.4	0.4	56.1	40.6	0.52	210,576	14.3	—	8.0	19.7	0.1	—
0.75 to <2.50	51.6	0.9	66.9	52.3	1.10	249,931	12.7	—	11.2	21.4	0.1	0.1
– 0.75 to <1.75	46.9	0.8	72.1	47.6	1.01	223,132	12.7	—	9.5	20.0	0.1	0.1
– 1.75 to <2.5	4.7	0.1	31.5	4.7	1.99	26,799	12.7	—	1.7	36.4	—	—
2.50 to <10.00	7.3	0.3	35.1	7.4	4.09	34,235	11.9	—	3.3	45.2	—	—
– 2.5 to <5	6.9	0.3	37.4	7.0	3.92	31,827	11.5	—	3.0	42.7	—	—
– 5 to <10	0.4	—	21.9	0.4	7.27	2,408	19.4	—	0.3	94.6	—	—
10.00 to <100.00	0.9	—	211.1	1.0	22.22	8,605	10.8	—	1.0	96.4	—	—
– 10 to <20	0.7	—	225.0	0.7	13.48	7,030	11.3	—	0.9	111.7	—	—
– 20 to <30	—	—	—	—	23.74	116	8.8	—	—	53.1	—	—
– 30.00 to <100.00	0.2	—	100.9	0.3	47.32	1,459	9.7	—	0.1	53.5	—	—
100.00 (Default)	1.4	—	22.8	1.4	100.00	9,556	13.1	—	2.0	142.6	0.1	0.1
Sub-total at 31 Dec 2024	313.1	19.2	56.6	323.4	0.99	1,554,337	12.4	—	40.2	12.5	0.3	0.2

Table 44: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures \$bn	Off-balance sheet exposures pre-CCF \$bn	Exposure weighted average CCF %	Exposure post CCF and post CRM \$bn	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors \$bn	Density of risk weighted exposure amount %	Expected loss amount \$bn	Value adjustments and provisions \$bn
AIRB – Qualifying revolving retail exposures												
0.00 to <0.15	6.8	85.9	46.6	46.9	0.06	17,459,119	88.7	—	1.9	4.0	—	0.3
– 0.00 to <0.10	5.2	72.9	47.3	39.7	0.05	14,640,352	88.3	—	1.3	3.3	—	0.3
– 0.10 to <0.15	1.6	13.0	42.9	7.2	0.13	2,818,767	91.0	—	0.6	7.9	—	—
0.15 to <0.25	1.2	7.6	50.5	5.1	0.20	1,936,010	89.6	—	0.6	12.6	—	—
0.25 to <0.50	2.2	6.9	46.8	5.4	0.38	1,615,460	89.3	—	1.0	19.3	—	—
0.50 to <0.75	1.5	2.3	51.0	2.6	0.60	603,944	90.0	—	0.8	28.9	—	—
0.75 to <2.50	4.7	5.1	53.8	7.4	1.37	1,449,525	91.0	—	5.1	68.8	0.1	0.1
– 0.75 to <1.75	3.8	4.7	52.0	6.2	1.22	1,191,737	91.4	—	3.0	48.8	0.1	0.1
– 1.75 to <2.5	0.9	0.4	74.5	1.2	2.15	257,788	88.7	—	2.1	171.8	—	—
2.50 to <10.00	2.9	1.2	74.5	3.8	4.44	705,428	86.2	—	4.4	116.1	0.2	0.1
– 2.5 to <5	2.1	1.0	67.5	2.8	3.61	495,234	86.0	—	2.8	102.4	0.1	0.1
– 5 to <10	0.8	0.2	111.8	1.0	6.68	210,194	86.8	—	1.6	152.9	0.1	—
10.00 to <100.00	0.9	0.2	86.5	1.1	22.11	220,271	84.8	—	2.6	231.2	0.3	—
– 10 to <20	0.7	0.2	95.1	0.9	14.56	149,263	84.1	—	2.0	226.4	0.2	—
– 20 to <30	0.1	—	42.8	0.1	24.98	35,870	88.6	—	0.4	294.9	—	—
– 30.00 to <100.00	0.1	—	105.7	0.1	71.00	35,138	85.8	—	0.2	200.4	0.1	—
100.00 (Default)	0.1	—	9.4	0.1	100.00	57,223	86.3	—	0.2	162.9	0.1	0.2
Sub-total at 31 Dec 2025	20.3	109.2	47.7	72.4	0.97	24,046,980	88.9	—	16.6	23.0	0.7	0.7
0.00 to <0.15	6.4	81.8	45.5	43.6	0.06	16,750,261	89.4	—	1.7	4.0	—	0.3
– 0.00 to <0.10	4.9	69.9	46.1	37.1	0.05	14,146,416	89.0	—	1.2	3.3	—	0.3
– 0.10 to <0.15	1.5	11.9	41.9	6.5	0.13	2,603,845	91.8	—	0.5	8.2	—	—
0.15 to <0.25	1.1	6.8	48.6	4.4	0.20	1,770,596	89.2	—	0.6	13.1	—	—
0.25 to <0.50	2.0	6.7	45.9	5.1	0.38	1,541,593	89.4	—	1.0	20.0	—	—
0.50 to <0.75	1.4	2.1	49.7	2.4	0.60	570,116	90.2	—	0.7	30.4	—	—
0.75 to <2.50	4.4	4.8	52.4	6.8	1.38	1,396,496	91.0	—	4.6	66.8	0.1	0.1
– 0.75 to <1.75	3.6	4.4	50.7	5.7	1.23	1,146,513	91.4	—	3.0	51.6	0.1	0.1
– 1.75 to <2.5	0.8	0.4	71.8	1.1	2.15	249,983	88.7	—	1.6	145.3	—	—
2.50 to <10.00	2.6	1.1	75.0	3.5	4.49	685,368	86.6	—	4.3	122.9	0.2	0.1
– 2.5 to <5	1.9	0.9	68.3	2.5	3.62	482,162	86.2	—	2.7	107.5	0.1	—
– 5 to <10	0.7	0.2	110.9	1.0	6.83	203,206	87.8	—	1.6	164.3	0.1	0.1
10.00 to <100.00	0.8	0.2	85.9	1.0	22.41	202,858	85.5	—	2.5	245.9	0.3	—
– 10 to <20	0.6	0.1	113.6	0.7	14.39	131,758	84.7	—	1.7	238.2	0.1	—
– 20 to <30	0.1	0.1	31.8	0.2	24.08	36,705	88.4	—	0.5	293.9	0.1	—
– 30.00 to <100.00	0.1	—	84.4	0.1	70.87	34,395	86.3	—	0.3	223.0	0.1	—
100.00 (Default)	0.1	—	16.2	0.1	100.00	140,663	85.3	—	0.2	171.8	0.1	0.1
Sub-total at 31 Dec 2024	18.8	103.5	46.5	66.9	0.99	23,057,951	89.4	—	15.6	23.3	0.7	0.6

Table 44: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures \$bn	Off-balance sheet exposures pre-CCF \$bn	Exposure weighted average CCF %	Exposure post CCF and post CRM \$bn	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors \$bn	Density of risk weighted exposure amount %	Expected loss amount \$bn	Value adjustments and provisions \$bn
AIRB – Other SME												
0.00 to <0.15	0.3	5.4	0.5	0.3	0.09	24,665	14.1	—	—	2.8	—	—
– 0.00 to <0.10	0.2	5.4	0.1	0.3	0.09	6,896	7.5	—	—	1.2	—	—
– 0.10 to <0.15	0.1	—	66.3	—	0.13	17,769	66.5	—	—	15.6	—	—
0.15 to <0.25	—	0.1	49.9	0.1	0.21	38,964	72.5	—	—	24.1	—	—
0.25 to <0.50	0.1	0.4	27.3	0.2	0.36	80,162	69.6	—	—	37.8	—	—
0.50 to <0.75	0.1	0.2	55.0	0.2	0.61	72,062	83.2	—	0.1	59.0	—	—
0.75 to <2.50	1.4	1.1	51.2	1.3	1.57	382,342	87.3	—	1.2	88.9	—	—
– 0.75 to <1.75	1.1	0.9	50.7	1.1	1.45	290,341	87.0	—	0.9	79.5	—	—
– 1.75 to <2.5	0.3	0.2	53.3	0.2	2.10	92,001	88.8	—	0.3	132.4	—	—
2.50 to <10.00	1.4	0.8	21.5	1.1	4.52	194,596	56.4	—	0.9	76.2	—	—
– 2.5 to <5	1.0	0.7	16.5	0.8	3.72	112,680	46.5	—	0.5	61.9	—	—
– 5 to <10	0.4	0.1	53.8	0.3	6.91	81,916	86.3	—	0.4	119.0	—	—
10.00 to <100.00	0.8	0.3	26.5	0.4	18.87	101,842	80.4	—	0.5	152.8	0.1	0.1
– 10 to <20	0.6	0.3	24.1	0.3	13.45	73,829	77.2	—	0.3	127.8	0.1	0.1
– 20 to <30	0.1	—	64.7	0.1	24.32	15,300	87.9	—	0.1	202.2	—	—
– 30.00 to <100.00	0.1	—	60.4	—	41.16	12,713	88.6	—	0.1	229.2	—	—
100.00 (Default)	0.3	—	61.1	0.1	100.00	12,235	69.9	—	0.2	219.5	0.1	0.1
Sub-total at 31 Dec 2025	4.4	8.3	13.0	3.7	6.11	906,868	69.3	—	2.9	81.9	0.2	0.2
0.00 to <0.15	—	5.2	0.5	0.1	0.08	37,807	47.4	—	—	10.2	—	—
– 0.00 to <0.10	—	5.1	0.1	0.1	0.05	10,402	27.8	—	—	4.4	—	—
– 0.10 to <0.15	—	0.1	17.5	—	0.13	27,405	77.8	—	—	19.0	—	—
0.15 to <0.25	—	0.1	45.6	—	0.20	28,092	93.4	—	—	32.0	—	—
0.25 to <0.50	—	0.2	45.5	0.2	0.39	90,512	82.6	—	—	45.1	—	—
0.50 to <0.75	0.1	0.2	69.2	0.1	0.61	79,554	81.7	—	0.1	57.5	—	—
0.75 to <2.50	1.8	1.1	50.6	1.2	1.57	396,810	79.9	—	1.0	82.4	—	—
– 0.75 to <1.75	1.4	0.9	49.7	1.0	1.45	314,535	79.6	—	0.8	76.7	—	—
– 1.75 to <2.5	0.4	0.2	55.1	0.2	2.15	82,275	81.3	—	0.2	111.6	—	—
2.50 to <10.00	1.4	0.8	21.7	0.8	4.91	202,081	68.4	—	0.8	91.4	—	—
– 2.5 to <5	0.8	0.6	19.0	0.5	3.66	123,238	63.8	—	0.5	85.2	—	—
– 5 to <10	0.6	0.2	29.6	0.3	6.92	78,843	75.8	—	0.3	101.4	—	—
10.00 to <100.00	0.9	0.1	56.6	0.3	21.17	112,093	84.9	—	0.4	160.7	0.1	0.1
– 10 to <20	0.7	0.1	58.1	0.2	13.97	75,129	82.9	—	0.2	136.9	—	0.1
– 20 to <30	0.1	—	48.0	0.1	24.57	20,078	87.8	—	0.1	188.2	—	—
– 30.00 to <100.00	0.1	—	68.0	—	43.62	16,886	88.1	—	0.1	213.9	0.1	—
100.00 (Default)	0.5	—	45.6	0.1	100.00	13,363	47.9	—	0.1	100.2	0.1	0.1
Sub-total at 31 Dec 2024	4.7	7.7	13.4	2.8	7.17	960,312	75.6	—	2.4	87.4	0.2	0.2

Table 44: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures \$bn	Off-balance sheet exposures pre-CCF \$bn	Exposure weighted average CCF %	Exposure post CCF and post CRM \$bn	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors \$bn	Density of risk weighted exposure amount %	Expected loss amount \$bn	Value adjustments and provisions \$bn
AIRB – Other non-SME												
0.00 to <0.15	6.0	16.7	17.7	9.0	0.07	183,559	31.5	—	0.6	5.3	—	0.3
– 0.00 to <0.10	4.8	13.7	13.1	6.6	0.05	143,422	36.4	—	0.4	5.2	—	0.3
– 0.10 to <0.15	1.2	3.0	39.0	2.4	0.13	40,137	17.6	—	0.2	5.6	—	—
0.15 to <0.25	1.5	3.3	31.1	2.5	0.20	95,337	29.6	—	0.3	13.4	—	—
0.25 to <0.50	5.3	2.4	19.8	5.7	0.36	206,396	48.1	—	1.7	30.2	—	—
0.50 to <0.75	4.3	0.8	32.6	4.6	0.62	128,429	43.3	—	1.7	37.1	—	—
0.75 to <2.50	6.8	26.2	1.5	7.2	1.33	254,108	50.7	—	5.2	72.4	0.1	0.1
– 0.75 to <1.75	5.5	25.7	0.6	5.7	1.15	153,006	44.6	—	2.9	50.9	—	—
– 1.75 to <2.5	1.3	0.5	47.7	1.5	2.01	101,102	73.4	—	2.3	152.6	0.1	0.1
2.50 to <10.00	1.6	0.5	28.0	1.8	4.39	142,545	74.8	—	2.0	115.5	0.1	—
– 2.5 to <5	1.2	0.5	27.5	1.3	3.52	110,388	73.9	—	1.4	111.6	—	—
– 5 to <10	0.4	—	35.5	0.5	6.72	32,157	77.3	—	0.6	126.0	0.1	—
10.00 to <100.00	0.6	0.1	15.8	0.6	61.40	29,002	56.4	—	0.6	99.9	0.1	—
– 10 to <20	0.2	—	26.2	0.2	13.12	12,436	85.0	—	0.3	167.6	—	—
– 20 to <30	0.1	—	26.9	0.1	27.95	4,606	95.0	—	0.2	252.2	—	—
– 30.00 to <100.00	0.3	0.1	14.6	0.3	92.40	11,960	34.4	—	0.1	36.4	0.1	—
100.00 (Default)	0.1	—	18.1	0.1	100.00	5,800	74.5	—	0.2	181.1	0.1	—
Sub-total at 31 Dec 2025	26.2	50	10.6	31.5	2.25	1,045,176	43.5	—	12.3	39.1	0.4	0.4
0.00 to <0.15	6.5	40.1	8.6	9.9	0.07	230,506	40.1	—	0.7	6.8	—	0.1
– 0.00 to <0.10	5.6	36.8	6.3	7.9	0.05	203,592	44.2	—	0.5	6.6	—	0.1
– 0.10 to <0.15	0.9	3.3	34.2	2.0	0.13	26,914	24.1	—	0.2	7.7	—	—
0.15 to <0.25	1.6	2.8	29.4	2.4	0.21	97,482	31.5	—	0.4	14.3	—	—
0.25 to <0.50	4.3	3.3	19.9	5.0	0.35	195,638	53.9	—	1.6	32.7	—	—
0.50 to <0.75	2.9	1.2	22.7	3.2	0.64	106,566	48.9	—	1.3	41.9	—	—
0.75 to <2.50	6.1	2.2	10.3	6.3	1.31	272,619	53.8	—	4.8	75.5	—	0.1
– 0.75 to <1.75	5.2	1.9	8.4	5.3	1.17	167,098	50.1	—	3.1	57.1	—	0.1
– 1.75 to <2.5	0.9	0.3	22.9	1.0	2.09	105,521	73.6	—	1.7	173.4	—	—
2.50 to <10.00	1.7	0.7	49.2	2.0	4.18	143,089	64.1	—	2.0	98.6	0.1	—
– 2.5 to <5	1.3	0.7	49.4	1.6	3.43	110,813	59.9	—	1.4	90.1	0.1	—
– 5 to <10	0.4	—	41.7	0.4	6.88	32,276	79.3	—	0.6	129.4	—	—
10.00 to <100.00	0.7	0.2	13.8	0.7	62.59	29,407	49.2	—	0.6	90.9	0.1	—
– 10 to <20	0.2	—	83.0	0.2	12.85	12,631	79.2	—	0.3	154.4	—	—
– 20 to <30	0.1	—	10.8	0.1	26.58	4,971	93.3	—	0.2	244.3	—	—
– 30.00 to <100.00	0.4	0.2	11.7	0.4	93.20	11,805	26.1	—	0.1	29.4	0.1	—
100.00 (Default)	0.1	—	18.2	0.1	100.00	5,922	78.1	—	0.2	182.1	0.1	0.1
Sub-total at 31 Dec 2024	23.9	50.5	11.5	29.6	2.47	1,081,229	47.6	—	11.6	39.0	0.3	0.3
Retail AIRB – Total at 31 Dec 2025	389.9	188.4	37.7	458.7		27,598,717		—	76.3	16.6	1.7	1.5
Retail AIRB – Total at 31 Dec 2024	360.7	180.9	36.4	422.9		26,654,956		—	69.9	16.5	1.5	1.3

Table 44: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures \$bn	Off-balance sheet exposures pre-CCF \$bn	Exposure weighted average CCF %	Exposure post-CCF and post-CRM \$bn	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years) years	Risk weighted exposure amount after supporting factors \$bn	Density of risk weighted exposure amount %	Expected loss amount \$bn	Value adjustments and provisions \$bn
FIRB – Central government and central banks												
0.00 to <0.15	—	—	75.0	0.3	0.02	—	45.0	3.5	0.1	17.1	—	—
– 0.00 to <0.10	—	—	75.0	0.3	0.02	—	45.0	3.5	0.1	17.1	—	—
0.75 to <2.50	—	—	75.0	—	2.25	—	45.0	5.0	—	158.9	—	—
– 1.75 to <2.5	—	—	75.0	—	2.25	—	45.0	5.0	—	158.9	—	—
Sub-total at 31 Dec 2025	—	—	75.0	0.3	0.02	—	45.0	3.5	0.1	17.1	—	—
0.00 to <0.15	—	—	75.0	0.5	0.03	—	45.0	4.0	0.1	23.5	—	—
– 0.00 to <0.10	—	—	75.0	0.5	0.03	—	45.0	4.0	0.1	23.5	—	—
0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	—
– 1.75 to <2.5	—	—	—	—	—	—	—	—	—	—	—	—
Sub-total at 31 Dec 2024	—	—	75.0	0.5	0.03	—	45.0	4.0	0.1	23.5	—	—
FIRB – Institutions												
0.00 to <0.15	—	—	7.4	—	0.04	—	45.0	0.9	—	9.7	—	—
– 0.00 to <0.10	—	—	7.4	—	0.04	—	45.0	0.9	—	9.7	—	—
– 0.10 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—
0.25 to <0.50	—	—	75.0	0.1	0.37	—	45.0	3.5	0.1	103.1	—	—
Sub-total at 31 Dec 2025	—	—	58.8	0.1	0.24	—	45.0	2.5	0.1	66.1	—	—
0.00 to <0.15	—	—	11.8	0.5	0.04	—	45.0	0.4	—	7.3	—	—
– 0.00 to <0.10	—	—	4.8	0.5	0.04	—	45.0	0.4	—	7.1	—	—
– 0.10 to <0.15	—	—	75.0	—	0.13	—	45.0	1.0	—	23.8	—	—
0.25 to <0.50	—	—	75.0	—	0.37	—	45.0	3.2	0.1	97.1	—	—
Sub-total at 31 Dec 2024	—	—	43.5	0.5	0.06	—	45.0	0.6	0.1	13.2	—	—

Table 44: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures \$bn	Off-balance sheet exposures pre-CCF \$bn	Exposure weighted average CCF %	Exposure post-CCF and post-CRM \$bn	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years) years	Risk weighted exposure amount after supporting factors \$bn	Density of risk weighted exposure amount %	Expected loss amount \$bn	Value adjustments and provisions \$bn
FIRB – Corporate – SME												
0.00 to <0.15	0.4	0.2	10.1	0.4	0.13	601	40.6	2.8	0.1	28.4	—	—
– 0.00 to <0.10	—	—	26.7	—	0.07	8	44.4	2.5	—	16.9	—	—
– 0.10 to <0.15	0.4	0.2	8.5	0.4	0.13	593	40.5	2.8	0.1	28.6	—	—
0.15 to <0.25	0.9	0.4	8.2	0.9	0.22	1,434	39.4	2.8	0.3	35.7	—	—
0.25 to <0.50	1.2	0.4	8.1	1.2	0.37	1,467	39.6	2.8	0.6	47.8	—	—
0.50 to <0.75	1.0	0.2	10.0	1.0	0.63	1,061	39.4	2.8	0.6	60.9	—	—
0.75 to <2.50	2.1	0.5	11.9	2.1	1.37	2,202	39.3	2.6	1.6	74.5	—	—
– 0.75 to <1.75	1.7	0.4	10.9	1.7	1.17	1,804	39.3	2.6	1.3	71.8	—	—
– 1.75 to <2.5	0.4	0.1	16.2	0.4	2.25	398	39.3	2.7	0.3	87.0	—	—
2.50 to <10.00	0.6	0.1	8.6	0.6	4.44	728	39.4	2.5	0.6	104.3	—	—
– 2.5 to <5	0.4	0.1	10.3	0.4	3.71	465	39.7	2.6	0.4	101.7	—	—
– 5 to <10	0.2	—	2.5	0.2	6.56	263	38.7	2.4	0.2	112.1	—	—
10.00 to <100.00	0.2	—	21.9	0.3	18.33	209	39.8	2.1	0.3	150.0	—	—
– 10 to <20	0.2	—	22.5	0.2	12.72	177	39.5	2.1	0.3	149.5	—	—
– 30.00 to <100.00	—	—	16.9	0.1	54.76	32	41.5	2.5	—	153.3	—	—
100.00 (Default)	0.3	—	27.4	0.3	100.00	282	41.5	2.5	—	—	0.2	0.1
Sub-total at 31 Dec 2025	6.7	1.8	10.1	6.8	6.41	7,984	39.6	2.7	4.1	61.1	0.2	0.1
FIRB – Corporate – SME												
0.00 to <0.15	0.3	0.2	32.6	0.4	0.13	670	40.3	2.5	0.1	27.3	—	—
– 0.00 to <0.10	—	—	9.0	—	0.06	9	23.4	1.6	—	9.6	—	—
– 0.10 to <0.15	0.3	0.2	32.9	0.4	0.13	661	40.3	2.5	0.1	27.4	—	—
0.15 to <0.25	0.9	0.4	12.4	1.0	0.22	1,445	38.2	2.7	0.4	35.0	—	—
0.25 to <0.50	1.2	0.4	15.6	1.2	0.37	1,535	37.8	2.9	0.6	46.1	—	—
0.50 to <0.75	1.0	0.3	18.1	1.0	0.63	1,214	39.3	3.0	0.6	62.8	—	—
0.75 to <2.50	1.9	0.6	17.8	1.9	1.36	2,281	38.4	2.6	1.4	73.8	—	—
– 0.75 to <1.75	1.6	0.5	18.6	1.6	1.19	1,816	38.4	2.6	1.2	71.2	—	—
– 1.75 to <2.5	0.3	0.1	13.7	0.3	2.25	465	38.2	2.9	0.2	87.5	—	—
2.50 to <10.00	0.6	0.1	20.6	0.6	4.69	812	39.0	2.3	0.6	103.0	—	—
– 2.5 to <5	0.4	0.1	22.1	0.4	3.66	495	39.5	2.4	0.4	98.2	—	—
– 5 to <10	0.2	—	16.8	0.2	6.56	317	38.2	1.9	0.2	111.4	—	—
10.00 to <100.00	0.2	—	35.9	0.2	26.17	244	38.5	2.0	0.3	139.5	—	—
– 10 to <20	0.1	—	35.9	0.1	12.33	198	38.4	1.9	0.2	144.6	—	—
– 30.00 to <100.00	0.1	—	36.1	0.1	64.33	46	38.8	2.0	0.1	125.4	—	—
100.00 (Default)	0.4	—	28.6	0.4	100.00	297	39.3	2.0	—	—	0.2	0.1
Sub-total at 31 Dec 2024	6.5	2.0	18.9	6.7	7.15	8,498	38.6	2.7	4.0	59.3	0.2	0.1

Table 44: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures \$bn	Off-balance sheet exposures pre-CCF \$bn	Exposure weighted average CCF %	Exposure post-CCF and post-CRM \$bn	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years) years	Risk weighted exposure amount after supporting factors \$bn	Density of risk weighted exposure amount %	Expected loss amount \$bn	Value adjustments and provisions \$bn
FIRB – Corporate – Other												
0.00 to <0.15	39.8	59.1	33.0	62.2	0.09	9,626	29.1	1.9	11.4	18.3	—	—
– 0.00 to <0.10	20.5	37.6	32.5	33.7	0.06	3,153	32.8	2.0	5.6	16.6	—	—
– 0.10 to <0.15	19.3	21.5	33.9	28.5	0.13	6,473	24.8	1.7	5.8	20.3	—	—
0.15 to <0.25	11.7	17.0	29.2	16.9	0.22	6,634	39.5	2.0	7.3	43.1	—	—
0.25 to <0.50	12.2	11.1	29.5	15.8	0.37	5,777	35.2	1.8	7.6	48.6	—	—
0.50 to <0.75	10.2	8.9	26.5	12.3	0.63	4,807	34.7	2.0	8.1	66.1	—	—
0.75 to <2.50	33.6	25.2	28.2	33.9	1.43	37,695	34.9	1.9	29.3	86.3	0.2	0.2
– 0.75 to <1.75	24.3	17.2	27.2	27.5	1.24	33,989	34.7	1.9	22.5	81.6	0.1	0.1
– 1.75 to <2.5	9.3	8.0	33.0	6.4	2.25	3,706	35.8	2.1	6.8	106.5	0.1	0.1
2.50 to <10.00	10.3	8.5	36.9	11.4	4.21	5,975	38.5	2.2	15.4	135.4	0.2	0.1
– 2.5 to <5	7.5	6.8	37.5	8.9	3.57	4,457	39.2	2.3	12.0	134.7	0.1	0.1
– 5 to <10	2.8	1.7	33.5	2.5	6.47	1,518	35.7	1.6	3.4	138.0	0.1	—
10.00 to <100.00	2.2	0.9	36.5	1.9	17.23	949	41.9	1.9	4.0	212.7	0.2	0.1
– 10 to <20	2.0	0.7	37.6	1.7	12.85	833	41.9	2.0	3.6	215.6	0.1	0.1
– 20 to <30	—	—	—	—	—	—	—	—	0.1	—	—	—
– 30.00 to <100.00	0.2	0.2	9.8	0.2	58.03	116	42.0	1.4	0.3	185.3	0.1	—
100.00 (Default)	3.8	0.6	43.8	3.7	100.00	1,675	42.4	1.8	—	—	1.6	1.3
Sub-total at 31 Dec 2025	123.8	131.3	31.3	158.1	3.32	73,138	33.6	1.9	83.1	52.6	2.2	1.7
FIRB – Corporate – Other												
0.00 to <0.15	36.8	48.7	40.9	63.8	0.08	9,325	27.5	1.9	11.0	17.3	—	0.1
– 0.00 to <0.10	24.4	30.4	41.7	39.7	0.05	2,789	26.3	1.8	5.1	12.9	—	0.1
– 0.10 to <0.15	12.4	18.3	39.5	24.1	0.13	6,536	29.3	2.0	5.9	24.5	—	—
0.15 to <0.25	11.6	15.5	38.0	18.1	0.22	6,336	39.1	2.1	7.8	43.2	—	—
0.25 to <0.50	11.0	10.4	39.3	16.2	0.37	5,605	33.9	2.0	8.0	49.4	—	—
0.50 to <0.75	10.6	9.4	32.7	13.4	0.63	4,971	37.4	2.0	9.0	66.9	0.1	—
0.75 to <2.50	29.9	24.3	32.6	27.8	1.41	42,259	37.2	2.1	25.9	93.0	0.2	0.1
– 0.75 to <1.75	17.9	15.9	31.5	22.4	1.21	38,592	36.7	2.0	19.7	87.6	0.1	0.1
– 1.75 to <2.5	12	8.4	39.4	5.4	2.25	3,667	39.0	2.2	6.2	115.6	0.1	—
2.50 to <10.00	10.0	7.3	46.6	10.6	4.14	5,707	37.1	2.1	13.9	131.0	0.2	0.1
– 2.5 to <5	7.6	5.7	47.3	8.1	3.47	4,313	38.0	2.2	10.5	130.5	0.1	—
– 5 to <10	2.4	1.6	43.9	2.5	6.30	1,394	34.3	1.7	3.4	132.8	0.1	0.1
10.00 to <100.00	2.4	1.2	41.4	2.3	18.59	1,157	39.4	1.8	4.4	191.2	0.2	0.2
– 10 to <20	2.2	1	37.4	2	12.54	1,029	39.2	1.9	3.9	193.7	0.1	0.1
– 20 to <30	—	—	—	—	23.33	3	45.0	1.8	—	250.1	—	—
– 30.00 to <100.00	0.2	0.2	72.0	0.3	59.71	125	40.5	1.5	0.5	174.2	0.1	0.1
100.00 (Default)	3.4	0.8	52.2	3.7	100.00	1,686	41.8	1.8	—	—	1.5	1.2
Sub-total at 31 Dec 2024	115.7	117.6	38.7	155.9	3.32	77,046	33.3	2.0	80.0	51.3	2.2	1.7
FIRB – Total at 31 Dec 2025	130.5	133.1	31.0	165.3		81,122		2.0	87.4	52.9	2.4	1.8
FIRB – Total at 31 Dec 2024	122.2	119.6	38.4	163.6		85,544		2.0	84.2	51.5	2.4	1.8

Wholesale risk

The wholesale risk rating system

This section describes how we operate our credit risk analytical models and use IRB metrics in the wholesale customer business.

PDs for wholesale customer segments (i.e. central governments and central banks, financial institutions and corporate customers) and for certain individually assessed personal customers, are derived from a customer risk rating master scale of 23 grades. Of these, 21 are non-default grades representing varying degrees of strength of financial condition, and two are default grades. Each customer risk rating grade has a PD range associated with it as well as a mid-point PD. The score generated by a credit risk rating model for the obligor is mapped to a corresponding customer risk rating grade. Relationship managers may, by exception, propose a different customer risk rating from that indicated through an override process that must be approved by the Credit function. Overrides for each model are recorded and monitored as part of the model management process. The customer risk rating is then reviewed by a credit approver who, taking into account information such as the most recent financial events and market data, makes the final decision on the rating. The rating assigned reflects the rating calculated by the model and the approver's overall view of the obligor's credit standing.

The mid-point PD associated with the approved customer risk rating grade is then used in the regulatory capital calculation.

The customer risk rating is assigned at an obligor level, which means that separate exposures to the same obligor are generally subject to a single, consistent customer risk rating. Exceptions may include where an exposure to a corporate or bank is capped to the rating of the sovereign, which may lead to different customer risk ratings for the same obligor. Unfunded credit risk mitigants, such as guarantees, may also influence the final assignment of a customer risk rating to an obligor.

If an obligor is in default on any material credit obligation to the Group, all of the obligor's facilities from the Group are generally considered to be in default.

Approved PD, LGD and EAD models all generally follow a through the cycle approach, LGD models are also subject to a downturn adjustment. Obligor ratings are reviewed at least annually, or more frequently as necessary, to reflect changes in their circumstances and/or their economic operating environment.

Group policy allows approvers to downgrade customer risk ratings on expectations, but to upgrade them only on performance. This leads to expected defaults typically exceeding actual defaults.

For EAD and LGD estimation, operating entities are permitted, subject to overview by Group Risk, approval by the PRA and regulatory floors, to use their own internal models developed and calibrated to their portfolios and jurisdictions. Group Risk provides co-ordination, benchmarks, and promotion of best practice on EAD and LGD estimation. The Model Development Guide in conjunction with the Model Development Template ensures model developers follow a consistent approach to building compliant models. EAD is estimated to a 12-month forward time horizon and represents the current exposure, plus an estimate for future increases in exposure and the realisation of contingent exposures.

LGD is expressed as a percentage of EAD and captures the effects of facility and collateral structure on receipts and recoveries post-default. This includes such factors as the type of client, the facility seniority, the type and value of collateral, past recovery experience and priority under law. Cashflows are adjusted to reflect the time value of money.

New IRB Repair guidelines were published by the EBA with effect from 1 January 2022 and were largely adopted into UK retained rules. These guidelines specified detailed requirements including the Margin of Conservatism classification framework, data representativeness, LGD in default and Estimated Loss Best Estimate and model monitoring.

Legacy models were designed before the new requirements and therefore do not comply. A pipeline for model re-development,

recalibration or retirement is underway with future planned submissions agreed with the regulator. The impact on RWAs and EL relating to the non-compliance with the new regulations has been assessed and additional PMAs have been implemented. The PMAs were submitted to the regulator and are subject to regular review to ensure they remain appropriate given changes in economic conditions and the composition of the portfolios.

Wholesale models

To determine credit ratings for the different types of wholesale obligor, multiple models and scorecards are used for PD, LGD and EAD. These models may be differentiated by region, customer segment and/or customer size. For example, we have separate PD models for all our key customer segments, including sovereigns, financial institutions, and large, medium and small-sized corporates.

Global PD models have been developed for asset classes, or clearly identifiable segments of asset classes, where the customer relationship is managed globally, such as sovereigns, financial institutions and the largest corporate clients that typically operate internationally.

Local PD models, specific to a particular country, region, or sector are developed for other obligors. These include corporate clients when they show distinct characteristics in common in a particular geography.

The two major drivers of model methodology are the nature of the portfolio and the availability of internal or external data on historical defaults and risk factors. For some historically low-default portfolios, such as central governments and central banks and financial institutions, a model will rely more heavily on external data and/or the input of an expert panel. Where sufficient data is available, models are built on a statistical basis, although the input of expert judgement may still form an important part of the overall model development methodology.

Most LGD and EAD models are developed according to local circumstances, considering legal and procedural differences in the recovery and workout processes. Our approach to EAD and LGD also encompasses global models for central governments and central banks, and for institutions, as exposures to these customer types are managed centrally by Global Risk. The PRA requires all firms to apply an LGD floor of 45% for senior unsecured exposure to sovereign entities. This floor was applied to reflect the relatively few loss observations across all firms in relation to these obligors. This floor is applied for the purposes of regulatory capital reporting.

The PRA has published guidance on the appropriateness of LGD models for low default portfolios. It states there should be at least 20 defaults per country per collateral type for LGD models to be approved. Where there are insufficient defaults, an LGD floor will be applied. As a result, in 2025, we continued to apply LGD floors for our banks portfolio and some Asian corporate portfolios where there were insufficient loss observations.

The PRA has also indicated that it considers income-producing real estate to be an asset class that would be difficult to model. As a result, RWAs for our income-producing CRE portfolios are calculated using the supervisory slotting approach. Under the supervisory slotting approach, the bank allocates exposures to one of five categories. Each category then receives a fixed pre-determined RWA and EL percentage.

Local models for the corporate exposure class are developed using various data inputs, including collateral information and geography (for LGD) and product type (for EAD). The most material corporate models are the UK and Asian models, all of which are developed using more than 10 years' data. The LGD models are calibrated to a period of credit stress or downturn in economic conditions.

None of our EAD models are calibrated for a downturn, as analysis shows that utilisation decreases during a downturn because credit stress is accompanied by more intensive limit monitoring and facility reduction.

Table 45 below sets out the key characteristics of the significant wholesale credit risk models that drive the capital calculation split by regulatory wholesale asset class, with their associated RWAs, including the number of models for each component, the model method or approach and the number of years of loss data. In relation to LGD models the time-lapse between the default event and the closure of the exposure varies regionally and by portfolio characteristics. 'Corporates - Other, institutions' excludes specialised lending exposures subject to supervisory slotting approach.

Table 45: Wholesale IRB credit risk models

Portfolio	IRB exposure class	RWA \$bn	Component model	Number of material component models	Model description and methodology	Number of years loss data	Regulatory Floors	
Central government and central banks	Sovereign	53.6	PD	1	A shadow rating approach that includes macroeconomic and political factors, constrained with expert judgement.	>10	No	
			LGD	1	An unsecured model built on assessment of structural factors that influence the country's long-term economic performance. For senior unsecured LGD, a floor of 45% is applied.	>10	Floored at FIRB	
			EAD	1	A cross-classification model that uses both internal data and expert judgement, as well as information on similar exposure types from other asset classes.	>10	EAD must be at least equal to the current utilisation of the balance at account level	
Institutions	Banking institutions	15.6	PD	1	A statistical model that combines quantitative analysis on financial information with expert inputs and macroeconomic factors.	>10	PD floor of 0.03%	
			LGD	2	Quantitative models that produces both downturn and expected LGD. Several securities types are included in the models to recognise collateral in the LGD calculation. For senior unsecured LGD, a floor of 45% is applied.	>10	Floored at FIRB	
			EAD	1	A quantitative model that assigns credit conversion factors ('CCF') taking into account product types and committed/uncommitted indicator to calculate EAD using current utilisation and available headroom.	>10	EAD must be at least equal to the current utilisation of the balance at account level	
Corporates – Other, institutions	Large corporates		PD	1	A statistical model built on over 10 years of data. The model uses financial information, macroeconomic information and market-driven data, and is complemented by a qualitative assessment.	>10	PD floor of 0.03%	
			PD	12	Corporates that fall below the global large corporate threshold are rated through regional/local PD models, which reflect regional/local circumstances. These models use financial information, behavioural data and qualitative information to derive a statistically built PD.	>10	PD floor of 0.03%	
	Non-banks financial institutions and global corporate	286.8	PD	12	NBFIs and specialised lending are rated through global PD models. Predominantly statistical models that combine quantitative analysis on financial information with expert inputs.	>10	PD floor of 0.03%	
			LGD	11	Regional/local statistical models covering all corporate types, including global large corporates, developed using historical loss/recovery data and various data inputs, including collateral information, customer type and geography.	>10	Floored at FIRB	
	All corporates			EAD	4	Regional/local statistical models covering all corporates types, including global large corporates, developed using historical utilisation information and various data inputs, including product type and geography.	>10	EAD must be at least equal to the current utilisation of the balance at account level

The table below provides a consolidated overview of wholesale PD model performance for IRB exposures based upon data that represents an annual view as of 30 September each year. The table shows the estimated PD (including modelled and judgemental input) and actual default rate across asset classes. The estimated PD for all models in each asset class is calculated based on the total number of obligors covered by the models. The actuals are the observed default rate in each asset class for the specified period. The reporting process and exposure classification have been enhanced in 2025 with the aim of covering the full IRB portfolio reported in table 44 to provide a better representation of the underlying portfolios, including clients internally rated by reference to their parent company, and removing obligors with zero exposures as of 30 September 2024. The comparative results from previous periods have been aligned.

Table 46: Wholesale IRB models – estimated and actual values

	2025		2024		2023	
	Estimated %	Actuals %	Estimated %	Actuals %	Estimated %	Actuals %
Central government and central banks ¹	0.43	0.28	0.86	—	0.59	0.70
Institutions ¹	0.20	—	0.33	—	0.20	0.03
Corporates ²	1.67	0.85	1.67	0.83	1.68	0.72

1 To ensure consistency, the terms 'Sovereigns' and 'Banks' have been updated to 'Central government and central banks' and 'Institutions' respectively.

2 Covers the combined populations of all models used for the corporate asset class, including corporate SME, corporate specialised lending and corporate other.

The risk profile has improved for Central government and central banks and Institutions portfolios, reflected by the lower estimated PDs. The actual default rates across all exposure classes remained below estimated levels in 2025. Notably central government and central banks recorded one default in 2025 and no defaults in 2024. Institutions recorded no defaults in 2025 and 2024. Estimated PD and actuals for Corporates remain broadly stable from prior periods.

The tables below provide an overview of credit risk model performance for wholesale IRB exposures, by average PDs with observed default rates by PD ranges. The analysis is based on obligors as of 30 September 2024 observed over a one-year period. The tables for corporates include exposures in both the corporate - other, corporate - SME and corporate specialised lending exposure classes. The reporting process and exposure classification have been enhanced in 2025 with the aim of covering the full IRB portfolio reported in table 44 to provide a better representation of the underlying portfolios, including clients internally rated by reference to their parent company, and removing obligors with zero exposures as of 30 September 2024. The comparative results from previous periods have been aligned.

The total number of Wholesale obligors with exclusively short-term contracts (i.e. where residual maturity is less than 12 months for all contracts) as of 30 September 2024 was approximately 27,024, representing 22% of obligors. By individual exposure class the corresponding numbers are 94 obligors (26%) for Central governments and central banks, 1,096 obligors (39%) for Institutions and 25,834 obligors (21%) for Corporates.

Table 47: Wholesale IRB exposure – back-testing of probability of default (PD) per portfolio¹ (CR9)

A-IRB PD range	Number of obligors		Observed average default rate %	Exposures weighted average PD %	Average PD %	Average historic annual default rate %
	End of previous year	of which: number which defaulted in the year				
2025						
Central government and central banks²						
0.00 to <0.15	293	—	—	0.02	0.07	—
– 0.00 to <0.10	158	—	—	0.01	0.02	—
– 0.10 to <0.15	135	—	—	0.13	0.13	—
0.15 to <0.25	9	—	—	0.22	0.22	—
0.25 to <0.50	14	—	—	0.37	0.37	—
0.50 to <0.75	9	—	—	0.63	0.63	—
0.75 to <2.50	18	—	—	1.31	1.59	—
– 0.75 to <1.75	12	—	—	1.20	1.26	—
– 1.75 to <2.5	6	—	—	2.25	2.25	—
2.5 to <10.00	12	1	8.33	3.93	4.99	4.73
– 2.5 to <5	7	—	—	3.11	3.54	4.00
– 5 to <10	5	1	20.00	7.57	7.01	5.45
10.00 to <100.00	2	—	—	19.00	16.00	25.00
– 10 to <20	2	—	—	19.00	16.00	15.00
– 30.00 to <100.00	—	—	—	—	—	37.50
100.00 (Default)	2	—	—	—	—	—
2024						
0.00 to <0.15	318	—	—	0.02	0.07	—
– 0.00 to <0.10	173	—	—	0.01	0.03	—
– 0.10 to <0.15	145	—	—	0.13	0.13	—
0.15 to <0.25	8	—	—	0.22	0.22	—
0.25 to <0.50	3	—	—	0.37	0.37	—
0.50 to <0.75	16	—	—	0.63	0.63	—
0.75 to <2.50	17	—	—	0.90	1.14	—
– 0.75 to <1.75	15	—	—	0.89	1.00	—
– 1.75 to <2.5	2	—	—	2.25	2.25	—
2.5 to <10.00	15	—	—	3.52	4.87	4.73
– 2.5 to <5	11	—	—	3.12	3.78	4.00
– 5 to <10	4	—	—	7.85	7.85	5.45
10.00 to <100.00	5	—	—	25.52	40.20	28.13
– 10 to <20	3	—	—	19.00	17.00	15.00
– 30.00 to <100.00	2	—	—	75.00	75.00	50.00
100.00 (Default)	3	—	—	—	—	—

Table 47: Wholesale IRB exposure – back-testing of probability of default (PD) per portfolio¹ (CR9) (Continued)

A-IRB PD range	Number of obligors		Observed average default rate %	Exposures weighted average PD %	Average PD %	Average historic annual default rate %
	End of previous year	of which: number which defaulted in the year				
2025						
Institutions²						
0.00 to <0.15	2,320	—	—	0.05	0.07	0.03
– 0.00 to <0.10	1,600	—	—	0.04	0.04	0.01
– 0.10 to <0.15	720	—	—	0.13	0.13	0.04
0.15 to <0.25	145	—	—	0.22	0.22	0.14
0.25 to <0.50	67	—	—	0.37	0.37	—
0.50 to <0.75	97	—	—	0.63	0.63	—
0.75 to <2.50	129	—	—	2.03	1.54	0.09
– 0.75 to <1.75	96	—	—	1.34	1.29	0.18
– 1.75 to <2.5	33	—	—	2.25	2.25	—
2.5 to <10.00	17	—	—	3.64	4.21	1.43
– 2.5 to <5	13	—	—	3.21	3.58	—
– 5 to <10	4	—	—	6.78	6.28	2.86
10.00 to <100.00	—	—	—	—	—	2.08
– 10 to <20	—	—	—	—	—	3.33
– 30.00 to <100.00	—	—	—	—	—	—
100.00 (Default)	2	—	—	—	—	—
2024						
0.00 to <0.15	2,631	—	—	0.05	0.07	0.03
– 0.00 to <0.10	1,739	—	—	0.04	0.04	0.01
– 0.10 to <0.15	892	—	—	0.13	0.13	0.04
0.15 to <0.25	203	—	—	0.22	0.22	0.14
0.25 to <0.50	88	—	—	0.37	0.37	—
0.50 to <0.75	84	—	—	0.63	0.63	—
0.75 to <2.50	198	—	—	1.81	1.77	0.09
– 0.75 to <1.75	70	—	—	1.06	1.34	0.18
– 1.75 to <2.5	128	—	—	2.25	2.00	—
2.5 to <10.00	69	—	—	4.16	4.16	1.43
– 2.5 to <5	65	—	—	3.95	4.00	—
– 5 to <10	4	—	—	5.75	6.80	2.86
10.00 to <100.00	5	—	—	10.08	26.60	2.08
– 10 to <20	4	—	—	10.08	14.50	3.33
– 30.00 to <100.00	1	—	—	—	75.00	—
100.00 (Default)	5	—	—	—	—	—

Table 47: Wholesale IRB exposure – back-testing of probability of default (PD) per portfolio¹ (CR9) (Continued)

A-IRB PD range	Number of obligors		Observed average default rate %	Exposures weighted average PD %	Average PD %	Average historic annual default rate %
	End of previous year	of which: number which defaulted in the year				
2025						
Corporates						
0.00 to <0.15	7,778	3	0.04	0.08	0.09	0.01
– 0.00 to <0.10	4,047	2	0.05	0.05	0.06	0.01
– 0.10 to <0.15	3,731	1	0.03	0.13	0.13	0.02
0.15 to <0.25	4,429	2	0.05	0.22	0.22	0.10
0.25 to <0.50	4,393	11	0.25	0.37	0.37	0.11
0.50 to <0.75	5,162	16	0.31	0.62	0.62	0.13
0.75 to <2.50	23,397	86	0.37	1.55	1.60	0.41
– 0.75 to <1.75	17,377	57	0.33	1.21	1.38	0.30
– 1.75 to <2.5	6,020	29	0.48	2.22	2.21	0.52
2.5 to <10.00	6,907	136	1.97	4.52	4.23	1.86
– 2.5 to <5	5,145	84	1.63	3.57	3.43	1.01
– 5 to <10	1,762	52	2.95	6.60	6.56	2.71
10.00 to <100.00	1,252	145	11.58	22.37	19.33	9.37
– 10 to <20	947	97	10.24	14.83	13.41	7.14
– 20 to <30	97	13	13.40	23.56	23.56	0.23
– 30.00 to <100.00	208	35	16.83	54.21	44.34	15.25
100.00 (Default)	2,069					
2024						
0.00 to <0.15	8,611	—	—	0.08	0.09	0.02
– 0.00 to <0.10	4,234	—	—	0.05	0.06	0.01
– 0.10 to <0.15	4,377	—	—	0.13	0.13	0.02
0.15 to <0.25	5,895	6	0.10	0.22	0.22	0.10
0.25 to <0.50	5,495	5	0.09	0.37	0.37	0.13
0.50 to <0.75	6,579	21	0.32	0.62	0.62	0.11
0.75 to <2.50	31,167	116	0.37	1.52	1.58	0.44
– 0.75 to <1.75	24,620	64	0.26	1.18	1.40	0.33
– 1.75 to <2.5	6,547	52	0.79	2.23	2.23	0.54
2.5 to <10.00	6,748	143	2.12	4.48	4.40	1.92
– 2.5 to <5	4,789	68	1.42	3.58	3.58	1.03
– 5 to <10	1,959	75	3.83	6.29	6.39	2.81
10.00 to <100.00	1,389	151	10.87	20.90	21.72	9.95
– 10 to <20	1047	94	8.98	14.65	12.96	6.76
– 20 to <30	5	—	—	23.22	24.14	0.46
– 30.00 to <100.00	337	57	16.91	55.09	48.88	15.04
100.00 (Default)	1356					

Table 47: Wholesale IRB exposure – back-testing of probability of default (PD) per portfolio¹ (CR9) (continued)

F-IRB PD range	Number of obligors		Observed average default rate %	Exposures weighted average PD %	Average PD %	Average historic annual default rate %
	End of previous year	of which: number which defaulted in the year				
2025						
Corporates						
0.00 to <0.15	9,508	6	0.06	0.09	0.11	0.05
– 0.00 to <0.10	2,657	1	0.04	0.06	0.06	—
– 0.10 to <0.15	6,851	5	0.07	0.13	0.13	0.09
0.15 to <0.25	7,509	10	0.13	0.22	0.22	0.11
0.25 to <0.50	7,009	11	0.16	0.37	0.37	0.28
0.50 to <0.75	5,853	23	0.39	0.63	0.63	0.53
0.75 to <2.50	31,132	210	0.67	1.57	1.56	1.00
– 0.75 to <1.75	27,300	173	0.63	1.22	1.46	0.66
– 1.75 to <2.5	3,832	37	0.97	2.25	2.25	1.34
2.5 to <10.00	6,376	177	2.78	4.22	4.33	3.48
– 2.5 to <5	4,726	108	2.29	3.54	3.58	2.18
– 5 to <10	1,650	69	4.18	6.36	6.48	4.78
10.00 to <100.00	1,267	196	15.47	17.23	16.35	15.80
– 10 to <20	1,105	158	14.30	11.89	12.05	12.11
– 20 to <30	3	1	33.33	23.33	23.33	—
– 30.00 to <100.00	159	37	23.27	53.57	46.06	19.49
100.00 (Default)	1,956					
2024						
0.00 to <0.15	9,139	2	0.02	0.08	0.11	0.04
– 0.00 to <0.10	2,406	—	—	0.06	0.06	—
– 0.10 to <0.15	6,733	2	0.03	0.13	0.13	0.09
0.15 to <0.25	6,972	12	0.17	0.22	0.22	0.07
0.25 to <0.50	7,316	18	0.25	0.37	0.37	0.25
0.50 to <0.75	5,724	21	0.37	0.63	0.63	0.54
0.75 to <2.50	31,998	205	0.64	1.49	1.56	1.09
– 0.75 to <1.75	28,415	155	0.55	1.20	1.47	0.81
– 1.75 to <2.5	3,583	50	1.40	2.25	2.25	1.37
2.5 to <10.00	6,389	211	3.30	4.29	4.45	3.62
– 2.5 to <5	4,545	112	2.46	3.62	3.60	2.08
– 5 to <10	1,844	99	5.37	6.43	6.56	5.15
10.00 to <100.00	1,229	208	16.92	12.96	16.26	17.01
– 10 to <20	1,088	192	17.65	11.91	12.02	11.28
– 20 to <30	—	—	—	—	—	—
– 30.00 to <100.00	141	16	11.35	45.05	49.00	22.74
100.00 (Default)	2,052					

1 The customer risk rating to external ratings mapping has been updated for Central government and central banks portfolios to reflect the current customer risk rating master scale.

2 To ensure consistency, the terms 'Sovereigns' and 'Banks' have been updated to 'Central government and central banks' and 'Institutions' respectively.

Retail risk

Retail risk rating systems

Due to the different country-level portfolio performance characteristics and loss history, our retail rating systems are designed at an individual portfolio level rather than global level. None of our Retail IRB portfolios meet the PRA's definition of a low default portfolio, therefore we use standard modelling techniques for model development purposes.

There are 81 retail IRB models used globally and we disclose information on our significant local models, which represent 85% of total retail IRB RWAs.

Estimates from the PD models show the likelihood of an exposure entering a defaulted status within a 12-month horizon from the time of observation. The models are developed using a statistical estimation approach based on at least five years of historical data. A hybrid modelling approach is used for mortgage portfolios, which is designed to capture long run average risk over a full economic cycle. Where models are developed based on a point in time approach, such as our UK unsecured models, the model outputs effectively become long run average estimates through dynamic recalibration over time to cover an economic cycle and application of a buffer.

Estimates from the EAD models show the outstanding balance at the time of default. The models are typically designed using one of the following approaches:

- For closed-end products without the option for additional drawdown, EAD is estimated as the outstanding balance at the time of observation, with additional consideration of accrued interest up to the time of default.
- For products with the option for additional drawdown, EAD is estimated as the outstanding balance at the time of observation plus the amount obtained by applying a modelled credit conversion factor to the undrawn portion of the facility. The credit conversion factor model is typically designed using a statistically derived segmentation based on at least five years of historical data.

The model estimates are adjusted to reflect long run average or downturn economic conditions, whichever is more conservative. The downturn adjustment is based on internal or external data taken from a period that is representative of downturn economic conditions.

Estimates from the LGD models show the amount of loss associated with a default event, expressed as a percentage of EAD. The models are typically designed using a statistically derived segmentation based on at least five years of historical data. The modelling outcome period reflects the workout process for each portfolio from the time of default up to the point of resolution. Mortgage LGD models are developed using a component-based modelling approach, in which separate model components are designed for each main driver of loss. For unsecured portfolios, loss is typically estimated directly based on the available data. The model estimates are adjusted to reflect long run average or downturn economic conditions, whichever is more conservative. The downturn adjustment is based on internal or external data taken from a period that is representative of downturn economic conditions.

Regulatory floors are applied to the model outputs for the final capital calculation.

As part of the IRB repair programme and to meet PRA requirements for hybrid mortgage PD models, many retail models are being redeveloped. We hold capital buffers to mitigate any RWA shortfall until the new models are implemented, which include consideration of any relevant capital floors.

The table below sets out the key characteristics of our significant retail IRB models. The table presents the regulatory retail exposure class, the associated RWAs, the number of component models, the model estimation method, and the number of years of relevant data used to design the model. The reporting process and exposure classification have been enhanced in 2025, providing a better representation of the underlying Retail – qualifying revolving and Retail – other non-SME portfolios.

Table 48: Retail IRB risk rating systems

Portfolio	Exposure class	RWA \$bn	Component model	Number of material component models	Model description and methodology	Number of years loss data ¹	Applicable Pillar 1 regulatory thresholds and overlays
UK residential mortgages	Retail – secured by mortgages on immovable property non - SME	23.0	PD	1	Statistical model built on internal behavioural data, credit bureau information and application data for new to bank customers. The model uses a hybrid approach where the PD estimates represent a combination of recent and historic default rates observed over a mix of good and bad economic periods reflecting the longer-term nature of these loans. The PD also includes a Margin of Conservatism in accordance with regulatory requirement. Properties are allocated to calibration segments based on mortgage type. PD risk grades are then assigned for each calibration segment based on a master score produced from internal behaviour and application score inputs.	> 10	PD floor of 0.03%
			LGD	1	Component based model incorporating; probability of repossession, charge-off and cure; and predicted shortfall. The model is segmented based on default status at observation. A downturn adjustment is applied to each component including a haircut adjustment to forced sale discount and a 25% reduction from peak house valuation. For LGD purposes the time lapse between default event and the closure of the exposure is between 48 months and 72 months.	> 10	LGD floor of 5% at loan level and a LGD floor of 10% at portfolio level
			EAD	1	Logical calculation that uses the sum of the balance at observation for fixed term loans. A simple CCF method is applied for offset mortgages where there is a revolving facility available.	> 10	EAD must at least be equal to current balance
UK HSBC credit cards	Retail – qualifying revolving	4.5	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future recoveries, segmented by default status. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	Statistical model that directly estimates EAD for different segments of the portfolio using either balance or limit as the key input.	7–10	EAD must at least be equal to current balance
UK HSBC personal loans	Retail – other non-SME	4.6	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future recoveries, segmented by default status. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	EAD is equal to current balance as this provides a conservative estimate.	7–10	EAD must at least be equal to current balance
UK business banking	Retail – other SME	2.7	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	The model estimates the amount of future recoveries and undrawn portion for unsecured products. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	Statistical model using segmentation according to limit and utilisation and estimation of the undrawn exposure.	7–10	EAD must at least be equal to current balance

Table 48: Retail IRB risk rating systems (continued)

Portfolio	Exposure class	RWA \$bn	Component model	Number of material component models	Model description and methodology	Number of years loss data ¹	Applicable Pillar 1 regulatory thresholds and overlays
Marks & Spencers credit cards	Retail – qualifying revolving	1.9	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future recoveries, segmented by default status. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	Statistical model that directly estimates EAD for different segments of the portfolio using either balance or limit as the key input.	7–10	EAD must at least be equal to current balance
Hong Kong HSBC residential mortgages	Retail – secured by mortgages on immovable property non-SME	8.2	PD	2	Two statistical models built on internal behavioural data and bureau information, and calibrated to a long-run default rate.	> 10	PD floor of 0.03%
			LGD	2	Two statistical models based on estimate of loss incurred over a recovery period derived from historical data with downturn LGD based on the worst observed default rate. For LGD purposes the time lapse between default event and the closure of the exposure is 24 months	> 10	LGD floor of 10%
			EAD	2	Rule-based calculation based on current balance which provides a conservative estimate of EAD.	> 10	EAD must at least be equal to current balance
Hong Kong Hang Seng residential mortgages	Retail – secured by mortgages on immovable property non-SME	5.5	PD	2	Two statistical models built on internal behavioural data and bureau information, and calibrated to a long run default rate.	>10	PD floor of 0.03%
			LGD	2	Two statistical models and one historical average model based on estimates of loss incurred over a recovery period derived from historical data with a downturn adjustment. For LGD purposes the time lapse between default event and the closure of the exposure is 24 months.	>10	LGD floor of 10%
			EAD	2	Rule-based calculation based on current balance, which provides a conservative estimate of EAD.	>10	EAD must at least be equal to current balance
Hong Kong HSBC credit cards	Retail – qualifying revolving	4.1	PD	1	Statistical model built on internal behavioural data and calibrated to a long-run default rate by segment.	> 10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future losses with downturn adjustment. For LGD purposes the time lapse between default event and the closure of the exposure is 18 months	> 10	
	Retail – other non-SME		EAD	1	EAD derived by different segments. Statistical models which derive credit conversion factors to determine the undrawn portion of the facility to be added to the outstanding balance of accounts at the time of observation.	> 10	EAD must at least be equal to current balance
Hong Kong HSBC personal instalment loans	Retail – qualifying revolving	2.4	PD	1	Statistical model built on internal behavioural data and calibrated to a long-run default rate.	> 10	PD floor of 0.03%
	Retail – other non-SME		LGD	1	Statistical model based on forecasting the amount of expected future losses. Downturn LGD derived using data from the period with the highest default rate. For LGD purposes the time lapse between default event and the closure of the exposure is 24 months	> 10	
			EAD	1	Statistical model which derives a credit conversion factor to determine the proportion of undrawn limit to be added to the balance at observation.	> 10	EAD must at least be equal to current balance
Hong Kong Hang Seng credit cards	Retail – qualifying revolving	3.6	PD	1	Statistical model built on internal behavioural data and calibrated to a long-run default rate by segment	>10	PD floor of 0.03%
	Retail – other non-SME		LGD	1	Statistical model based on forecasting the amount of expected future losses with downturn adjustment. For LGD purposes the time lapse between default event and the closure of the exposure is 24 months.	>10	
			EAD	1	Statistical model which derives a credit limit utilisation by segment which is used to determine the EAD.	>10	EAD must at least be equal to current balance
Hong Kong Hang Seng personal loans	Retail – other non-SME	2.0	PD	1	Statistical model built on internal behavioural data and calibrated to a long-run default rate by segment.	>10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future losses with downturn adjustment. The time lapse between default event and the closure of the exposure is 24 months.	>10	
			EAD	1	Rule-based calculation based on current balance and estimated incurred interest which continues to be a conservative estimate for EAD.	>10	EAD must at least be equal to current balance

Table 48: Retail IRB risk rating systems (continued)

Portfolio	Exposure class	RWA \$bn	Component model	Number of material component models	Model description and methodology	Number of years loss data ¹	Applicable Pillar 1 regulatory thresholds and overlays
UK HSBC current accounts	Retail – qualifying revolving	1.4	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future recoveries, segmented by default status. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	Statistical model that directly estimates EAD for different segments of the portfolio using either balance or limit as the key input.	7–10	EAD must at least be equal to current balance
First Direct personal loans	Retail – other non-SME	1.1	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future recoveries, segmented by default status. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	EAD is equal to current balance as this provides a conservative estimate.	7–10	EAD must at least be equal to current balance
First Direct credit cards	Retail – qualifying revolving	0.2	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future recoveries, segmented by default status. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	Statistical model that directly estimates EAD for different segments of the portfolio using either balance or limit as the key input.	7–10	EAD must at least be equal to current balance
First Direct current accounts	Retail – qualifying revolving	0.1	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future recoveries, segmented by default status. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	Statistical model that directly estimates EAD for different segments of the portfolio using either balance or limit as the key input.	7–10	EAD must at least be equal to current balance

1 Defined as the number of years of historical data used in model development and estimation.

Retail credit models

Retail model validation

Retail IRB models are monitored regularly using a globally consistent methodology for all models used across the group. This includes back-testing of model estimates against actual outcomes for PD, LGD and EAD using the most recent observation data that is available through the local monitoring processes. The monitoring data is

designed in a consistent manner with the data used to develop the models, which includes how the relevant outcome periods are defined. The validation results are compared against pre-defined criteria and thresholds to assess whether the models are performing in line with expectations.

The table below provides an overview of Retail PD model performance for IRB exposures. It shows the estimated vs actual values across asset classes. The data represents an annual view as of 30 September 2025. The table shows pure modelled percentages and does not include adjustments for capital requirements. The reporting process and exposure classification have been enhanced in 2025, providing a better representation of the underlying Retail – qualifying revolving and Retail – other non-SME portfolios. The comparatives have been aligned.

Table 49: Retail IRB models – estimated and actual values

	2025		2024		2023	
	Estimated %	Actuals %	Estimated %	Actuals %	Estimated %	Actuals %
UK						
UK residential mortgage	0.61	0.18	0.60	0.23	0.57	0.21
HSBC credit card ¹	1.00	0.83	0.80	0.82	0.75	0.79
HSBC personal loans	2.27	1.90	2.54	2.07	2.46	1.89
Business Banking (Retail SME)	3.54	3.49	3.63	3.66	4.09	4.02
Marks & Spencers credit cards	0.69	0.49	0.53	0.46	0.43	0.43
UK HSBC current accounts	0.51	0.66	0.66	1.01	0.80	1.06
First Direct personal loans	2.13	1.39	1.83	1.37	1.54	1.08
First Direct credit cards	0.77	0.52	0.71	0.52	0.64	0.46
First Direct current accounts	0.42	0.41	0.42	0.47	0.36	0.37
Hong Kong						
HSBC residential mortgage	0.57	0.10	0.60	0.08	0.60	0.05
Hang Seng residential mortgage	0.47	0.24	0.40	0.27	0.38	0.13
HSBC credit card	0.35	0.38	0.32	0.33	0.31	0.26
HSBC personal instalment loans	2.12	2.29	1.94	1.67	1.75	1.18
Hong Kong Hang Seng credit cards	0.63	0.34	0.59	0.29	0.57	0.23
Hong Kong Hang Seng personal loans	2.77	2.18	2.59	1.77	2.20	1.24

¹ The UK HSBC and Marks & Spencers credit card model is calibrated using a 180 days past due criteria, with post model adjustments in place to mitigate the risk of any capital shortfall to a 90 days past due criteria.

In 2025, the observed default rates have remained lower than PD estimates across several of the UK and Hong Kong portfolios. Underestimation has been observed in the UK current accounts portfolios due to low-balance accounts, however this does not result in any RWAs shortfall and therefore no PMA has been applied. For Hong Kong HSBC credit card and personal loans, there are existing PMAs in place for both portfolios to cover for any underestimation observed.

The table below provides an overview of credit risk model performance for retail IRB exposures, assessed by PD ranges. The data represents an annual view, analysed at 30 September 2025. HSBC does not have overlapping windows for calculating long run average PD rates. The reporting process and exposure classification have been enhanced in 2025, providing a better representation of the underlying Retail – qualifying revolving and Retail – other non-SME portfolios. The comparatives have been aligned.

The total number of obligors with short term exposures (short term-term contracts refer to contracts whose residual maturity is less than 12 months) are 180,334, for secured by real-estate non-SME 10,343, other non-SME 137,630 and other SME 32,361.

Table 50: Retail IRB exposure – back-testing of probability of default (PD) per portfolio¹ (CR9)

PD range	Number of obligors		Observed average default rate %	Exposures weighted average PD %	Average PD %	Average historic annual default rate %
	End of previous year	of which: number which defaulted in the year				
2025						
Retail – Secured by real estate non-SME						
0.00 to <0.15	239,096	64	0.03	0.09	0.10	0.03
– 0.00 to <0.10	78,876	35	0.04	0.05	0.05	0.04
– 0.10 to <0.15	160,220	29	0.02	0.12	0.12	0.02
0.15 to <0.25	132,888	40	0.03	0.18	0.18	0.03
0.25 to <0.50	468,363	208	0.04	0.32	0.31	0.05
0.50 to <0.75	193,025	196	0.10	0.52	0.52	0.12
0.75 to <2.50	205,375	568	0.28	1.08	1.08	0.30
– 0.75 to <1.75	182,098	392	0.22	1.00	0.97	0.24
– 1.75 to <2.5	23,277	176	0.76	1.98	2.01	0.69
2.50 to <10.00	25,636	359	1.40	3.94	4.05	1.50
– 2.5 to <5	23,937	287	1.20	3.80	3.79	1.25
– 5 to <10	1,699	72	4.24	8.30	7.81	4.60
10.00 to <100.00	4,349	814	18.72	25.79	24.86	18.28
– 10 to <20	2,907	242	8.32	13.16	13.53	7.37
– 20 to <30	97	9	9.28	23.15	23.97	7.47
– 30.00 to <100.00	1,345	563	41.86	47.50	49.39	42.48
100.00 (Default)	6,860					
2024						
0.00 to <0.15	247,057	88	0.04	0.09	0.10	0.03
– 0.00 to <0.10	86,428	59	0.07	0.05	0.05	0.04
– 0.10 to <0.15	160,629	29	0.02	0.12	0.12	0.02
0.15 to <0.25	133,202	46	0.03	0.18	0.18	0.02
0.25 to <0.50	457,966	252	0.06	0.32	0.31	0.05
0.50 to <0.75	187,532	214	0.11	0.53	0.52	0.12
0.75 to <2.50	201,814	646	0.32	1.08	1.08	0.31
– 0.75 to <1.75	177,465	430	0.24	0.99	0.96	0.26
– 1.75 to <2.5	24,349	216	0.89	1.97	1.99	0.66
2.50 to <10.00	24,635	436	1.77	4.16	4.18	1.60
– 2.5 to <5	22,711	339	1.49	4.04	3.90	1.31
– 5 to <10	1,924	97	5.04	7.68	7.50	5.02
10.00 to <100.00	4,771	1,002	21.00	26.98	25.23	18.41
– 10 to <20	3,134	267	8.52	13.43	13.68	7.11
– 20 to <30	125	7	5.60	20.22	23.98	6.82
– 30.00 to <100.00	1,512	728	48.15	48.91	49.28	43.82
100.00 (Default)	6,665					

Table 50: Retail IRB exposure – back-testing of probability of default (PD) per portfolio¹ (CR9) (continued)

PD range	Number of obligors		Observed average default rate %	Exposures weighted average PD %	Average PD %	Average historic annual default rate %
	End of previous year	of which: number which defaulted in the year				
2025						
Retail – qualifying revolving						
0.00 to <0.15	16,609,449	11,697	0.07	0.06	0.06	0.07
– 0.00 to <0.10	14,241,384	7,858	0.06	0.05	0.05	0.05
– 0.10 to <0.15	2,368,065	3,839	0.16	0.13	0.12	0.17
0.15 to <0.25	2,321,315	5,898	0.25	0.20	0.20	0.26
0.25 to <0.50	2,097,416	10,892	0.52	0.37	0.36	0.52
0.50 to <0.75	683,588	5,730	0.84	0.61	0.61	1.03
0.75 to <2.50	1,765,155	26,712	1.51	1.38	1.38	1.62
– 0.75 to <1.75	1,436,517	17,530	1.22	1.22	1.21	1.34
– 1.75 to <2.5	328,638	9,182	2.79	2.15	2.12	2.82
2.50 to <10.00	818,141	34,097	4.17	4.40	4.41	5.42
– 2.5 to <5	583,924	21,118	3.62	3.63	3.48	4.87
– 5 to <10	234,217	12,979	5.54	6.76	6.74	6.91
10.00 to <100.00	215,075	44,488	20.68	22.16	24.22	24.13
– 10 to <20	139,101	15,153	10.89	14.35	14.24	14.25
– 20 to <30	37,263	9,266	24.87	24.07	24.57	28.19
– 30.00 to <100.00	38,711	20,069	51.84	63.84	59.72	54.46
100.00 (Default)	189,986					
2024						
0.00 to <0.15	15,762,715	12,083	0.08	0.06	0.06	0.07
– 0.00 to <0.10	13,729,708	8,308	0.06	0.05	0.05	0.05
– 0.10 to <0.15	2,033,007	3,775	0.19	0.13	0.12	0.17
0.15 to <0.25	2,026,073	6,308	0.31	0.21	0.20	0.28
0.25 to <0.50	1,873,307	11,295	0.60	0.37	0.36	0.57
0.50 to <0.75	626,815	5,986	0.95	0.61	0.61	1.19
0.75 to <2.50	1,698,554	31,341	1.85	1.35	1.38	1.72
– 0.75 to <1.75	1,364,476	19,101	1.40	1.20	1.20	1.40
– 1.75 to <2.5	334,078	12,240	3.66	2.16	2.13	3.00
2.50 to <10.00	804,468	41,451	5.15	4.40	4.49	5.95
– 2.5 to <5	559,190	26,500	4.74	3.63	3.46	5.40
– 5 to <10	245,278	14,951	6.10	6.79	6.84	7.50
10.00 to <100.00	204,571	53,204	26.01	22.13	24.97	25.81
– 10 to <20	126,442	20,083	15.88	14.20	13.93	15.80
– 20 to <30	37,949	10,852	28.60	24.18	24.53	28.81
– 30.00 to <100.00	40,180	22,269	55.42	65.46	60.11	56.11
100.00 (Default)	195,564					

Table 50: Retail IRB exposure – back-testing of probability of default (PD) per portfolio¹ (CR9) (continued)

PD range	Number of obligors		Observed average default rate %	Exposures weighted average PD %	Average PD %	Average historic annual default rate %
	End of previous year	of which: number which defaulted in the year				
2025						
Retail – other non-SME						
0.00 to <0.15	169,309	59	0.03	0.05	0.05	0.04
– 0.00 to <0.10	154,125	42	0.03	0.04	0.04	0.03
– 0.10 to <0.15	15,184	17	0.11	0.13	0.13	0.09
0.15 to <0.25	127,838	273	0.21	0.21	0.21	0.19
0.25 to <0.50	135,876	380	0.28	0.39	0.39	0.25
0.50 to <0.75	57,405	283	0.49	0.57	0.57	0.43
0.75 to <2.50	271,570	2,812	1.04	1.32	1.31	0.97
– 0.75 to <1.75	217,512	1,829	0.84	1.14	1.13	0.78
– 1.75 to <2.5	54,058	983	1.82	2.10	2.07	1.66
2.50 to <10.00	101,499	3,783	3.73	4.45	4.58	3.53
– 2.5 to <5	70,011	2,049	2.93	3.46	3.50	2.71
– 5 to <10	31,488	1,734	5.51	6.80	6.98	5.10
10.00 to <100.00	27,984	6,782	24.24	37.15	42.25	23.03
– 10 to <20	11,601	1,223	10.54	13.13	13.27	10.10
– 20 to <30	5,331	933	17.50	25.18	26.74	15.58
– 30.00 to <100.00	11,052	4,626	41.86	74.17	80.13	43.22
100.00 (Default)	5,373					
2024						
0.00 to <0.15	207,653	73	0.04	0.05	0.05	0.06
– 0.00 to <0.10	186,421	56	0.03	0.04	0.04	0.05
– 0.10 to <0.15	21,232	17	0.08	0.14	0.13	0.09
0.15 to <0.25	117,344	226	0.19	0.19	0.18	0.19
0.25 to <0.50	174,011	597	0.34	0.37	0.37	0.25
0.50 to <0.75	25,206	101	0.40	0.61	0.62	0.47
0.75 to <2.50	265,100	2,860	1.08	1.37	1.37	1.07
– 0.75 to <1.75	207,204	1,758	0.85	1.17	1.16	0.86
– 1.75 to <2.5	57,896	1,102	1.90	2.13	2.11	1.84
2.50 to <10.00	101,655	3,703	3.64	4.55	4.74	3.71
– 2.5 to <5	66,276	1,866	2.82	3.55	3.56	2.87
– 5 to <10	35,379	1,837	5.19	6.80	6.94	5.32
10.00 to <100.00	28,740	6,850	23.83	35.53	40.81	23.58
– 10 to <20	12,224	1,287	10.53	13.20	13.31	10.37
– 20 to <30	5,376	948	17.63	24.72	25.97	15.51
– 30.00 to <100.00	11,140	4,615	41.43	73.89	78.14	46.10
100.00 (Default)	6,127					

Table 50: Retail IRB exposure – back-testing of probability of default (PD) per portfolio¹ (CR9) (continued)

PD range	Number of obligors		Observed average default rate %	Exposures weighted average PD %	Average PD %	Average historic annual default rate %
	End of previous year	of which: number which defaulted in the year				
2025						
Retail – other SME						
0.00 to <0.15	19,412	7	0.04	0.12	0.12	0.07
– 0.00 to <0.10	5,263	2	0.04	0.08	0.09	0.07
– 0.10 to <0.15	14,149	5	0.04	0.13	0.13	0.08
0.15 to <0.25	31,640	44	0.14	0.20	0.20	0.17
0.25 to <0.50	69,679	241	0.35	0.38	0.38	0.40
0.50 to <0.75	64,832	343	0.53	0.61	0.62	0.66
0.75 to <2.50	231,326	2,719	1.18	1.61	1.47	1.34
– 0.75 to <1.75	160,499	1,478	0.92	1.33	1.19	1.09
– 1.75 to <2.5	70,827	1,241	1.75	2.11	2.11	1.97
2.50 to <10.00	143,258	6,849	4.78	5.11	4.92	4.87
– 2.5 to <5	84,637	3,000	3.54	3.60	3.62	3.71
– 5 to <10	58,621	3,849	6.57	6.79	6.80	6.52
10.00 to <100.00	49,059	11,037	22.50	21.00	21.15	24.46
– 10 to <20	30,298	5,272	17.40	14.05	13.87	19.26
– 20 to <30	10,612	2,224	20.96	24.76	24.30	21.08
– 30.00 to <100.00	8,149	3,541	43.45	43.26	44.13	44.68
100.00 (Default)	15,152					
2024						
0.00 to <0.15	33,486	23	0.07	0.12	0.11	0.08
– 0.00 to <0.10	8,330	4	0.05	0.08	0.08	0.07
– 0.10 to <0.15	25,156	19	0.08	0.13	0.13	0.09
0.15 to <0.25	25,922	34	0.13	0.20	0.20	0.17
0.25 to <0.50	84,122	239	0.28	0.37	0.36	0.40
0.50 to <0.75	71,919	390	0.54	0.61	0.61	0.67
0.75 to <2.50	228,399	2,852	1.25	1.56	1.42	1.35
– 0.75 to <1.75	163,527	1,646	1.01	1.33	1.16	1.12
– 1.75 to <2.5	64,872	1,206	1.86	2.06	2.09	1.99
2.50 to <10.00	136,468	6,151	4.51	5.08	4.95	4.67
– 2.5 to <5	78,890	2,548	3.23	3.53	3.53	3.59
– 5 to <10	57,578	3,603	6.26	6.84	6.88	6.28
10.00 to <100.00	52,355	13,449	25.69	23.38	23.24	23.85
– 10 to <20	30,433	6,305	20.72	14.88	14.68	18.29
– 20 to <30	10,354	2,323	22.44	25.13	24.77	20.40
– 30.00 to <100.00	11,568	4,821	41.68	43.72	44.37	44.00
100.00 (Default)	16,920					

1 The UK scope excludes non Ring-fenced bank – for both current and previous years.

Model performance

Model validation is subject to global internal standards designed to support a comprehensive quantitative and qualitative process within a cycle of model monitoring and validation that includes:

- investigation of model stability;
- measuring model performance by comparing the model’s outputs against actual outcomes; and
- reviewing model use within the business, for example, user input data quality, override activity and the assessment of results from key controls around the usage of the rating system as a whole within the overall credit process.

Models are monitored using a series of metrics and triggers approved by relevant parties. Model performance metrics, and material remedial actions in the event of a trigger breach, are reported at the Wholesale and IWPB GMOFs.

Model performance is disclosed on a quarterly basis for material IRB models to the PRA.

- For further details of model performance, see page 181 of the Annual Report and Accounts 2025.

A large number of models are used within the Group, and data at individual level is, in most cases, immaterial in the context of the overall Group. We therefore disclose data covering most wholesale models, including corporate models on an aggregated basis, and on the significant retail models.

Tables 47 and 50 above validate the reliability of PD calculations by comparing the PD used in IRB calculations with actual default experience. In Table 50, a customer’s PD is observed at a point in time and their default or non-default status in the following one-year period is recorded against that PD grade.

The table below sets out the specialised lending exposures by different regulatory slotting categories split by remaining maturity. It also includes a separate disclosure of equity exposures under the simple risk-weighted approach. Off-balance sheet CIU equity exposures are calculated as per CRR II Article 132(c).

Table 51: Specialised lending and equity exposures under the simple risk-weight approach (CR10)

Specialised lending: Project finance (Slotting approach)		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected loss
Regulatory categories	Remaining maturity	\$m	\$m	%	\$m	\$m	\$m
Category 1	Less than 2.5 years	9	—	50	9	4	—
	Equal to or more than 2.5 years	77	120	70	104	71	—
Category 2	Less than 2.5 years	19	—	70	19	13	—
	Equal to or more than 2.5 years	112	—	90	112	88	1
Category 3	Less than 2.5 years	8	—	115	8	7	—
	Equal to or more than 2.5 years	23	9	115	25	22	1
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	—	—	—	—	—	—
Total at 31 Dec 2025	Less than 2.5 years	36	—	—	36	24	—
	Equal to or more than 2.5 years	212	129	—	241	181	2
Category 1	Less than 2.5 years	41	—	50	41	17	—
	Equal to or more than 2.5 years	171	26	70	189	103	1
Category 2	Less than 2.5 years	21	—	70	21	14	—
	Equal to or more than 2.5 years	63	—	90	63	56	—
Category 3	Less than 2.5 years	2	2	115	3	2	—
	Equal to or more than 2.5 years	18	14	115	21	18	1
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	—	—	—	—	—	—
Total at 31 Dec 2024	Less than 2.5 years	64	2	—	65	33	—
	Equal to or more than 2.5 years	252	40	—	273	177	2
Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected loss
Regulatory categories	Remaining maturity	\$m	\$m	%	\$m	\$m	\$m
Category 1	Less than 2.5 years	8,384	1,153	50	9,000	4,490	—
	Equal to or more than 2.5 years	5,297	659	70	5,712	3,945	23
Category 2	Less than 2.5 years	5,951	722	70	6,303	4,300	25
	Equal to or more than 2.5 years	2,477	263	90	2,636	2,287	21
Category 3	Less than 2.5 years	2,273	177	115	2,350	2,541	66
	Equal to or more than 2.5 years	604	3	115	605	632	17
Category 4	Less than 2.5 years	891	206	250	952	2,337	76
	Equal to or more than 2.5 years	463	13	250	467	1,146	37
Category 5	Less than 2.5 years	4,394	72	—	4,424	—	2,212
	Equal to or more than 2.5 years	455	9	—	462	—	231
Total at 31 Dec 2025	Less than 2.5 years	21,893	2,330	—	23,029	13,668	2,379
	Equal to or more than 2.5 years	9,296	947	—	9,882	8,010	329
Category 1	Less than 2.5 years	9,424	1,627	50	10,249	5,075	—
	Equal to or more than 2.5 years	3,517	194	70	3,646	2,517	15
Category 2	Less than 2.5 years	5,952	1,004	70	6,301	4,331	25
	Equal to or more than 2.5 years	3,119	135	90	3,213	2,794	26
Category 3	Less than 2.5 years	2,353	127	115	2,406	2,696	67
	Equal to or more than 2.5 years	382	4	115	384	420	11
Category 4	Less than 2.5 years	1,236	246	250	1,351	3,302	108
	Equal to or more than 2.5 years	371	19	250	383	904	31
Category 5	Less than 2.5 years	3,096	116	—	3,133	—	1,567
	Equal to or more than 2.5 years	404	13	—	414	—	206
Total at 31 Dec 2024	Less than 2.5 years	22,061	3,120	—	23,440	15,404	1,767
	Equal to or more than 2.5 years	7,793	365	—	8,040	6,635	289

Table 51: Specialised lending and equity exposures under the simple risk-weight approach (CR10) (continued)

Specialised lending: Object finance (Slotting approach)		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected loss
Regulatory categories	Remaining maturity	\$m	\$m	%	\$m	\$m	\$m
Category 1	Less than 2.5 years	—	—	50	—	—	—
	Equal to or more than 2.5 years	—	—	70	—	—	—
Category 2	Less than 2.5 years	—	—	70	—	—	—
	Equal to or more than 2.5 years	—	—	90	—	—	—
Category 3	Less than 2.5 years	—	—	115	—	—	—
	Equal to or more than 2.5 years	—	—	115	—	—	—
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	1	—	—	1	—	—
Total at 31 Dec 2025	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	1	—	—	1	—	—
Category 1	Less than 2.5 years	—	—	50	—	—	—
	Equal to or more than 2.5 years	28	—	70	28	20	—
Category 2	Less than 2.5 years	—	—	70	—	—	—
	Equal to or more than 2.5 years	—	—	90	—	—	—
Category 3	Less than 2.5 years	—	—	115	—	—	—
	Equal to or more than 2.5 years	—	—	115	—	—	—
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	1	—	—	1	—	—
Total at 31 Dec 2024	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	29	—	—	29	20	—

Table 51.i: Equity exposures under simple risk-weighted approach (CR10)

Regulatory categories	On-balance sheet amount	Off-balance sheet amount	Risk Weight	Exposure amount	RWAs	Expected losses
	\$m	\$m	%	\$m	\$m	\$m
Private equity exposures	1,071	—	190	1,071	2,009	9
Exchange-traded equity exposures	325	—	290	325	941	2
Other equity exposures	357	—	370	357	1,323	9
Off-balance sheet CIU equity exposures	—	637	—	324	622	3
Total at 31 Dec 2025	1,753	637		2,077	4,895	23
Private equity exposures	1,134	—	190	1,134	2,155	9
Exchange-traded equity exposures	271	—	290	271	786	2
Other equity exposures	264	—	370	264	977	6
Off-balance sheet CIU equity exposures	—	771	—	398	782	4
Total at 31 Dec 2024	1,669	771		2,067	4,700	21

Counterparty credit risk

Counterparty credit risk management

Counterparty credit risk ('CCR') arises for derivatives, long settlement transactions and SFTs. It is calculated in both the trading and non-trading books, and is the risk that a counterparty may default before final settlement, for cases where there is a bilateral risk of loss.

Banks are permitted to apply the following methods to determine exposure values for CCR:

- the Internal Model Method ('IMM');
- the Standardised Approach ('SA-CCR') – for derivatives and long settlement transactions;
- the simple/comprehensive approach to recognition of collateral with SFTs; and
- the VaR approach, applicable for SFTs.

Exposure values calculated under these approaches are used to determine RWAs.

Under the SA-CCR approach, the EAD is calculated as the sum of replacement cost and potential future exposure multiplied by an alpha factor of 1.4. We use this approach for all derivative and long settlement transactions not covered by our IMM permission. Under the IMM approach, EAD is calculated by multiplying the effective expected positive exposure ('EEPE') with a multiplier 'alpha'. The two alpha factors for standardised and internal model methods are distinct.

Alpha, for IMM, is currently set at 1.45 and accounts for several portfolio features that increase EL above that indicated by EEPE in the event of default, such as:

- co-variance of exposures;
- correlation between exposures and default;

The table below analyses CCR exposures by approach for derivatives and securities financing transactions, excluding the credit valuation adjustment ('CVA') charge, failed settlements, free deliveries and exposures to CCPs. From 1 January 2025, EAD pre-CRM are reported on a gross basis i.e. before application of collateral benefits.

Table 52: Analysis of counterparty credit risk exposure by approach (excluding centrally cleared exposures) (CCR1)

		Replace- ment cost \$m	Potential future exposure \$m	Effective expected positive exposure \$m	Alpha used for computing regulatory exposure value	EAD pre-CRM \$m	EAD post-CRM \$m	Exposure value \$m	RWAs \$m
1	SA-CCR (for derivatives)	4,207	11,095	—	1.40	31,478	20,960	20,960	9,641
2	IMM (for derivatives and SFTs)	—	—	31,229	1.45	100,647	45,282	45,282	15,011
2b	derivatives and long settlement transactions netting sets	—	—	31,229	1.45	100,647	45,282	45,282	15,011
4	Financial collateral comprehensive method (for SFTs)					989,410	83,516	83,516	14,141
6	Total at 31 Dec 2025					1,121,535	149,758	149,758	38,793
1	SA-CCR (for derivatives)	7,577	10,151	—	1.40	24,819	24,819	24,819	9,225
2	IMM (for derivatives and SFTs)	—	—	30,909	1.45	44,818	44,818	44,818	13,771
2b	derivatives and long settlement transactions	—	—	30,909	1.45	44,818	44,818	44,818	13,771
4	Financial collateral comprehensive method (for SFTs)					60,882	63,803	63,803	10,603
6	Total at 31 Dec 2024					130,519	133,440	133,440	33,599

- level of volatility/correlation that might coincide with a downturn;
- concentration risk; and
- model risk.

The EEPE is derived from simulation, pricing and aggregation of internal model calculations, which have been approved by regulators.

The IMM model is subject to ongoing model validation including monthly model performance monitoring.

From a risk management perspective, products not covered by IMM are subject to regulatory asset class add-ons. Products covered and not covered under IMM are subject to daily monitoring of credit limit utilisation.

Limits for CCR exposures, including to central counterparties ('CCPs'), are assigned within the overall credit risk management process. The credit risk function assigns a limit against each counterparty to cover exposure that may arise as a result of a counterparty default. The magnitude of this limit will depend on the overall risk appetite, type of derivatives and type of SFT trading undertaken with a counterparty.

Models and methodologies used in the calculation of CCR are overseen and monitored by the Traded Risk Model Oversight Forum. Models are subject to ongoing monitoring and validation. Additionally, they are subject to independent review at inception and on an ongoing basis.

HSBC have established a measure, Cat F, specifically to monitor derivative financing and securities financing transactions at a counterparty level. This is ancillary to the existing Cat B counterparty credit risk measure.

Credit valuation adjustment

CVAs represent the risk of mark-to-market losses on the expected counterparty risk to OTC derivatives and SFTs that are subject to fair-value accounting. Certain qualifying central counterparties are exempt from CVA.

The table below sets out exposures and RWAs related to CVA regulatory calculations with the breakdown by standardised and advanced approaches.

Table 53: Credit valuation adjustment capital charge (CCR2)

	At			
	31 Dec 2025		31 Dec 2024	
	Exposure value \$m	RWAs \$m	Exposure value \$m	RWAs \$m
1 Total transactions subject to the Advanced method	27,999	612	28,059	1,232
2 – VaR component (including the 3 × multiplier)		96		196
3 – stressed VaR component (including the 3 × multiplier)		516		1,036
4 Transactions subject to the Standardised method	10,234	682	13,618	1,003
5 Total transactions subject to own funds requirements for CVA risk	38,233	1,294	41,677	2,235

The table below presents information on the risk weighting of CCR exposures under the standardised approach by regulatory portfolio. It excludes the failed settlements, free deliveries, default fund contributions, CVA charge and exposures to central counterparties.

Table 54: Standardised approach – CCR exposures by regulatory exposure class and risk weights (CCR3)

Risk weight		0%	4%	20%	50%	100%	150%	Total exposure value
		\$m	\$m	\$m	\$m	\$m	\$m	\$m
1	Central governments and central banks ¹	15,053	—	9	—	51	—	15,113
2	Regional government or local authorities	232	—	5	—	10	—	247
3	Public sector entities	—	—	94	32	—	—	126
4	Multilateral development banks	921	—	6	—	—	—	927
5	International organisations	970	—	—	—	—	—	970
6	Institutions	—	845	178	13	501	—	1,537
7	Corporates ²	—	—	108	586	3,765	4	4,463
	Total at 31 Dec 2025	17,176	845	400	631	4,327	4	23,383
1	Central governments and central banks	3,367	—	9	—	19	—	3,395
2	Regional government or local authorities	329	—	—	—	22	—	351
3	Public sector entities	—	—	372	6	—	—	378
4	Multilateral development banks	1,041	—	8	—	—	—	1,049
5	International organisations	915	—	—	—	—	—	915
6	Institutions	—	1,172	71	39	437	—	1,719
7	Corporates	—	—	37	71	1,462	—	1,570
	Total at 31 Dec 2024	5,652	1,172	497	116	1,940	—	9,377

- 1 We enhanced our counterparty credit calculation processes related to the treatment of posted securities collateral to central banks for liquidity purposes in 2025 and comparatives have not been restated.
- 2 We moved a portfolio from the internal ratings-based approach to the standardised approach.

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

Table 55: IRB – CCR exposures by portfolio and PD scale (CCR4)

PD scale	Exposure value \$m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	RWAs \$m	Density of risk weighted exposure amounts %
AIRB – Central government and central banks							
0.00 to <0.15	5,948	0.02	62	45.0	0.4	283	4.8
0.15 to <0.25	290	0.22	12	45.0	0.1	76	26.2
0.25 to <0.50	8	0.37	3	45.0	0.4	4	53.4
0.50 to <0.75	39	0.63	4	45.0	0.1	21	54.6
0.75 to <2.50	—	1.20	1	45.0	1.0	—	90.4
10.00 to <100.00	—	—	—	—	—	—	—
100.00 (Default)	—	100.00	1	45.0	1.0	—	—
Sub-total at 31 Dec 2025	6,285	0.04	83	45.0	0.4	384	6.1
0.00 to <0.15	5,913	0.03	71	45.0	0.3	326	6.0
0.15 to <0.25	307	0.22	10	45.0	0.1	83	27.0
0.25 to <0.50	1	0.37	1	45.0	4.1	1	83.0
0.50 to <0.75	—	0.63	2	45.0	1.0	—	68.0
0.75 to <2.50	—	0.88	2	45.0	1.0	—	80.0
10.00 to <100.00	2	100.00	1	45.0	—	—	—
100.00 (Default)	—	—	—	—	—	—	—
Sub-total at 31 Dec 2024	6,223	0.08	87	45.0	0.3	410	7.0
AIRB – Institutions							
0.00 to <0.15	44,491	0.06	1,275	45.0	0.7	7,483	16.8
0.15 to <0.25	2,097	0.22	135	45.0	0.7	794	37.9
0.25 to <0.50	310	0.37	65	45.0	0.8	234	75.6
0.50 to <0.75	249	0.63	52	45.3	0.9	144	57.9
0.75 to <2.50	532	1.10	99	45.7	0.4	432	81.2
2.50 to <10.00	10	3.33	10	45.1	1.1	8	76.5
Sub-total at 31 Dec 2025	47,689	0.08	1,636	45.0	0.7	9,095	19.1
0.00 to <0.15	45,228	0.06	1,391	44.6	0.7	7,745	17.0
0.15 to <0.25	739	0.22	141	45.0	0.8	234	32.0
0.25 to <0.50	373	0.37	83	45.0	1.1	222	60.0
0.50 to <0.75	852	0.63	85	45.9	0.5	586	69.0
0.75 to <2.50	415	1.72	105	45.2	0.6	419	101.0
2.50 to <10.00	16	4.56	15	45.5	1.0	19	120.0
Sub-total at 31 Dec 2024	47,623	0.09	1,820	44.7	0.7	9,225	19.0
AIRB – Corporates							
0.00 to <0.15	15,456	0.07	3,924	46.4	1.1	3,257	21.1
0.15 to <0.25	3,628	0.22	1,121	48.4	0.8	1,594	43.9
0.25 to <0.50	1,558	0.37	573	45.4	1.0	842	54.0
0.50 to <0.75	925	0.63	493	46.0	1.0	690	74.6
0.75 to <2.50	3,032	1.50	1,570	39.6	1.3	2,988	98.6
2.50 to <10.00	495	4.19	221	51.3	1.0	783	158.2
10.00 to <100.00	26	24.94	10	45.3	2.6	59	229.8
100.00 (Default)	1	100.00	3	54.3	1.2	—	0.3
Sub-total at 31 Dec 2025	25,121	0.42	7,915	45.9	1.1	10,213	40.7
0.00 to <0.15	16,825	0.07	4,115	46.6	0.9	3,141	19.0
0.15 to <0.25	3,419	0.22	1,074	48.4	0.9	1,459	43.0
0.25 to <0.50	1,248	0.37	552	49.0	1.0	726	58.0
0.50 to <0.75	1,027	0.63	493	50.2	0.8	794	77.0
0.75 to <2.50	2,884	1.44	1,558	44.0	1.1	2,731	95.0
2.50 to <10.00	249	4.45	211	53.4	1.5	423	170.0
10.00 to <100.00	10	78.03	23	89.3	1.1	11	115.0
100.00 (Default)	6	100.00	4	56.0	1.5	—	—
Sub-total at 31 Dec 2024	25,668	0.38	8,030	46.9	0.9	9,285	36.0
AIRB – Total at 31 Dec 2025	79,095	0.18	9,634	45.3	0.8	19,692	24.9
AIRB – Total at 31 Dec 2024	79,514	0.18	9,937	45.4	0.7	18,920	24.0

Table 55: IRB – CCR exposures by portfolio and PD scale (CCR4) (continued)

PD scale	Exposure value \$m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	RWAs \$m	Density of risk weighted exposure amounts %
FIRB – Corporates							
0.00 to <0.15	30,997	0.07	12,355	45.0	0.5	5,097	16.5
0.15 to <0.25	9,820	0.22	1,810	45.0	0.4	3,653	37.2
0.25 to <0.50	1,833	0.37	566	45.0	0.7	980	53.4
0.50 to <0.75	1,492	0.63	693	45.0	0.7	1,101	73.8
0.75 to <2.50	2,803	1.40	2,082	45.0	0.9	3,035	108.0
2.50 to <10.00	256	3.84	319	45.0	1.5	379	148.0
10.00 to <100.00	21	12.11	47	45.0	1.2	45	209.0
100.00 (Default)	6	100.00	24	45.0	1.4	—	—
FIRB – Total at 31 Dec 2025	47,228	0.25	17,896	45.0	0.5	14,290	30.3
0.00 to <0.15	32,720	0.07	8,009	45.0	0.7	5,668	17.0
0.15 to <0.25	6,406	0.22	1,395	45.0	0.5	2,380	37.0
0.25 to <0.50	1,598	0.37	597	45.0	0.7	841	53.0
0.50 to <0.75	1,468	0.63	578	45.0	1.0	1,090	74.0
0.75 to <2.50	2,009	1.40	1,668	45.0	1.0	2,045	102.0
2.50 to <10.00	256	4.40	322	45.0	1.5	400	156.0
10.00 to <100.00	49	18.06	73	45.0	1.2	97	199.0
100.00 (Default)	22	100.00	30	45.0	1.0	—	—
FIRB – Total at 31 Dec 2024	44,528	0.28	12,672	45.0	0.7	12,521	28.0
Total (all portfolios) at 31 Dec 2025	126,323	0.21	27,530	45.2	0.7	33,982	26.9
Total (all portfolios) at 31 Dec 2024	124,042	0.22	22,609	45.3	0.7	31,441	25.0

Collateral arrangements

Our policy is to revalue all traded transactions and associated collateral positions on a daily basis. An independent collateral management function manages the collateral process, including pledging collateral, receiving collateral, investigating disputes and following up non-receipts.

Collateral types are controlled under a policy to ensure price transparency, price stability, liquidity, enforceability, independence, reusability and eligibility for regulatory purposes. Valuation 'haircut'

policy reflects the fact that collateral may fall in value between the date the collateral was called and the date of liquidation or enforcement. A very high proportion of collateral held as variation margin under credit support annex ('CSA') agreements is composed of either cash or liquid government securities.

► For further details of gross fair value exposure and the offset due to legally enforceable netting and collateral, see page 339 of the Annual Report and Accounts 2025.

The table below analyses the collateral used in derivatives and SFT transactions. Collateral are presented on a post-haircut basis and including stock borrowing and lending transactions where HSBC acts as an agent.

Table 56: Composition of collateral for CCR exposure (CCR5)

		Collateral used in derivative transactions				Collateral used in SFTs	
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
		Segregated	Unsegregated	Segregated	Unsegregated		
		\$m	\$m	\$m	\$m	\$m	\$m
1	Cash	150	115,487	660	95,939	941	620
2	Debt	19,040	44,657	26,901	13,276	637,121	558,920
3	Equity	—	7,099	—	52	136,474	159,587
4	Other	—	—	—	—	3,342	3,227
5	Total at 31 Dec 2025	19,190	167,243	27,561	109,267	777,878	722,354
1	Cash	290	126,423	1,546	116,266	1,371	545
2	Debt	14,514	44,589	23,207	9,781	515,028	437,023
3	Equity	—	5,270	—	—	78,465	102,152
4	Other	—	—	—	—	2,898	2,984
5	Total at 31 Dec 2024	14,804	176,282	24,753	126,047	597,762	542,704

The table below shows the credit derivative exposures held by HSBC for client intermediation and those amounts booked as part of HSBC's own credit portfolio. These are the products where we act as an intermediary for our clients, enabling them to take a position in the underlying securities. Where the credit derivative is used to hedge our own portfolio, no counterparty credit risk capital requirement arises.

Table 57: Credit derivatives exposures (CCR6)

	At 31 Dec 2025		At 31 Dec 2024	
	Protection bought \$m	Protection sold \$m	Protection bought \$m	Protection sold \$m
Notionals				
1 Single-name credit default swaps	40,390	28,726	34,068	27,588
2 Index credit default swaps	40,055	36,784	32,086	29,902
3 Total return swaps	17,449	710	4,913	14,377
6 Total notionals	97,894	66,220	71,067	71,867
Fair values				
7 Positive fair value (asset)	27	1,267	369	1,387
8 Negative fair value (liability)	(2,082)	(130)	(1,138)	(631)

Central counterparties

While exchange traded derivatives have been cleared through CCPs for many years, recent regulatory initiatives designed to reduce systemic risk in the banking system are directing increasing volumes of OTC derivatives to also be cleared through CCPs.

To manage the significant concentration of risk in CCPs that results from this, we have developed a risk appetite framework at an individual CCP and global level. A dedicated CCP risk team has been established to manage the interface with CCPs and undertake in-depth due diligence of the unique risks associated with these organisations.

Wrong-way risk

Wrong-way risk occurs when a counterparty's exposures are adversely correlated with its credit quality.

There are two types of wrong-way risk:

- general wrong-way risk occurs when the probability of counterparty default is positively correlated with general risk factors, such as where a counterparty is resident and/or incorporated in a higher-risk country and seeks to sell a non-domestic currency in exchange for its home currency; and
- specific wrong-way risk occurs in self-referencing transactions. These are transactions in which exposure is driven by capital or financing instruments issued by the counterparty and occurs where exposure from HSBC's perspective materially increases as

the value of the counterparty's capital or financing instruments referenced in the contract decreases. It is HSBC policy that specific wrong-way transactions are approved on a case-by-case basis.

We use a range of tools to monitor and control wrong-way risk, including requiring the business to obtain prior approval before undertaking wrong-way risk transactions outside pre-agreed guidelines.

The regional traded risk functions are responsible for the control and monitoring process within an overarching Group framework, including a limit framework.

Credit rating downgrade

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

At 31 December 2025, the value of the additional collateral pertaining to International Swaps and Derivatives Association CSA downgrade thresholds that we would potentially need to post with counterparties in the event of a one-notch downgrade of our rating was \$0.06bn (31 December 2024: \$0.1bn) and for a two-notch downgrade was \$0.12bn (31 December 2024: \$0.28bn).

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

Table 58: Exposures to central counterparties (CCR8)

	At 31 Dec 2025		At 31 Dec 2024	
	Exposure value \$m	RWAs \$m	Exposure value \$m	RWAs \$m
1 Exposures to qualifying central counterparties ('QCCPs') (total)		1,832		1,429
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	19,991	400	15,429	309
3 – OTC derivatives	2,493	50	4,789	96
4 – exchange-traded derivatives	11,195	224	4,354	87
5 – securities financing transactions	6,303	126	6,286	126
7 Segregated initial margin	9,000		7,407	
8 Non-segregated initial margin	7,910	158	9,561	191
9 Pre-funded default fund contributions	4,125	1,274	3,244	929
10 Unfunded default fund contributions	8,214	–	6,634	–
11 Exposures to non-QCCPs (total)		461		379
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)	195	195	234	234
13 – OTC derivatives	–	–	1	1
14 – exchange-traded derivatives	4	4	–	–
15 – Securities financing transactions	191	191	233	233
18 Non-segregated initial margin	102	102	–	–
19 Pre-funded default fund contributions	4	55	4	48
20 Unfunded default fund contributions	9	109	8	97

Securitisation

Securitisation strategy

HSBC acts as originator, sponsor, and investor to securitisation positions. Our strategy is to use securitisation to meet our needs for aggregate funding or capital management (to the extent that market conditions, regulatory treatments and other conditions are suitable) and for customer facilitation.

Securitisations follow a detailed due diligence framework in accordance with the securitisation framework. Wholesale Credit Risk conducts the credit approval process for securitisations in the non-trading book. Traded Risk set and monitor detailed risk limits and criteria for securitisations in the trading book. HSBC does not provide support to its originated or sponsored securitisation transactions as a policy, other than through any interest it has retained in the securitised exposures.

The below table presents the securitisation positions where HSBC is acting as an originator.

Region	Special purpose entity ('SPE')	Underlying assets	Start date	Maturity date	EAD (\$m)	Capital requirement before securitisation (\$m)	Capital requirement after securitisation (\$m)
HBUK	Neon Portfolio Distribution DAC	Corporate loans	Dec-19	Dec-26	238	30	14
HNAH	NA ¹	Corporate loans	Dec-21	Dec-28	1,062	104	42
HBCE	NA ¹	Corporate loans	Dec-22	Dec-29	3,838	176	57
HBUK	Neon Portfolio Distribution DAC	Corporate loans	Dec-23	Dec-30	2,398	210	47
HBAP	Metrix Portfolio Distribution plc	Corporate loans	Aug-24	Aug-31	2,266	119	36
HBCE	NA ¹	Corporate loans	Dec-24	Dec-31	2,144	110	34
HBUK	Neon Portfolio Distribution DAC	Corporate loans	Dec-25	Dec-32	6,056	390	90

1 SPE not used. Transfer of risk executed via issue of credit-linked notes by HSBC.

HSBC as originator

We are originator in seven synthetic securitisation programmes outstanding as at 31 December 2025, details of which are given in the table above.

We use SPEs or credit-linked notes to securitise customer loans and advances and other debt that we have originated to diversify our sources of funding for asset origination and for capital efficiency purposes.

We typically follow an approach commonly known as synthetic securitisation, using credit derivatives and financial guarantees to transfer the credit risk associated with such customer loans and advances.

To recognise capital benefit under synthetic securitisation, we satisfy the regulatory requirements for significant risk transfer ('SRT') and monitor our compliance periodically.

HSBC maintains an unhedged holding of at least 5% in each reference obligation. None of these transactions are categorised as simple transparent and standardised ('STS').

Securitisation entity	Description and nature of exposure	Accounting consolidation	Regulatory consolidation	Regulatory treatment
Regency	Multi-seller conduit to which senior liquidity facilities and programme-wide credit enhancement are provided. Includes both STS and non-STS positions	✓	x	Exposures (including derivatives and liquidity facilities) are risk-weighted as securitisation positions

Securitisation activity

Our roles in the securitisation process are as follows:

- originator: where we originate the assets being securitised, either directly or indirectly;
- sponsor: where we establish and manage a securitisation programme that purchases exposures from third parties; and
- investor: where we invest in a securitisation transaction directly or provide derivatives or liquidity facilities to a securitisation.

HSBC as investor

We have exposure to third-party securitisations across a wide range of sectors in the form of investments, liquidity facilities and as a derivative counterparty.

HSBC as sponsor

We are sponsor to one securitisation entity which manages a securitisation programme that purchases exposures from third parties. Details can be found in the table below.

During 2025, HSBC sold remaining outstanding positions held under its sponsored legacy business, Solitaire Funding.

- ▶ For further details of structured entities, see Note 20 on page 325 of the Financial Statements in the Annual Report and Accounts 2025.

Monitoring of securitisation positions

Securitisation positions are managed by a dedicated team that uses a combination of market standard systems and third-party data providers to monitor performance data and manage market and credit risks.

In the case of legacy re-securitisation positions, similar processes are conducted in respect of the underlying securitisations.

The liquidity risk of securitised assets is consistently managed as part of the Group's liquidity and funding risk management framework.

Securitisation accounting treatment

For accounting purposes, we consolidate structured entities (including SPEs) when the substance of the relationship indicates that we control them, that is, we are exposed, or have rights, to variable returns from our involvement with the structured entity and have the ability to affect those returns through our power over the entity.

We reassess the need to consolidate whenever there is a change in the substance of the relationship between HSBC and a structured entity.

- ▶ For further details of assessments and our accounting policy on structured entities, see Note 1.2(a) and Note 20 on pages 275 and 325 respectively in the Financial Statements of the Annual Report and Accounts 2025.

HSBC enters into transactions in the normal course of business by which it transfers financial assets to structured entities. Depending on the circumstances, these transfers may either result in these financial assets being fully or partly derecognised, or continuing to be recognised in their entirety.

Full derecognition occurs when we transfer our contractual right to receive cash flows from the financial assets, or assume an obligation to pass on the cash flows from the assets, and transfer substantially all the risks and rewards of ownership. Only in the event that derecognition is achieved are sales and any resultant gains recognised in the financial statements.

Partial derecognition occurs when we sell or otherwise transfer financial assets in such a way that some but not substantially all of the risks and rewards of ownership are transferred and control is retained. These financial assets are recognised on the balance sheet to the extent of our continuing involvement and an associated liability is also recognised. The net carrying amount of the financial asset and associated liability will be based on either the amortised cost or the fair value of the rights and obligations retained by the entity, depending upon the measurement basis of the financial asset.

- ▶ For further details of the disclosure of such transfers, see Note 17 on page 318 of the Financial Statements of the Annual Report and Accounts 2025.

Valuation of securitisation positions

Valuation of our investments in securitisation exposures primarily focuses on quotations from third parties, observed trade levels and calibrated valuations from market standard models.

Our hedging and credit risk mitigation strategy, with regards to retained securitisation and re-securitisation exposures, is to continually review our positions.

Securitisation regulatory treatment

Any reduction in RWAs as a result of our own originated securitisations must receive the PRA's permission and be justified by a commensurate transfer of credit risk to third parties. If these conditions are met, the underlying assets are de-recognised for regulatory purposes and any retained exposures to the securitisation, including derivatives or liquidity facilities, are risk weighted as securitisation positions.

For both non-trading book and trading book securitisation positions, we follow the hierarchy of RWA calculation approaches described in the securitisation framework. Differentiated capital treatments are applied for qualifying STS securitisations.

Our originated positions are all reported under the SEC-IRBA.

Our investment in third-party positions follow the SEC-SA and the SEC-ERBA.

For our sponsored positions in Regency we use the IAA. An eligible rating agency methodology, which includes stress factors, is applied to each asset class in order to derive the equivalent rating level for each transaction. This methodology is verified by the Credit Risk function as part of the approval process for each new transaction. The performance of each underlying asset portfolio is monitored to confirm that the applicable equivalent rating level still applies and is independently verified. Our IAA approach is audited annually by internal model review and is subject to review by the PRA.

- ▶ For further details of securitisation regulatory treatment, see page 17.

Analysis of securitisation exposures

In 2025, our involvement in securitisation activities reflected the following:

- \$18.0bn positions held as synthetic transactions (2024: \$12.9bn);
- no assets awaiting securitisation and no material realised losses on securitisation asset disposals during the year;
- unrealised losses on asset-backed securities are negligible during the year (2024: \$0.1bn), which relates to assets within SPEs that are consolidated for regulatory purposes; and
- total exposures include off-balance sheet exposure of \$12.3bn (2024: \$9.8bn), mainly related to contingent liquidity lines provided to securitisation vehicles where we act as sponsor or investor, with a small amount from derivative exposures where we are an investor. The off-balance sheet exposures are held in the non-trading book and the exposure types are spread across multiple products and securitisations.

- ▶ For further details of our securitisation exposures, see page 325 of the Annual Report and Accounts 2025.

The table below shows the carrying amount of non-trading securitisation exposures, separately for traditional and synthetic securitisations where the bank acts as originator, sponsor or investor.

Table 59: Securitisation exposures in the non-trading book (SEC1)

	Bank acts as originator					Bank acts as sponsor			Bank acts as investor			
	Traditional		Synthetic			Traditional			Traditional			
	Non-STs					Sub-total	STS	Non-STs	Sub-total	STS	Non-STs	Sub-total
	Total	of which: SRT	Total	of which: SRT	Total							
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
1	Total at 31 Dec 2025	44	44	18,002	18,002	18,046	2,394	4,035	6,429	4,765	29,613	34,378
2	Retail (total)	44	44	—	—	44	410	2,206	2,616	3,201	14,151	17,352
3	– residential mortgage	44	44	—	—	44	—	2,206	2,206	641	4,561	5,202
4	– credit card	—	—	—	—	—	—	—	—	—	1,354	1,354
5	– other retail exposures	—	—	—	—	—	410	—	410	2,560	8,236	10,796
7	Wholesale (total)	—	—	18,002	18,002	18,002	1,984	1,829	3,813	1,564	15,462	17,026
8	– loans to corporates	—	—	18,002	18,002	18,002	—	—	—	23	4,180	4,203
9	– commercial mortgage	—	—	—	—	—	327	327	327	1,397	5,413	6,810
10	– lease and receivables	—	—	—	—	—	646	348	994	144	2,434	2,578
11	– other wholesale	—	—	—	—	—	1,338	1,154	2,492	—	3,435	3,435
1	Total at 31 Dec 2024	45	45	12,946	12,946	12,991	1,906	3,919	5,825	3,499	21,794	25,293
2	Retail (total)	45	45	—	—	45	1,319	3,126	4,445	3,208	12,120	15,328
3	– residential mortgage	45	45	—	—	45	—	1,465	1,465	965	3,300	4,265
4	– credit card	—	—	—	—	—	—	—	—	—	920	920
5	– other retail exposures	—	—	—	—	—	1,319	1,661	2,980	2,243	7,900	10,143
7	Wholesale (total)	—	—	12,946	12,946	12,946	587	793	1,380	291	9,674	9,965
8	– loans to corporates	—	—	12,946	12,946	12,946	—	62	62	32	1,453	1,485
9	– commercial mortgage	—	—	—	—	—	—	232	232	—	5,692	5,692
10	– lease and receivables	—	—	—	—	—	587	418	1,005	259	1,004	1,263
11	– other wholesale	—	—	—	—	—	—	81	81	—	1,525	1,525

The table below shows the carrying amount of trading securitisation exposures, separately for traditional and synthetic securitisations where the bank acts as originator, sponsor or investor. HSBC does not act as originator or sponsor for securitisation exposures in the trading book.

Table 60: Securitisation exposures in the trading book (SEC2)

	At 31 Dec 2025			At 31 Dec 2024			
	Bank acts as investor			Bank acts as investor			
	Traditional			Traditional			
	STS	Non-STs	Sub-total	STS	Non-STs	Sub-total	
	\$m	\$m	\$m	\$m	\$m	\$m	
1	Total exposures	1,612	3,442	5,054	822	2,891	3,713
2	Retail (total)	1,576	2,444	4,020	732	1,811	2,543
3	– residential mortgage	162	1,770	1,932	180	1,457	1,637
4	– credit card	159	82	241	30	20	50
5	– other retail exposures	1,255	592	1,847	522	334	856
7	Wholesale (total)	36	998	1,034	90	1,080	1,170
8	– loans to corporates	—	4	4	—	—	—
9	– commercial mortgage	34	745	779	12	764	776
10	– lease and receivables	2	42	44	1	6	7
11	– other wholesale	—	207	207	77	310	387

The tables below show the RWAs and exposures by type, risk-weight bands and regulatory approach in the non-trading securitisation exposures and associated regulatory capital requirements where the Group acts as an originator or as a sponsor.

Table 61: Securitisation exposures in the non-trading book and associated regulatory capital requirements – bank acting as originator or as sponsor (SEC3)

		Exposure values (by risk weight bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20%RW	>20% to 50% RW	>50% to 100% RW	>100% to < 1250% RW	1250% RW deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/deductions
1	Total at 31 Dec 2025	23,381	1,007	–	71	16	18,030	6,429	–	16	3,836	1,084	–	196	307	87	–	16
2	Traditional transactions	5,463	1,007	–	–	3	41	6,429	–	3	5	1,084	–	32	–	87	–	3
3	Securitisation	5,463	1,007	–	–	3	41	6,429	–	3	5	1,084	–	32	–	87	–	3
4	– retail underlying	2,062	595	–	–	3	41	2,616	–	3	5	516	–	32	–	42	–	3
5	– of which: STS	410	–	–	–	–	–	410	–	–	–	41	–	–	–	–	–	–
6	– wholesale	3,401	412	–	–	–	–	3,813	–	–	–	568	–	–	–	45	–	–
7	– of which: STS	1,984	–	–	–	–	–	1,984	–	–	–	217	–	–	–	17	–	–
9	Synthetic transactions	17,918	–	–	71	13	17,989	–	–	13	3,831	–	–	164	307	–	–	13
10	Securitisation	17,918	–	–	71	13	17,989	–	–	13	3,831	–	–	164	307	–	–	13
12	– wholesale	17,918	–	–	71	13	17,989	–	–	13	3,831	–	–	164	307	–	–	13
1	Total at 31 Dec 2024	17,464	1,045	124	181	2	12,989	5,556	269	2	2,832	1,148	131	30	227	92	11	2
2	Traditional transactions	4,585	1,045	124	114	2	43	5,556	269	2	5	1,148	131	30	–	92	11	2
3	Securitisation	4,585	1,045	124	114	2	43	5,556	269	2	5	1,148	131	30	–	92	11	2
4	– retail underlying	3,506	806	124	52	2	43	4,326	119	2	5	795	109	30	–	64	9	2
5	– of which: STS	1,319	–	–	–	–	–	1,319	–	–	–	148	–	–	–	12	–	–
6	– wholesale	1,079	239	–	62	–	–	1,230	150	–	–	353	22	–	–	28	2	–
7	– of which: STS	587	–	–	–	–	–	587	–	–	–	59	–	–	–	5	–	–
9	Synthetic securitisations	12,879	–	–	67	–	12,946	–	–	–	2,827	–	–	–	227	–	–	–
10	Securitisation	12,879	–	–	67	–	12,946	–	–	–	2,827	–	–	–	227	–	–	–
12	– wholesale	12,879	–	–	67	–	12,946	–	–	–	2,827	–	–	–	227	–	–	–

The table below shows the RWAs and exposures by type, risk-weight bands and regulatory approach in the non-trading book where the Group acts as an investor.

Table 62.i: Securitisation exposures in the non-trading book and associated capital requirements – bank acting as investor (SEC4)

		Exposure values (by risk weight bands)					Exposure values (by regulatory approach)			RWAs (by regulatory approach)			Capital charge after cap		
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to < 1250% RW	1250%/deductions	SEC-ERBA	SEC-SA	1250%/deductions	SEC-ERBA	SEC-SA	1250%/deductions	SEC-ERBA	SEC-SA	1250%/deductions
1	Total at 31 Dec 2025	29,630	4,312	334	64	38	1,957	32,383	38	352	5,541	22	28	443	1
2	Traditional securitisation	29,630	4,312	334	64	38	1,957	32,383	38	352	5,541	22	28	443	1
3	Securitisation	29,630	4,312	334	64	38	1,957	32,383	38	352	5,541	22	28	443	1
4	– retail underlying	15,021	2,140	191	–	–	1,769	15,583	–	302	2,721	–	24	218	–
5	– of which: STS	3,201	–	–	–	–	433	2,768	–	54	278	–	4	22	–
6	– wholesale	14,609	2,172	143	64	38	188	16,800	38	50	2,820	22	4	225	1
7	– of which: STS	1,420	144	–	–	–	–	1,564	–	–	181	–	–	15	–
1	Total at 31 Dec 2024	20,558	3,262	300	974	199	1,937	23,157	199	915	4,357	252	73	348	21
2	Traditional securitisation	20,558	3,262	300	974	199	1,937	23,157	199	915	4,357	252	73	348	21
3	Securitisation	20,558	3,262	300	974	199	1,937	23,157	199	915	4,357	252	73	348	21
4	– retail underlying	12,638	2,199	300	–	191	1,302	13,835	191	247	2,475	250	20	197	21
5	– of which: STS	3,162	46	–	–	–	479	2,729	–	79	279	–	6	22	–
6	– wholesale	7,920	1,063	–	974	8	635	9,322	8	668	1,882	2	53	151	–
7	– of which: STS	291	–	–	–	–	–	291	–	–	32	–	–	3	–

Table 62.ii: Securitisation exposures in the trading book and associated capital requirements – bank acting as investor (SEC4)

	Exposure values (by risk weight bands)					Exposure values (by regulatory approach)			RWAs (by regulatory approach)			Capital charge after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to < 1250% RW	1250%/deductions	SEC-ERBA	SEC-SA	1250%/deductions	SEC-ERBA	SEC-SA	1250%/deductions	SEC-ERBA	SEC-SA	1250%/deductions	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
1	Total at 31 Dec 2025	4,468	278	114	189	5	2,275	2,774	5	936	384	62	75	31	5
2	Traditional securitisation	4,468	278	114	189	5	2,275	2,774	5	936	384	62	75	31	5
3	Securitisation	4,468	278	114	189	5	2,275	2,774	5	936	384	62	75	31	5
4	– retail underlying	3,728	242	25	25	–	1,952	2,068	–	416	279	5	33	23	–
5	– of which: STS	1,455	106	10	4	–	691	884	–	103	94	–	8	7	–
6	– wholesale	740	36	89	164	5	323	706	5	520	105	57	42	8	5
7	– of which: STS	36	–	–	–	–	–	36	–	–	4	–	–	–	–
1	Total at 31 Dec 2024	3,262	201	133	113	4	1,396	2,313	4	565	343	49	45	27	4
2	Traditional securitisation	3,262	201	133	113	4	1,396	2,313	4	565	343	49	45	27	4
3	Securitisation	3,262	201	133	113	4	1,396	2,313	4	565	343	49	45	27	4
4	– retail underlying	2,301	191	44	7	–	1,181	1,362	–	228	204	4	18	16	–
5	– of which: STS	705	19	8	–	–	481	251	–	59	26	–	5	2	–
6	– wholesale	961	10	89	106	4	215	951	4	337	139	45	27	11	4
7	– of which: STS	89	1	–	–	–	1	89	–	–	9	–	–	1	–

The table below sets out the outstanding nominal amount, exposures in default and specific credit risk adjustments by exposure type where the institution acts as an originator or a sponsor.

Table 63: Exposures securitised by the institution – Institution acts as originator or as sponsor (SEC5)

	Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period	
	of which: exposures in default			
	\$m	\$m		
1	Total at 31 Dec 2025	25,310	174	79
2	Retail (total)	2,710	53	–
3	– residential mortgage	2,250	52	–
5	– other retail exposures	460	1	–
7	Wholesale (total)	22,600	121	79
8	– loans to corporates	18,837	102	79
9	– commercial mortgage	327	–	–
10	– lease and receivables	994	3	–
11	– other wholesale	2,442	16	–
1	Total at 31 Dec 2024	19,681	194	46
2	Retail (total)	4,490	63	–
3	– residential mortgage	1,509	34	–
5	– other retail exposures	2,981	29	–
7	Wholesale (total)	15,191	131	46
8	– loans to corporates	13,874	128	46
9	– commercial mortgage	232	–	–
10	– lease and receivables	1,004	3	–
11	– other wholesale	81	–	–

Market risk

Overview of market risk in business segments

Market risk is the risk of an adverse financial impact on trading activities arising from changes in market parameters, such as interest rates, foreign exchange rates, asset prices, volatilities, correlations and credit spreads.

Exposure to market risk

Market risk arises from both trading portfolios and non-trading portfolios. Trading portfolios comprise positions held for client servicing and market-making, with the intention of short-term resale and/or to hedge risks resulting from such positions. For non-trading portfolios, see the 'Treasury risk' section on page 157 of the Annual Report and Accounts 2025.

Where appropriate, we apply similar risk management policies and measurement techniques to both trading and non-trading portfolios.

The table below reflect the components of capital requirements under the standardised approach for market risk.

Table 64: Market risk under standardised approach (MR1)

		At	
		31 Dec 2025	31 Dec 2024
		RWAs	RWAs
		\$m	\$m
Outright products			
1	Interest rate risk (general and specific)	1,362	907
2	Equity risk (general and specific)	242	118
3	Foreign exchange risk	12,898	7,185
4	Commodity risk	296	164
Options			
7	Scenario approach	2	3
8	Securitisation (specific risk)	1,382	957
9	Total	16,182	9,334

The \$6.8bn increase in market risk RWAs under the standardised approach was mainly attributed to the rise in structural foreign exchange exposures to hedge the anticipated impact of Hang Seng Bank privatisation.

The table below reflects the components of capital requirements under the internal model approach for market risk. VaR average values are calculated on a 60 business days basis. SVaR and IRC average values are calculated on a 12-week basis.

Table 65: Market risk under IMA (MR2-A)

		At 31 Dec 2025		At 31 Dec 2024	
		RWAs	Capital requirements	RWAs	Capital requirements
		\$m	\$m	\$m	\$m
1	VaR (higher of values a and b)	5,697	455	6,083	487
(a)	Previous day's VaR ('VaRt-1')		135		130
(b)	Multiplication factor (mc) x average of previous 60 working days ('VaRavg')		455		487
2	Stressed VaR (higher of values a and b)	9,461	757	12,952	1,036
(a)	Latest available stressed VaR ('SVaRt-1')		242		341
(b)	Multiplication factor (ms) x average of previous 60 working days ('sVaRavg')		757		1,036
3	IRC (higher of values a and b)	5,156	413	6,305	504
(a)	Most recent IRC measure		335		420
(b)	12 weeks average IRC measure		413		504
5	Other	1,994	160	1,531	123
6	Total	22,308	1,785	26,871	2,150

Under IMA, RWAs reduced by \$4.6bn compared with 31 December 2024, mainly attributable to lower SVaR due to an improved risk profile in the rates portfolio.

Our objective is to manage and control market risk through prudent oversight, ensuring our market risk profile aligns with our established risk appetite and strategic objectives.

- ▶ For further details of hedging risk and monitoring the continuing effectiveness of hedges, see page 167 of the Annual Report and Accounts 2025.

Market risk governance

Market risk is managed and controlled through limits approved by the Group's senior management. These limits are allocated across business lines and to the Group's legal entities.

- ▶ For further details of market risk governance, see page 167 of the Annual Report and Accounts 2025.

Market risk measures

Monitoring and limiting market risk exposures

We use a range of tools to monitor and limit market risk exposures including sensitivity analysis, VaR and stress testing.

Sensitivity analysis

We use sensitivity measures to monitor the market risk positions within each asset class and risk type. Granular risk factors sensitivity limits are set for each trading desk, taking into consideration market liquidity, customer demand and capital constraints, among other factors.

Value at risk

VaR is a technique that estimates the potential mark-to-market losses on derivatives, securities and money market positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is an integral part of our market risk management framework and is calculated for the scope of trading and non-trading positions. This is wider than the set of trading positions which are capitalised under a VaR treatment.

Our models are predominantly based on historical simulation, and VaR is calculated at a 99% confidence level for a one-day holding period.

Our VaR model uses historical series of market rates and prices, implicitly taking into account inter-relationships between different markets and rates such as interest rates and foreign exchange rates.

The nature of the VaR model means that an increase in observed market volatility will lead to an increase in VaR even without any changes in the underlying positions.

The primary categories of risk factors driving market risk are summarised below:

Risk factor	Description
Foreign exchange	Risk arising from changes in foreign exchange rates and volatilities.
Interest rate	Risk arising from changes in the level of interest rates that may impact prices of interest rate sensitive assets.
Equity	Risk arising from changes in equity prices, volatilities and dividend yields.
Commodity	Risk arising from changes in commodity prices.
Credit	Risk arising from changes in the level of credit spreads that may impact prices of credit spread sensitive assets.

Our models use a mixed approach when applying changes in market rates and prices:

- For equity, credit and foreign exchange risk factors, VaR scenarios are calculated on a relative return basis.
- For interest rates, a mixed approach is used. The scenarios applied to volatilities are on a relative return basis, whereas the scenarios applied to interest rate curves are calculated using a hybrid of absolute and relative returns. This approach enables the VaR to smoothly adapt to either low or high interest rate environments and to support negative rates.

Our models aggregate general and specific risk and allow for diversification across them. We use the past two years as the historical data set in our VaR model and the scenarios are updated on a daily basis. These scenarios are then applied to the market baselines and positions. The models incorporate the effect of option features on the underlying exposures. The valuation approach used in our models varies:

- Desks trading non-linear instruments use a full revaluation approach.
- Desks trading only linear instruments, such as bonds and swaps, use a sensitivity-based approach.

VaR model limitations

Although a valuable guide to risk, VaR is used with awareness of its limitations, for example:

- 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. As the model is calibrated on the last 500 business days, it does not adjust instantaneously to a change in the market regime.
- The use of a one-day holding period for risk management purposes of trading books assumes that this short period is sufficient to hedge or liquidate all positions.
- 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 close of business and therefore does not necessarily reflect intra-day exposures.

Risk not in VaR framework

The risk not in VaR ('RNIV') framework captures risks from exposures in the HSBC trading book that are not adequately captured by the VaR model.

Risk factors are reviewed on a regular basis and are either incorporated directly in the VaR model, where possible, or quantified through either the VaR-based RNIV approach or a stress test approach within the RNIV framework. While VaR-based RNIVs are calculated by using historical scenarios, stress-type RNIVs are estimated on the basis of stress scenarios whose severity is calibrated to be in line with the capital adequacy requirements. The outcome of the VaR-based RNIV approach is included in the overall VaR calculation for risk management purposes but excluded from the VaR measures used for regulatory back-testing. In addition, SVaR also captures risk factors considered in the VaR-based RNIV approach through a corresponding SVaR RNIV.

Stress-type RNIVs include a deal contingent derivatives capital charge to capture risk for these transactions and a de-peg risk measure to capture risks to pegged and heavily-managed currencies.

Back-testing

We routinely validate the accuracy of our VaR models by back-testing the model against both actual and hypothetical profit and loss.

Hypothetical profit and loss excludes non-modelled items such as fees, commissions and revenues from intra-day transactions. The hypothetical profit and loss reflects the profit and loss that would be realised if positions were held constant from the end of one trading day to the end of the next. This measure of profit and loss does not align with how risk is dynamically hedged, and is not therefore indicative of the actual performance of the business.

The number of hypothetical loss back-testing exceptions, together with a number of other indicators, is used to assess model performance and to consider whether enhanced internal monitoring of a VaR model is required.

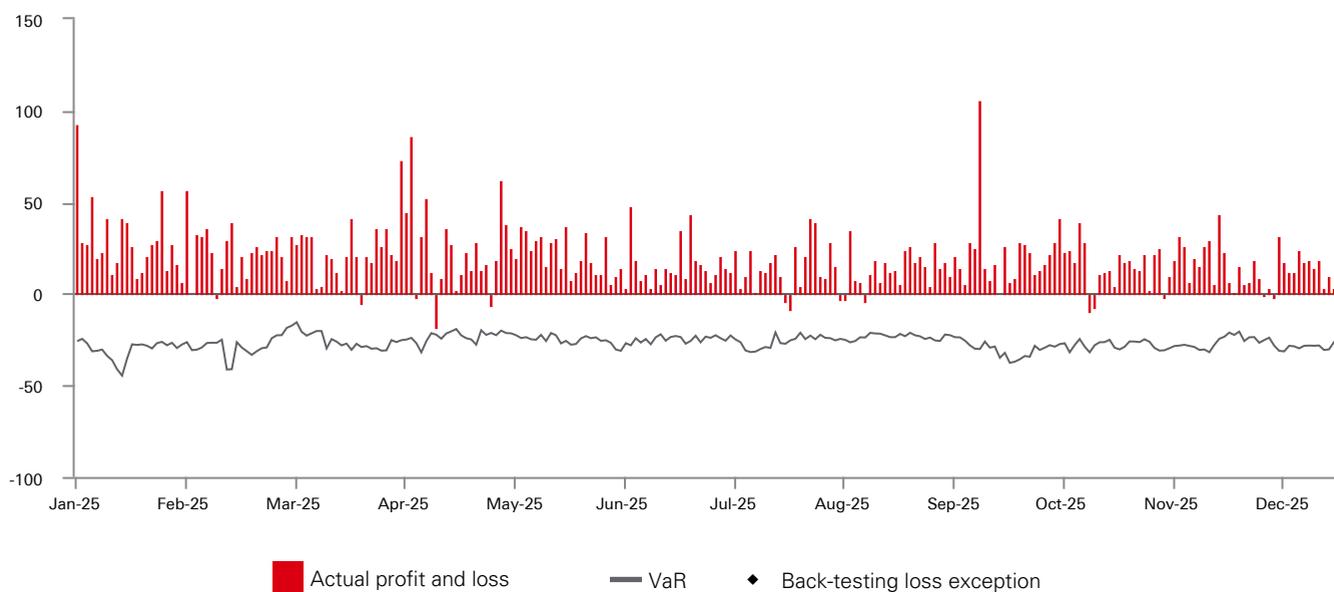
We back-test our VaR at various levels of our Group entity hierarchy. Our back-testing covers those entities within the Group that have approval to use VaR in the calculation of market risk regulatory capital requirements. HSBC submits separate back-testing results to regulators, including the PRA and the European Central Bank, based on applicable frequencies ranging from two business days after an exception occurs, to quarterly submissions. VaR back-testing loss, and not profit, exceptions count towards the multiplier determined by the PRA for the purposes of the market risk capital requirement calculation. The multiplier is increased if there are five or more loss exceptions in a 250-day period.

During 2025, the Group experienced one back-testing exception against hypothetical losses. This exception was mainly driven by heightened market volatility observed after tariff policy announcements, with equity volatilities and credit spreads as the main contributing risk factors.

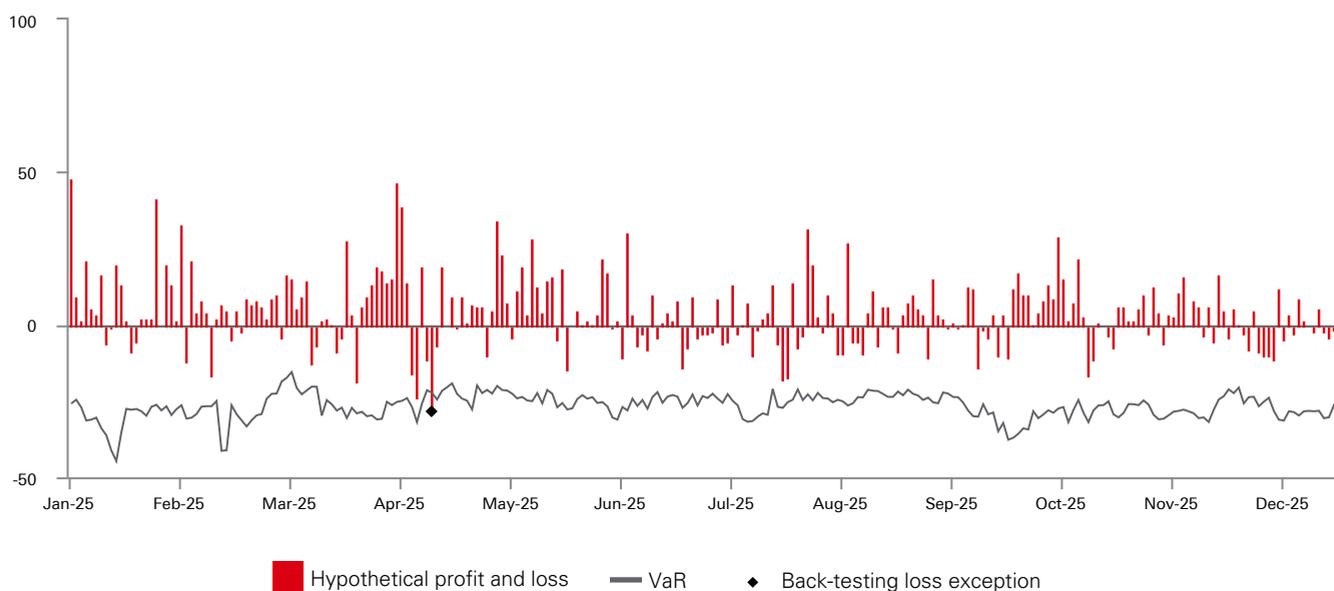
The following graphs show a twelve-month history for trading book VaR back-testing exceptions against both actual and hypothetical profit and loss.

Table 66: Comparison of VaR estimates with gains/losses (MR4)

VaR back-testing exceptions against actual profit and loss (\$m)



VaR back-testing exceptions against hypothetical profit and loss (\$m)



Stress testing

Stress testing is an important procedure that is integrated into our market risk management framework to evaluate the potential impact on portfolio values of more extreme events, or movements in a set of financial variables. In such scenarios, losses can be much greater than those predicted by VaR modelling. Stress testing and reverse stress testing provide senior management with insights regarding the 'tail risk' beyond VaR.

Stress testing is implemented at legal entity, regional and overall Group levels. A set of scenarios is used consistently across all regions

within the Group. Market risk stress testing incorporates both historical and hypothetical events. Market risk reverse stress tests are designed to identify vulnerabilities in our portfolios by looking for scenarios that lead to loss levels considered severe for the relevant portfolio. These scenarios may be local or idiosyncratic in nature and complement the systematic top-down stress testing. The risk appetite around potential stress losses for the Group is set and monitored against limits.

Market risk capital models

HSBC has permission to use a number of market risk capital models to calculate regulatory capital. Market risk capital models, as with any model in HSBC, are governed by the Global Model Risk Policy and Standards, which requires that all in-use models are assessed, validated and monitored on a regular basis. For regulatory purposes, the trading book comprises all positions in financial instruments and commodities held with trading intent and positions where it can be demonstrated that they hedge positions in the trading book. Trading book positions must either be free of any restrictive covenants on their tradability or be capable of being hedged.

HSBC maintains a trading book policy, which defines the minimum requirements for trading book positions and the process for classifying positions as trading or non-trading book. Positions in the trading book are subject to market risk-based rules, for example, market risk capital, calculated using regulatory approved models. Where we do not have permission to use internal models, market risk capital is calculated using the standardised approach.

If any of the policy criteria are not met, then the position is categorised as a non-trading book exposure. We use the following market risk capital models.

Model component ¹	Confidence level	Liquidity horizon	Model description and methodology
VaR	99%	10-day	Uses most recent two years' history of daily returns to determine a loss distribution. The result is scaled, using the square root of 10, to provide an equivalent 10-day loss.
SVaR	99%	10-day	SVaR follows an approach similar to VaR but uses a one-year stressed period to determine the loss distribution, based on 10 day returns. The one-year period is selected as a period of stress observed in history relevant to HSBC's positions.
IRC	99.9%	1 year	Uses a multi-factor Gaussian Monte-Carlo simulation, which includes product basis, concentration, hedge mismatch, recovery rate and liquidity as part of the simulation process. A minimum liquidity horizon of three months is applied and is based on a combination of factors, including issuer type, currency and size of exposure.

¹ Non-proprietary details of these models and permissions are available in the Financial Services Register on the PRA website.

The table below shows the high, average, low and actual values of VaR, SVaR and IRC for the period under the internal models approach.

Table 67: IMA values for trading portfolios (MR3)

		At	
		31 Dec 2025	31 Dec 2024
		\$m	\$m
VaR (10 day 99%)			
1	Maximum value	160	205
2	Average value	128	150
3	Minimum value	109	116
4	Period end	131	124
Stressed VaR (10 day 99%)			
5	Maximum value	280	399
6	Average value	201	288
7	Minimum value	137	206
8	Period end	227	334
Incremental risk charge (99.9%)			
9	Maximum value	462	700
10	Average value	387	526
11	Minimum value	336	421
12	Period end	336	421

Value at risk

VaR used for regulatory purposes differs from VaR used for management purposes. The key differences are listed in the table below:

VaR	Regulatory	Management
Scope	Regulatory approval (PRA)	Broader population of trading and non-trading book positions
Confidence interval	99%	99%
Liquidity horizon	10 day	1 day
Data set	Past 2 years	Past 2 years

We calculate VaR for regulatory purposes only in respect of the trading books for which we have received approval to use an internal model from the regulator. Overall regulatory VaR also includes VaR-based RNIVs.

The regulatory VaR table is calculated on consolidated positions according to the regulatory permissions received, plus aggregated sites. This differs from the daily VaR reported in the Annual Report and Accounts 2025, which shows a fully diversified view used for internal risk management.

In 2025, trading VaR (10 day, 99%) had a marginal increase mainly driven by exposures to interest rate risks.

Stressed VaR

SVaR is primarily used for regulatory capital purposes and is integrated into the risk management process to ensure prudent capital management. SVaR complements other risk measures by providing the potential losses under stressed market conditions.

SVaR modelling follows the same approach as VaR, except that it is calibrated to a continuous one-year period of significant market stress. The stressed calibration period is selected from historical data based on a Group-level assessment of periods that maximise the relevance and severity of the SVaR given the current trading portfolio.

The selection of the stressed period is subject to a defined governance, including regular monitoring to ensure ongoing relevance. Where appropriate, the stressed calibration period may be updated to reflect changes in market dynamics or the Group's risk profile.

It is calculated to a 99% confidence using a 10-day holding period; and it is based on an actual 10-day holding period, whereas regulatory VaR is based on a one-day holding period scaled to 10 days.

In 2025, the SVaR (10 day 99%) reduction was mainly driven by the combined effect of protective positioning in the Equities business rate and improved interest rate risk profile.

Incremental risk charge

The IRC is a measure of the default and migration risk of issuers of traded debt instruments. As required by the internal models approach, IRC is modelled using a one-year horizon with a 99.9% confidence interval. IRC risk factors include credit migration, default, default and transition correlation, product basis, concentration, hedge mismatch and recovery rate. The PDs are derived from historical data on defaults and a one-year stress period, corresponding to the global financial crisis, is used to calibrate the spread changes for rating migration events. The IRC model is validated on a quarterly basis by stressing key model parameters and evaluating the model response.

The IRC is a stand-alone charge generating no diversification benefit with other charges. Positions in scope of IRC are assigned liquidity horizons of one year. The IRC transition matrices are calibrated using transition and default data published by three rating agencies (S&P, Moody's and Fitch) as the starting point, in combination with internal estimates used for flooring of PDs. The IRC correlation matrix is derived quarterly from historical CDS spreads data, from 2007 onwards. The IRC correlations model uses factors related to sector and region of issuers.

In 2025, the IRC decrease was mainly due to lower exposures to some Asian countries and emerging markets government debt.

Prudent valuation adjustment

Prudent value represents a conservative estimate with a 90% degree of certainty of a price that would be received to sell an asset, or paid to transfer a liability, in orderly transactions occurring between market participants at the balance sheet date. HSBC has documented policies and maintains systems and controls for the calculation of the prudent valuation adjustment ('PVA'). HSBC's methodology addresses fair

value uncertainties arising from a number of sources, including market price uncertainty, bid-offer uncertainty, model risk, concentration, administrative costs, unearned credit spreads and investing and funding costs.

The table below shows the PVA split by risk category for each of the trading book exposure risks.

Table 68: Prudential valuation adjustments (PV1)

	Risk Category	Category level AVA - Valuation uncertainty						Total category level post-diversification	of which: Total core approach in the trading book	of which: Total core approach in the banking book	
		Equity	Interest rates	FX	Credit	Commodities	Un-earned credit spreads				Investment and funding costs
		AVA	AVA	AVA	AVA	AVA	AVA				AVA
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m		
1	Market price uncertainty	570	281	51	171	4	66	9	459	236	223
3	Close-out cost	279	169	38	44	7	186	17	370	310	60
4	Concentrated positions	62	68	4	62	—	—	—	196	195	1
6	Model risk	148	76	2	1	—	36	7	135	111	24
7	Operational risk	41	34	4	8	1	—	—	88	60	28
10	Future administrative costs	40	45	1	4	—	—	—	90	50	40
12	Total Additional Valuation Adjustments (AVAs) at 31 Dec 2025								1,338	962	376
1	Market price uncertainty	416	268	49	182	2	62	2	387	237	150
3	Close-out cost	158	160	41	32	3	226	—	310	248	62
4	Concentrated positions	29	74	8	45	—	—	—	156	143	13
6	Model risk	89	76	8	12	—	50	22	128	121	7
7	Operational risk	26	32	4	8	—	—	—	70	49	21
10	Future administrative costs	28	52	1	9	—	—	—	90	57	33
12	Total Additional Valuation Adjustments (AVAs) at 31 Dec 2024								1,141	855	286

The PVA charge increased by \$197m compared with 31 December 2024 mainly driven by changes in underlying exposures, increased market price uncertainty and close-out costs related to illiquid exposures.

The items for which the highest PVA is observed include fixed income securities, structured derivative products, valuation adjustments related to derivatives and investments with unobservable inputs.

Non-financial risk

Non-financial risk is the risk of loss resulting from people, inadequate or failed internal processes, data or systems and external events. Sound non-financial risk management is central to achieving fair outcomes for our customers, growing our business safely, and maintaining the orderly and transparent operation of financial markets. Non-financial risk is relevant to every aspect of our business and is broadly managed through the RMF. Non-financial risk covers a wide

spectrum of areas, including resilience risk, financial crime risk, regulatory compliance risk, financial reporting and tax risk, legal risk, model risk and people risk. Losses arising from breaches of regulation and law, unauthorised activities, error, omission, fraud, systems failure or external events all fall within the definition of non-financial risk.

We currently use the standardised approach in determining our operational risk capital requirement and the table below provides details of the overall calculation.

Table 69: Operational risk own funds requirements and risk-weighted exposure amounts (OR1)

	Relevant indicator			Own funds requirements	Risk weighted exposure amount
	2023	2024	2025		
Banking activities	\$m	\$m	\$m	\$m	\$m
2	Banking activities subject to standardised (TSA)/alternative standardised (ASA) approaches			9,657	120,716
3	Subject to TSA:				
	Corporate Finance	698	936	996	
	Trading and Sales	2,195	3,326	5,220	
	Commercial Banking	33,197	33,948	34,380	
	Retail Banking	23,594	24,461	25,272	
	Payment and Settlement	1,980	2,123	2,202	
	Agency Services	979	931	1,045	
	Asset Management	2,401	2,587	3,004	

Organisation and responsibilities

The RMF sets out how we identify, assess and manage the risks that matter the most in our ability to operate, grow, and meet expectations. It translates our strategy, values, and commitments into practical actions and risk-aware decisions. The RMF is supplemented with frameworks, guides and detailed operating procedures. Responsibility for managing non-financial risk lies with our people. We continue to focus on strengthening our approach to managing non-financial risk and enhancing the framework and tools for strengthening the control environment and improving practices in the management of non-financial risk.

The Enterprise Risk Management function helps the business grow safely by driving governance and management of non-financial risk through the delivery and embedding of effective frameworks and policies, and continuous oversight and assurance of risks, controls, events and impacts.

Activity to strengthen the first and second lines of defence continues to be a key focus.

Measurement and monitoring

The RMF is supplemented with frameworks, guides and detailed operating procedures.

Risk scenario analysis across material legal entities provides an aggregated, forward-looking assessment of risks for stress testing and to help determine capital requirements. This forward-looking view enables assessment of the risk impact and risk likelihood to

understand the cost and wider consequences of risk materialisation, as well as the evaluation of potential further actions by management.

In each of our subsidiaries, the first line of defence is responsible for maintaining an appropriate level of internal control, commensurate with the scale and nature of operations. There is a dedicated tool for the systematic reporting of operational loss data.

Risk and control assessment approach

Risk and control assessments are performed by the first line of defence and provides a view of the risks, an assessment of the effectiveness of controls, and a tracking mechanism for action plans so that they can proactively manage risks within acceptable levels. Appropriate means of mitigation and controls are considered. These include making specific changes to strengthen the internal control environment, and investigating whether cost-effective insurance cover is available to mitigate the risk.

Recording

We use a Group-wide risk management system to record the results of our risk management process, including the first line of defence risk and control assessments and the monitoring and follow up on the progress of documented action plans. Operational risk losses are also entered into the Group-wide risk management system and reported to governance on a monthly basis. Loss capture thresholds are in line with industry standards.

Other risks

Insurance Manufacturing Operations Risk

We sell insurance products through a range of channels including our branches, insurance salesforces, direct channels and third-party distributors. The majority of sales are through an integrated bancassurance model that provides insurance products principally for customers with whom we have a banking relationship, although the proportion of sales through other sources, such as independent financial advisers, tied agents and digital is increasing.

For the insurance products we manufacture, the majority of sales are savings, universal life and protection contracts.

We choose to manufacture these insurance products in HSBC subsidiaries based on an assessment of operational scale and risk appetite. Manufacturing insurance allows us to retain the risks and rewards associated with writing insurance contracts by keeping part of the underwriting profit and investment income within the Group.

We have life insurance manufacturing subsidiaries in six markets, which are Hong Kong, Singapore, mainland China, UK, Malta and Mexico. This excludes France where the sale of the insurance business was completed on 31 October 2025. In addition, we have: an interest in a life insurance manufacturing associate in India; a captive insurance entity in Bermuda that insures the non-financial risks of the wider Group; and a reinsurance entity in Bermuda.

Where we do not have the risk appetite or operational scale to be an effective insurance manufacturer, we engage with a small number of leading external insurance companies in order to provide insurance products to our customers. These arrangements are generally

structured with our exclusive strategic partners and earn the Group a combination of commissions, fees and a share of profits. We distribute insurance products in all of our geographical regions.

The insurance manufacturing subsidiaries are equity accounted in the regulatory consolidation and then deducted from CET1 capital subject to thresholds (amounts below the thresholds are risk-weighted). As a result, losses incurred by the insurance manufacturing subsidiaries may impact the Group's regulatory capital position where the thresholds are exceeded or, to the extent that they impair the ability of the insurance subsidiaries to make planned dividend payments, or where the deterioration of an insurance subsidiary's capital position requires capital support from the Group to address a shortfall, reduce the Group's regulatory capital supply.

The capital risk associated with our insurance manufacturing subsidiaries is assessed in the ICAAP based on their financial capacity to support the risks to which they are exposed, on a standalone basis. Capital adequacy is assessed on both an economic capital basis, and the relevant local insurance regulatory basis. The economic capital basis is largely aligned to European Solvency II regulations, other than in Hong Kong where this is based on the emerging Hong Kong risk-based capital regulations.

- ▶ For further details of the management of risks arising from the insurance manufacturing operations, see page 182 of the Annual Report and Accounts 2025.

Countercyclical capital buffer

The table below discloses the geographical distribution of credit exposures relevant to the calculation of the CCyB under Article 440 of CRR II. Exposures to central governments, central banks, regional governments, local authorities, public sector entities, multilateral development banks, international organisations and institutions are excluded and therefore differ from those presented in the credit and counterparty credit risk sections. Countries or territories that have a CCyB requirement, or have an own funds requirement of greater than 0.7%, or that are otherwise material in nature, are disclosed below.

Table 70: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (UK CCyB1)

Country/ territory	General credit exposures		Relevant credit exposures – Market risk		Securiti- sation exposures	Own funds requirements							
	SA	IRB	Sum of long/ short positions for SA	Internal models	Total Exposure value for non- trading book	Total exposure value	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Securi- tisation posi- tions in the non- trading book	Total	Risk weighted exposure amounts	Own funds require- ments weig- hts	CCyB rate
Albania	–	–	–	–	–	–	–	–	–	–	–	–	0.50
Armenia	–	1	–	–	–	1	–	–	–	–	–	–	1.75
Australia	1,651	51,086	948	19	5,171	58,875	1,285	17	74	1,376	17,200	2.70	1.00
Belgium	105	1,366	–	11	–	1,482	72	1	–	73	913	0.14	1.00
Bulgaria	–	14	–	3	–	17	–	–	–	–	–	–	2.00
Chile	621	2,335	–	165	–	3,121	115	4	–	119	1,488	0.23	0.50
Mainland China	21,096	59,767	151	696	5,644	87,354	5,342	16	68	5,426	67,825	10.65	–
Croatia	1	1	–	–	–	2	–	–	–	–	–	–	1.50
Cyprus	43	247	–	–	–	290	9	–	–	9	113	0.02	1.00
Czech Republic	40	425	–	11	–	476	16	1	–	17	213	0.03	1.25
Denmark	319	1,992	–	17	–	2,328	71	–	–	71	888	0.14	2.50
Estonia	–	1	–	–	–	1	–	–	–	–	–	–	1.50
France	3,931	20,274	180	101	8,382	32,868	839	8	112	959	11,988	1.88	1.00
Germany	1,218	15,731	25	17	1,108	18,099	672	6	13	691	8,638	1.36	0.75
Greece	47	678	2	14	–	741	25	–	–	25	313	0.05	0.25
Hong Kong	23,398	332,827	4	294	2,636	359,159	9,139	7	42	9,188	114,850	18.03	0.50
Hungary	9	790	–	1	–	800	18	–	–	18	225	0.04	1.00
Iceland	–	9	–	–	–	9	–	–	–	–	–	–	2.50
India	7,625	23,028	–	177	2,193	33,023	1,746	4	62	1,812	22,650	3.56	–
Indonesia	851	6,826	–	94	–	7,771	450	3	–	453	5,663	0.89	0.00
Ireland	1,673	6,290	1,291	39	1,555	10,848	207	47	19	273	3,413	0.54	1.50
Korea, Republic Of	966	5,349	3	83	400	6,801	176	3	5	184	2,300	0.36	1.00
Latvia	1	1	–	8	–	10	–	–	–	–	–	–	1.00
Lithuania	–	2	–	1	–	3	–	–	–	–	–	–	1.00
Luxembourg	5,910	9,844	285	10	57	16,106	829	5	1	835	10,438	1.64	0.50
North Macedonia	–	–	–	–	–	–	–	–	–	–	–	–	1.75
Malaysia	3,016	12,564	–	22	86	15,688	664	2	1	667	8,338	1.31	0.00
Mexico	28,411	3,876	–	82	864	33,233	1,662	3	11	1,676	20,950	3.29	0.00
Montenegro	–	2	–	–	–	2	–	–	–	–	–	–	0.50
Netherlands	1,599	9,277	442	20	830	12,168	409	7	9	425	5,313	0.83	2.00
Norway	57	326	–	12	–	395	11	1	–	12	150	0.02	2.50
Poland	454	1,228	–	4	213	1,899	75	–	3	78	975	0.15	1.00
Romania	5	21	–	9	–	35	2	–	–	2	25	–	1.00
Russian Federation	–	8	–	1	–	9	–	–	–	–	–	–	0.50
Saudi Arabia	35,225	3,096	–	177	–	38,498	2,539	14	–	2,553	31,913	5.01	0.00
Singapore	4,802	35,671	1	96	214	40,784	1,218	6	3	1,227	15,338	2.41	0.00
Slovakia	50	16	–	1	–	67	2	–	–	2	25	–	1.50
Slovenia	–	5	–	5	–	10	–	1	–	1	13	–	1.00
Spain	622	2,884	144	52	664	4,366	142	4	7	153	1,913	0.30	0.50
Sweden	723	1,606	–	34	–	2,363	99	2	–	101	1,263	0.20	2.00
Switzerland	3,959	14,298	–	31	239	18,527	482	3	2	487	6,088	0.95	0.00
Taiwan	1,761	15,712	–	342	–	17,815	503	3	–	506	6,325	0.99	–
United Arab Emirates	5,931	20,044	–	46	–	26,021	871	6	–	877	10,963	1.72	–
United Kingdom	21,695	420,566	969	620	17,947	461,797	12,090	52	277	12,419	155,238	24.36	2.00
United States	35,614	91,219	210	35	9,414	136,492	4,790	6	153	4,949	61,863	9.71	–
Other countries	20,977	51,182	399	548	1,139	74,245	3,247	52	20	3,319	41,477	6.49	–
Total at 31 Dec 2025	234,406	1,222,485	5,054	3,898	58,756	1,524,599	49,817	284	882	50,983	637,288	100.00	

Table 70: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (UK CCyB1) (continued)

Country/ territory	General credit exposures		Relevant credit exposures – Market risk		Securiti- sation exposures	Own funds requirements							
	SA	IRB	Sum of long/ short positions for SA	Internal models	Total Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Securiti- sation positions in the non-trading book	Total	Risk weighted exposure amounts	Own funds requirements weights	CCyB rate
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%	%
Armenia	—	7	—	—	—	7	—	—	—	—	—	—	1.50
Australia	1,244	46,777	896	116	3,239	52,272	1,205	19	46	1,270	15,875	2.59	1.00
Belgium	128	1,203	3	44	—	1,378	57	2	—	59	738	0.12	1.00
Bulgaria	—	13	—	—	—	13	—	—	—	—	—	—	2.00
Chile	612	1,744	—	175	—	2,531	97	5	—	102	1,275	0.21	0.50
Mainland China	21,086	60,253	78	779	2,718	84,914	5,294	16	33	5,343	66,788	10.91	0.00
Croatia	1	1	—	—	—	2	—	—	—	—	—	—	1.50
Cyprus	12	253	—	—	—	265	10	—	—	10	125	0.02	1.00
Czech Republic	18	490	—	5	—	513	25	2	—	27	338	0.06	1.25
Denmark	185	2,450	—	11	—	2,646	66	1	—	67	838	0.14	2.50
Estonia	—	—	—	—	—	—	—	—	—	—	—	—	1.50
France	10,305	21,229	183	54	7,571	39,342	1,073	8	107	1,188	14,850	2.43	1.00
Germany	1,097	15,823	112	184	1,238	18,454	655	10	15	680	8,500	1.39	0.75
Hong Kong	19,773	337,329	—	223	2,451	359,776	9,710	8	38	9,756	121,950	19.92	0.50
Hungary	—	1,346	—	—	—	1,346	18	—	—	18	225	0.04	0.50
Iceland	—	2	—	—	—	2	—	—	—	—	—	—	2.50
India	6,183	21,683	—	719	1,807	30,392	1,610	18	55	1,683	21,038	3.44	0.00
Indonesia	764	6,534	—	67	—	7,365	395	4	—	399	4,988	0.82	0.00
Ireland	1,114	6,661	820	26	1,068	9,689	190	17	13	220	2,750	0.45	1.50
Korea	820	4,715	3	57	400	5,995	175	4	5	184	2,300	0.38	1.00
Latvia	—	1	—	8	—	9	—	2	—	2	25	—	0.50
Lithuania	—	3	—	—	—	3	—	—	—	—	—	—	1.00
Luxembourg	4,425	8,215	145	54	—	12,839	660	5	—	665	8,313	1.36	0.50
Malaysia	2,529	11,635	—	3	56	14,223	646	2	1	649	8,113	1.32	0.00
Mexico	23,891	3,746	—	161	610	28,408	1,575	5	8	1,588	19,850	3.24	0.00
Netherlands	1,112	9,826	362	33	615	11,948	378	11	5	394	4,925	0.80	2.00
Norway	22	289	—	5	—	316	9	1	—	10	125	0.02	2.50
Romania	—	31	—	1	—	32	1	—	—	1	13	—	1.00
Saudi Arabia	30,322	2,432	—	130	—	32,884	2,224	19	—	2,243	28,038	4.58	0.00
Singapore	3,384	35,839	—	191	64	39,478	1,205	8	1	1,214	15,175	2.48	0.00
Slovakia	—	58	—	2	—	60	1	—	—	1	13	—	1.50
Slovenia	6	1	—	9	—	16	1	—	—	1	13	—	0.50
Sweden	500	762	—	34	—	1,296	64	2	—	66	825	0.14	2.00
Switzerland	3,450	12,961	—	64	—	16,475	426	3	—	429	5,363	0.88	0.00
Taiwan	1,573	13,683	—	239	—	15,495	472	3	—	475	5,938	0.97	—
United Arab Emirates	5,103	18,789	—	59	—	23,951	800	3	—	803	10,038	1.64	—
United Kingdom	16,169	384,875	653	702	11,829	414,228	10,624	52	263	10,939	136,738	22.34	2.00
United States	27,925	95,417	31	76	8,918	132,367	4,772	10	168	4,950	61,875	10.11	—
Other countries/ territories	20,961	54,388	427	934	1,322	78,032	3,416	100	15	3,531	44,130	7.20	—
Total at 31 Dec 2024	204,714	1,181,464	3,713	5,165	43,906	1,438,962	47,854	340	773	48,967	612,088	100.00	—

The table below shows the total RWAs calculated in accordance with Article 92(3) of CRR II and provides an overview of institution-specific countercyclical capital exposure and buffer requirement.

Table 71: Amount of institution-specific countercyclical capital buffer (UK CCyB2)

	31 Dec 2025	31 Dec 2024
Total Risk Exposure Amount (\$m)	888,647	838,254
Institution specific countercyclical capital buffer rate (%)	0.68	0.65
Institution specific countercyclical capital buffer requirement (\$m)	6,043	5,449

Remuneration

Our remuneration policy, including the remuneration committee membership and activities, remuneration strategy and remuneration details of HSBC's identified staff and material risk takers, is available in the Directors' Remuneration Report on page 216 of the Annual Report and Accounts 2025.

The decision-making process for remuneration policy involves oversight by a designated committee, which meets regularly and may engage external consultants, with input from relevant stakeholders. Remuneration is closely linked to staff performance, with clear criteria for performance measurement, risk adjustment, deferral and vesting. The policy outlines ratios between fixed and variable pay, in line with regulatory requirements, and details the basis for awarding shares, options or other variable components. Remuneration details for executive and non-executive management are published. Comprehensive quantitative remuneration disclosures for individuals identified as material risk takers are available on page 238 in the Annual Report and Accounts 2025.

We believe that a diverse and inclusive Board, reflective of the communities we serve, is a critical component of effective decision-making and of developing a sustainable and successful business for HSBC. Details of the Board members, their directorships, targets and achievements are available on pages 187 to 195 in the Annual Report and Accounts 2025.

Appendix I

Summary of disclosures withheld¹

Regulatory requirement	Description	Rationale
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1 There are no disclosures withheld by HSBC.

Appendix II

Mapping – Internal ratings to external ratings

The table below sets out IRB exposures by obligor grade for central governments and central banks, institutions and corporates, all of which are assessed using our 23-grade customer risk rating master scale. We benchmark the master scale against the ratings of external rating agencies. Each customer risk rating band is associated with an external rating grade by reference to long-run default rates for that grade, represented by the average of issuer-weighted historical default rates.

The correspondence between the agency long-run default rates and the PD ranges of our master scale is obtained by matching a smoothed curve based on those default rates with our master scale reference PDs. This association between internal and external ratings is indicative and may vary over time. In these tables, the ratings of S&P are cited for illustration purposes, and we also benchmark against other agencies' ratings in an equivalent manner.

Mapping of internal ratings to external ratings

Default risk	Customer Risk Rating	PD range %	Central governments and central banks	Institutions	Corporates ¹
			Mapped external rating		
Minimal	0.1	0.000 to 0.010	AAA to AA	AAA	—
	1.1	0.011 to 0.028	AA- to A+	AA+ to AA	AAA to AA
	1.2	0.029 to 0.053	A to A-	AA-	AA-
Low	2.1	0.054 to 0.095	BBB+	A+ to A	A+ to A
	2.2	0.096 to 0.169	BBB	A-	A-
Satisfactory	3.1	0.170 to 0.285	BBB-	BBB+	BBB+
	3.2	0.286 to 0.483	BBB-	BBB	BBB
	3.3	0.484 to 0.740	BB+/BB	BBB-	BBB-
Fair	4.1	0.741 to 1.022	BB-	BB+	BB+
	4.2	1.023 to 1.407	B+	BB	BB
	4.3	1.408 to 1.927	B+	BB-	BB-
Moderate	5.1	1.928 to 2.620	B+	BB-	BB-
	5.2	2.621 to 3.579	B	B+	B+
	5.3	3.580 to 4.914	B	B	B
Significant	6.1	4.915 to 6.718	B-	B-	B-
	6.2	6.719 to 8.860	B-	B-	B-
High	7.1	8.861 to 11.402	B-	CCC+	CCC+
	7.2	11.403 to 15.000	CCC+	CCC+	CCC+
Special Management	8.1	15.001 to 22.000	CCC+	CCC	CCC
	8.2	22.001 to 50.000	CCC	CCC- to CC	CCC- to CC
	8.3	50.001 to 99.999	CCC- to C	C	C
Default	9/10	100.000	Default	Default	Default

1 Corporates excludes specialised lending exposures subject to supervisory slotting approach.

Compliance with CRR II Pillar 3 Requirements

Article	Regulatory Requirements	Compliance reference
Disclosure requirements and policies		
431 (1)	Institutions shall publicly disclose the information referred to in Titles II and III in accordance with the provisions laid down in this Title, subject to the exceptions referred to in Article 432.	HSBC Holdings plc publishes Pillar 3 disclosures as required.
431 (2)	Institutions that have been granted permission by the competent authorities under Part Three for the instruments and methodologies referred to in Title III of this Part shall publicly disclose the information laid down therein.	Title III refers to the below articles and further information is provided within the relevant articles: i) Article 452 Disclosure of the Use of the IRB Approach to Credit Risk ii) Article 453 Disclosure of the Use of Credit Risk Mitigation Techniques iii) Article 454 Disclosure of the Use of the Advanced Measurement Approaches to Operational Risk. This article is not applicable to HSBC iv) Article 455 Use of Internal Market Risk Models.
431 (3)	<p>The management body or senior management shall adopt formal policies to comply with the disclosure requirements laid down in this Part and put in place and maintain internal processes, systems and controls to verify that the institution's disclosures are appropriate and in compliance with the requirements laid down in this Part. At least one member of the management body or senior management shall attest in writing that the relevant institution has made the disclosures required under this Part in accordance with the formal policies and internal processes, systems and controls. The written attestation and the key elements of the institution's formal policies to comply with the disclosure requirements shall be included in the institutions' disclosures.</p> <p>Information to be disclosed in accordance with this Part shall be subject to the same level of internal verification as that applicable to the management report included in the institution's financial report.</p> <p>Institutions shall also have policies in place to verify that their disclosures convey their risk profile comprehensively to market participants. Where institutions find that the disclosures required under this Part do not convey the risk profile comprehensively to market participants, they shall publicly disclose information in addition to the information required to be disclosed under this Part. Nonetheless, institutions shall only be required to disclose information that is material and not proprietary or confidential in accordance with Article 432.</p>	Refer to 'Disclosures and Governance' section on page 3.
431 (4)	All quantitative disclosures shall be accompanied by a qualitative narrative and any other supplementary information that may be necessary in order for the users of that information to understand the quantitative disclosures, noting in particular any significant change in any given disclosure compared to the information contained in the previous disclosures.	Narratives are included to explain quantitative disclosures where required. Refer overarching statement under section 'comparatives and references' on page 3.
431 (5)	Institutions shall, if requested, explain their rating decisions to SMEs and other corporate applicants for loans, providing an explanation in writing when asked. The administrative costs of the explanation shall be proportionate to the size of the loan.	When requested, HSBC UK Bank plc provides rating decisions to SMEs and other corporates applicants for loans.
Non-material, proprietary or confidential information		
432 (1)	With the exception of the disclosures laid down in point (c) of Article 435(2) and in Articles 437 and 450, institutions may omit one or more of the disclosures listed in Titles II and III where the information provided by those disclosures is not regarded as material. Information in disclosures shall be regarded as material where its omission or misstatement could change or influence the assessment or decision of a user of that information relying on it for the purpose of making economic decisions.	HSBC Holdings plc complies with all relevant disclosure requirements except the items listed in Appendix I on page 101.
432 (2)	<p>Institutions may also omit one or more items of information referred to in Titles II and III where those items include information that is regarded as proprietary or confidential in accordance with this paragraph, except for the disclosures laid down in Articles 437 and 450.</p> <p>Information shall be regarded as proprietary to institutions where disclosing it publicly would undermine their competitive position. Proprietary information may include information on products or systems that would render the investments of institutions therein less valuable, if shared with competitors.</p> <p>Information shall be regarded as confidential where the institutions are obliged by customers or other counterparty relationships to keep that information confidential.</p>	HSBC Holdings plc complies with all relevant disclosure requirements except the items listed in Appendix I on page 101.

Article	Regulatory Requirements	Compliance reference
432 (3)	In the exceptional cases referred to in paragraph 2, the institution concerned shall state in its disclosures the fact that the specific items of information are not disclosed and the reason for not disclosing those items, and publish more general information about the subject matter of the disclosure requirement, except where that subject matter is, in itself, proprietary or confidential.	HSBC Holdings plc complies with all relevant disclosure requirements except the items listed in Appendix I on page 101.
Frequency and scope of disclosures		
433	<p>Institutions shall publish the disclosures required under Titles II and III in the manner set out in Articles 433a, 433b and 433c.</p> <p>Annual disclosures shall be published on the same date as the date on which institutions publish their financial statements or as soon as possible thereafter.</p> <p>Semi-annual and quarterly disclosures shall be published on the same date as the date on which the institutions publish their financial reports for the corresponding period where applicable or as soon as possible thereafter.</p> <p>Any delay between the date of publication of the disclosures required under this Part and the relevant financial statements shall be reasonable.</p>	<p>HSBC Holdings plc complies with the frequency requirements set out in Article 433a for a large institution.</p> <p>The annual Pillar 3 disclosures are published on the same date as the Annual Report and Accounts.</p> <p>HSBC semi-annual and quarterly Pillar 3 disclosures are published as soon as possible after the interim and quarterly financial statements.</p>
433a (1)	<p>Large institutions shall disclose the information outlined below with the following frequency:</p> <p>(a) all the information required under this Part on an annual basis;</p> <p>(b) on a semi-annual basis the information referred to in:</p> <p>(i) point (a) of Article 437;</p> <p>(ii) point (e) of Article 438;</p> <p>(iii) points (e) to (l) of Article 439;</p> <p>(iv) Article 440;</p> <p>(v) points (c), (e), (f) and (g) of Article 442;</p> <p>(vi) point (e) of Article 444;</p> <p>(vii) Article 445;</p> <p>(viii) point (a) and (b) of Article 448(1);</p> <p>(ix) point (j) to (l) of Article 449;</p> <p>(x) points (a) and (c) of Article 451(1);</p> <p>(xi) Article 451a(3); (xii) point (g) of Article 452;</p> <p>(xiii) points (f) to (j) of Article 453;</p> <p>(xiv) points (d), (e) and (g) of Article 455;</p> <p>(c) on a quarterly basis the information referred to in:</p> <p>(i) points (d) and (h) of Article 438;</p> <p>(ii) the key metrics referred to in Article 447;</p> <p>(iii) Article 451a(2).</p>	HSBC Holdings plc complies with the frequency requirements set out in this article.
433a (2)	<p>By way of derogation from paragraph 1, large institutions other than G-SIIs that are non-listed institutions shall disclose the information outlined below with the following frequency:</p> <p>(a) all the information required under this Part on an annual basis;</p> <p>(b) the key metrics referred to in Article 447 on a semi-annual basis.</p>	This disclosure is not applicable as HSBC Holdings plc is a Global Systemically Important Institution ('G-SII').
433a (3)	Large institutions that are subject to Article 92a, or are material subsidiaries of non-UK G-SIIs and are not resolution entities or subsidiaries of a UK parent institution, shall disclose the information required under Article 437a on a semi-annual basis, except for the key metrics referred to in point (h) of Article 447, which are to be disclosed on a quarterly basis.	HSBC Holdings plc complies with the disclosure requirement under Article 437a and quarterly disclosure of key metrics under Article 447 (h).
433a (4)	Large institutions that are LREQ firms shall disclose the information required under paragraphs (1)(a), (b) and (g), (2) and (3) of Article 451 on a quarterly basis.	HSBC Holdings plc complies with this requirement and completes additional leverage disclosures on a quarterly basis.
Disclosures by small and non-complex institutions		
433b (1)	<p>SDDTs and SDDT consolidation entities shall disclose the information outlined below with the following frequency:</p> <p>(a) on an annual basis the information referred to in:</p> <p>(i) point (d) of Article 438;</p> <p>(ii) points (a) to (d), (h), and (i) of Article 450(1);</p> <p>(b) on a semi-annual basis the key metrics referred to in Article 447.</p>	This disclosure is not applicable to HSBC Holdings plc.
433b (2)	By way of derogation from paragraph 1 of this Article, SDDTs that are non-listed institutions are not required to make the disclosures specified in that paragraph.	This disclosure is not applicable to HSBC Holdings plc.
433b (3)	<p>In relation to any disclosure relating to a period ending on or before 30 June 2027, this Article as it stood immediately before 1 January 2024 applies, with the modification in paragraph 4, to any institution that:</p> <p>(a) was a small and non-complex institution immediately before 1 January 2024 and continues to be so; and</p> <p>(b) is not an SDDT or an SDDT consolidation entity.</p>	This disclosure is not applicable to HSBC Holdings plc.
433b (4)	<p>The modification referred to in paragraph 3 is that for any institution subject to that paragraph that is a small CRR firm the disclosure required in relation to the information referred to in Article 450 is as follows:</p> <p>(a) for a non-listed institution, no disclosure is required;</p> <p>(b) otherwise, points (a)-(d), (h)(i) and (h)(ii) of Article 450(1).</p>	This disclosure is not applicable to HSBC Holdings plc.

Article	Regulatory Requirements	Compliance reference
Disclosures by other institutions		
433c (1)	Institutions that are not subject to Article 433a or 433b shall disclose the information outlined below with the following frequency: (a) all the information required under this Part on an annual basis; (b) the key metrics referred to in Article 447 on a semi-annual basis; (c) for such institutions that are LREQ firms, the information required under paragraphs (1)(a), (b) and (g), (2) and (3) of Article 451 on a quarterly basis.	This disclosure is not applicable to HSBC Holdings plc.
433c (2)	By way of derogation from paragraph 1 of this Article, other institutions that are non-listed institutions shall disclose the following information on an annual basis: (a) points (a), (e) and (f) of Article 435(1); (b) points (a), (b) and (c) of Article 435(2); (c) point (a) of Article 437; (d) points (c) and (d) of Article 438; (e) the key metrics referred to in Article 447; (f) points (a) to (d), (h) to (k) of Article 450(1).	This disclosure is not applicable to HSBC Holdings plc.
433c (3)	Notwithstanding paragraphs 1 and 2, for institutions subject to this Article that are small CRR firms, the disclosure required in relation to the information referred to in Article 450 is as follows: (a) for non-listed institutions, no disclosure is required; (b) otherwise, points (a)-(d), (h)(i) and (h)(ii) of Article 450(1).	This disclosure is not applicable to HSBC Holdings plc.
Means of disclosures		
434 (1)	Institutions shall disclose all the information required under Titles II and III in electronic format and in a single medium or location. The single medium or location shall be a standalone document that provides a readily accessible source of prudential information for users of that information or a distinctive section included in or appended to the institutions' financial statements or financial reports containing the required disclosures and being easily identifiable to those users.	HSBC Holdings plc prepares Pillar 3 disclosures with clear references to the Annual Report and Accounts where distinctive sections provide regulatory disclosures.
434 (2)	Institutions shall make available on their website or, in the absence of a website, in any other appropriate location an archive of the information required to be disclosed in accordance with this Part. That archive shall be kept accessible for a period of time that shall be no less than the storage period set by national law for information included in the institutions' financial reports.	Pillar 3 disclosures are published on the HSBC Investor Relations website, www.hsbc.com/investors .
Timing and means of disclosures under Article 441		
434b (1)	By way of derogation from the second paragraph of Article 433, G-SIIs shall disclose the information required under Article 441 within four months after the end of the period to which the information relates.	
434b (2)	By way of derogation from Article 434(1), where a G-SII relies on the derogation in paragraph 1, it may disclose the information required under Article 441 in a separate medium or location from the standalone document mentioned in Article 434(1).	In compliance with Article 441, HSBC Holdings plc separately publishes G-SIB Indicators annually on the HSBC website, www.hsbc.com/investors
434b (3)	If, in accordance with paragraphs 1 and 2, a G-SII does not disclose the information required under Article 441 at the same time as, and in the same medium or location as, the other information required to be disclosed under Titles II and III, it shall include in the standalone document mentioned in Article 434(1) a statement specifying when and in what medium or location the information required under Article 441 will be disclosed.	These disclosures are made within 4 months of the end of the period as required in Article 434b (1).
Risk management objectives and policies		
435.1	Institutions shall disclose their risk management objectives and policies for each separate category of risk, including the risks referred to in this Title. These disclosures shall include:	HSBC Holdings plc complies with this requirement as set out below, within the Pillar 3 and the HSBC Annual Report and Accounts.
435 (1) (a)	the strategies and processes to manage those categories of risks;	Refer to 'Our approach to risk' section on page 98 and 'Our material banking risks' section on page 105 of the Annual Report and Accounts, and 'Risk management' section on page 12 and 'Non-financial risk' section on page 97 of Pillar 3.
435 (1) (b)	the structure and organisation of the relevant risk management function including information on the basis of its authority, its powers and accountability in accordance with the institution's incorporation and governing documents;	Refer to the 'Risk governance' section on page 12 of Pillar 3. and page 99 of the Annual Report and Accounts.
435 (1) (c)	the scope and nature of risk reporting and measurement systems;	Refer to 'Our approach to risk' section on page 98 and 'Our material banking risks' section on page 105 of the Annual Report and Accounts, and 'Risk measurement' section on page 12 of Pillar 3.
435 (1) (d)	the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants;	Refer to the 'Top and Emerging risks' section on page 100 and 'Our material banking risks' section on page 105 of the Annual Report and Accounts.
435 (1) (e)	a declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy;	Refer to the 'Our approach to risk - our responsibilities' section on page 98 of the Annual Report and Accounts and 'Global Risk and Compliance function' section on page 12 of Pillar 3.

Article	Regulatory Requirements	Compliance reference
435 (1) (f)	a concise risk statement approved by the management body succinctly describing the relevant institution's overall risk profile associated with the business strategy; that statement shall include: (i) key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body; (ii) information on intragroup transactions and transactions with related parties that may have a material impact of the risk profile of the consolidated group.	Refer to 'Key developments in 2025' on page 99, 'Our approach to risk' section on page 98, 'Managing risk - Our key risk appetite metrics' on page 30 of the Annual Report and Accounts and the 'Risk appetite' section on page 12 of Pillar 3.
435 (2)	Institutions shall disclose the following information regarding governance arrangements:	HSBC Holdings plc complies with the requirement as set out below.
435 (2) (a)	the number of directorships held by members of the management body;	Refer to the Board biographies in the HSBC Annual Report and Accounts page 187 to 190
435 (2) (b)	the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise;	Refer to the Board and senior management diversity in the HSBC Annual Report and Accounts page 192.
435 (2) (c)	the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved;	HSBC diversity policy is disclosed separately on the HSBC website at www.hsbc.com/who-we-are/our-people/board-of-directors/board-responsibilities
435 (2) (d)	whether or not the institution has set up a separate risk committee and the number of times the risk committee has met;	Refer to the Group Risk Committee in the HSBC Annual Report and Accounts on page 209.
435 (2) (e)	the description of the information flow on risk to the management body.	Refer to the Group Risk Committee in the HSBC Annual Report and Accounts on page 209.
Disclosure of the Scope of Application		
436	Institutions shall disclose the following information regarding the scope of application of the CRR II as follows:	HSBC Holdings plc complies with the requirement as set out below.
436 (a)	the name of the institution to which the CRR II applies	Refer to the 'Introduction' section on page 3.
436 (b)	a reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One; that reconciliation shall outline the differences between the accounting and regulatory scopes of consolidation and the legal entities included within the regulatory scope of consolidation where it differs from the accounting scope of consolidation; the outline of the legal entities included within the regulatory scope of consolidation shall describe the method of regulatory consolidation where it is different from the accounting consolidation method, whether those entities are fully or proportionally consolidated and whether the holdings in those legal entities are deducted from own funds;	Refer to Structure of the regulatory group on page 8. Table 2: Reconciliation of regulatory own funds to balance sheet in the financial statements (UK CC2) on page 8. Table 3: Principal entities with a different regulatory and accounting scope of consolidation (LI3) on page 9.
436 (c)	a breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One, broken down by type of risks as referred to under this Part.	Table 4: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1) on page 10.
436 (d)	a reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation as defined in Sections 2 and 3 of Title II of Part One, and the exposure amount used for regulatory purposes; that reconciliation shall be supplemented by qualitative information on those main sources of differences.	Table 5: Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2) on page 11. Refer to the 'Explanations of differences between accounting and regulatory exposure amounts' section on page 11.
436 (e)	for exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions.	Table 68: Prudential valuation adjustments (PV1) on page 96.
436 (f)	any current or expected material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities between the parent undertaking and its subsidiaries.	Refer to the 'Treasury risk' section on page 14.
436 (g)	the aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation, and the name or names of those subsidiaries.	Refer to the 'Treasury risk' section on page 14.
436 (h)	where applicable, the circumstances under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9.	Refer to the 'Minimum requirement for own funds and eligible liabilities' section on page 29.
Own funds		
437	Institutions shall disclose the following information regarding their own funds:	HSBC complies with the requirement as set out below.
437 (a)	a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied to own funds of the institution pursuant to Articles 32 to 36, 56, 66 and 79 with the balance sheet in the audited financial statements of the institution;	Table 2: Reconciliation of regulatory own funds to balance sheet in the financial statements (UK CC2) on page 8. Table 6 : Composition of Regulatory own funds (UK CC1) on page 15.

Article	Regulatory Requirements	Compliance reference
437 (b)	a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution.	A summary of terms and conditions of own funds in accordance with Annex VIII is available separately on HSBC's investor relations website, www.hsbc.com/investors .
437 (c)	the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments.	
437 (d)	a separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) items deducted pursuant to Articles 36, 56 and 66; (iii) items not deducted pursuant to Articles 47, 48, 56, 66 and 79.	Table 6: Composition of Regulatory own funds (UK CC1) on page 15.
437 (e)	a description of all restrictions applied to the calculation of own funds in accordance with the Capital Regulation Requirements and the instruments, prudential filters and deductions to which those restrictions apply.	Table 6: Composition of Regulatory own funds (UK CC1) on page 15.
437 (f)	a comprehensive explanation of the basis on which capital ratios are calculated where those capital ratios are calculated by using elements of own funds determined on a basis other than the basis laid down in the CRR II.	HSBC Holdings plc complies with the own fund calculations set out in the CRR II rules.
Disclosure of own funds and eligible liabilities		
437a	Institutions that are subject to Article 92a or are material subsidiaries of non-UK G-SIIs and are not resolution entities or subsidiaries of a UK parent institution shall disclose the following information regarding their own funds and eligible liabilities:	HSBC Holdings plc complies with the requirement as set out below.
437a (a)	The composition of their own funds and eligible liabilities, their maturity and their own features.	Please refer to the Capital and Other TLAC-eligible Instruments Main Features document which is available separately on HSBC's investor relations website, www.hsbc.com/investors
437a (b)	The ranking of eligible liabilities in the creditor hierarchy.	Refer to TLAC3 tables for all three resolution groups on page 33, 34 and 35.
437a (c)	the total amount of each issuance of eligible liabilities instruments referred to in Article 72b and the amount of those issuances that is included in eligible liabilities items within the limits specified in Article 72b(3) and (4);	A summary of terms and conditions of own funds in accordance with Annex VIII is available separately on HSBC's investor relations website, www.hsbc.com/investors Refer to TLAC3 tables for all three resolution groups on page 33, 34 and 35.
437a (d)	Total amount of excluded liabilities referred to in Article 72a(2).	Refer to TLAC3 tables for all three resolution groups on page 33, 34 and 35.
Own funds requirement and risk-weighted exposure amounts		
438	Institutions shall disclose the following information regarding their compliance with Article 92 and rules 3.1(1)(a) and 3.4 of the Internal Capital Adequacy Assessment Part of the PRA Rulebook:	HSBC Holdings plc complies with the requirement as set out below.
438 (a)	a summary of their approach to assessing the adequacy of their internal capital to support current and future activities.	Refer to the 'Internal capital adequacy assessment' section on page 28.
438 (b)	the amount of the additional own funds requirements based on the supervisory review and evaluation process (within the meaning of regulation 34A of the Capital Requirements Regulations) and its composition in terms of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments.	Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
438 (c)	the result of the institution's internal capital adequacy assessment process.	Refer to the 'Internal capital adequacy assessment section' on page 28.
438 (d)	the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds.	Table 7: Overview of risk-weighted exposure amounts (OV1) on page 18.
438 (e)	the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2).	Table 51: Specialised lending and equity exposures under the simple risk-weight approach (CR10) on page 80.
438 (f)	the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis.	This disclosure is not applicable to HSBC Holdings plc.
438 (g)	the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with the provisions implementing Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied.	This disclosure is not applicable to HSBC Holdings plc.
438 (h)	the variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations.	Table 8: RWA flow statements of credit risk exposures under the IRB approach (CR8) on page 19. Table 9: RWA flow statements of CCR exposures under IMM (CCR7) on page 19. Table 10: RWA flow statements of market risk exposures under IMA (MR2-B) on page 19.

Article	Regulatory Requirements	Compliance reference
Exposures to counterparty credit risk (CCR)		
439	Institutions shall disclose the following information regarding their exposure to counterparty credit risk as referred to in Chapter 6 of Title II of Part Three:	HSBC Holdings plc complies with the requirement as set out below.
439 (a)	a description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties;	Refer to the 'Counterparty credit risk management' section on page 82.
439 (b)	a description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves;	Refer to the 'Collateral arrangements' section on page 85.
439 (c)	a description of policies with respect to General Wrong-Way risk and Specific Wrong-Way risk as defined in Article 291;	Refer to the 'Wrong way risk' section on page 86.
439 (d)	the amount of collateral the institution would have to provide if its credit rating were downgraded;	Refer to the 'Credit Rating Downgrades' section on page 86.
439 (e)	for derivative transactions, the amount of segregated and unsegregated collateral received and posted per type of collateral; and for securities financing transactions, the total amount of collateral received and posted per type of collateral; provided in each case that: (i) institutions shall not disclose such amounts unless both the fair value of collateral posted in the form of debt securities and the fair value of collateral received in that form exceed GBP 125 billion; and (ii) for the purposes of subparagraph (i), institutions shall use the twelve month rolling arithmetic mean of the fair value of collateral received or posted (as the case may be) in the form of debt securities, determined using quarterly data calculated in a manner consistent with data reported under Article 430(g) and covering the twelve months immediately preceding the disclosure reference date;	Table 56: Composition of collateral for CCR exposure (CCR5) on page 85.
439 (f)	for derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method;	Table 52: Analysis of counterparty credit risk exposure by approach (excluding centrally cleared exposures) (CCR1) on page 82.
439 (g)	for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three, whichever method is used, and the associated risk exposure amounts broken down by applicable method;	Table 52: Analysis of counterparty credit risk exposure by approach (excluding centrally cleared exposures) (CCR1) on page 82.
439 (h)	the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method as set out in Title VI of Part Three;	Table 53: Credit valuation adjustment capital charge (CCR2) on page 83.
439 (i)	the exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures;	Table 58: Exposures to central counterparties (CCR8) on page 86.
439 (j)	the notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold;	Table 57: Credit derivatives exposures (CCR6) on page 86.
439 (k)	the estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha in accordance with Article 284(9);	Table 52: Analysis of counterparty credit risk exposure by approach (excluding centrally cleared exposures) (CCR1) on page 82.
439 (m)	for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) [simplified standardised approach] or (2) [original exposure method], as applicable.	This disclosure is not applicable to HSBC Holdings plc, as we do not use simplified SA-CCR and Original Exposure Method.
Countercyclical capital buffers		
440	Institutions shall disclose the following information in relation to their compliance with the requirement for a countercyclical capital buffer referred to in regulation 2 of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014: Chapter 3 of the Capital Buffers Part:	HSBC Holdings plc complies with the requirement as set out below.
440 (a)	the geographical distribution of the exposure amounts and risk-weighted exposure amounts of its credit exposures used as a basis for the calculation of their countercyclical capital buffer;	Table 70: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (UK CCyB1) on page 99.
440 (b)	the amount of their institution-specific countercyclical capital buffer.	Table 71: Amount of institution-specific countercyclical capital buffer (UK CCyB2) on page 100.
Indicators of global systemic importance		
441	G-SIBs shall disclose, on an annual basis, the information specified in Annex XXVI of the Reporting (CRR) Part, in accordance with the instructions in Annex XXVII of the Reporting (CRR) Part.	G-SIB Indicators are disclosed separately on the HSBC website, www.hsbc.com/investors . G-SIB capital buffers are calculated by the Financial Stability Board ('FSB') and provided to institutions at a later date.

Article	Regulatory Requirements	Compliance reference
Credit risk adjustments		
442	Institutions shall disclose the following information regarding their exposure to credit risk and dilution risk:	HSBC Holdings plc complies with the requirement as set out below.
442 (a)	the scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes;	Refer to 'Non-performing and forborne exposures' section on page 38.
442 (b)	a description of the approaches and methods adopted for determining specific and general credit risk adjustments;	Refer to 'Non-performing and forborne exposures' section on page 38. Expected losses and credit risk adjustments' section on page 51.
442 (c)	information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received;	Table 32: Credit quality of forborne exposures (CQ1) on page 39.
		Table 34: Collateral obtained by taking possession and execution processes (CQ7) on page 41.
		Table 35: Quality of non-performing exposures by geography (CQ4) on page 41.
442 (d)	an ageing analysis of accounting past due exposures;	Table 36: Credit quality of loans and advances to non-financial corporations by industry (CQ5) on page 42.
		Table 33: Credit quality of performing and non-performing exposures by past due days (CQ3) on page 40.
442 (e)	the gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off-balance-sheet exposures;	Table 29: Performing and non-performing exposures and related provisions (CR1) on page 37.
		Table 32: Credit quality of forborne exposures (CQ1) on page 39.
		Table 35: Quality of non-performing exposures by geography (CQ4) on page 41.
442 (f)	any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off;	Table 36: Credit quality of loans and advances to non-financial corporations by industry (CQ5) on page 42.
442 (g)	the breakdown of loans and debt securities by residual maturity.	Table 31: Changes in the stock of non-performing loans and advances (CR2) on page 38.
Encumbered and unencumbered assets		
443	Institutions shall disclose information concerning their encumbered and unencumbered assets. For those purposes, institutions shall use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered. Disclosure of information on encumbered and unencumbered assets shall not reveal emergency liquidity assistance provided by central banks.	Table 30: Maturity of exposures (CR1-A) on page 38.
		Refer to 'Asset encumbrance' section on page 27. Refer to 'Importance of encumbrance' section on page 27. Table 17: Encumbered and unencumbered assets (UK AE1) on page 27. Table 18: Collateral received and own debt securities issued (UK AE2) on page 28. Table 19: Sources of encumbrance (UK AE3) on page 28.
Use of the standardised approach		
444	Institutions calculating their risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three shall disclose the following information for each of the exposure classes set out in Article 112:	HSBC Holdings plc complies with the requirement as set out below.
444 (a)	the names of the nominated ECAs and export credit agencies and the reasons for any changes in those nominations over the disclosure period;	Refer to 'Qualitative disclosures on bank's use of external credit ratings under the standardised approach for credit risk' section on page 49.
444 (b)	the exposure classes for which each ECAI or export credit agency is used;	Refer to 'Qualitative disclosures on bank's use of external credit ratings under the standardised approach for credit risk' section on page 49.
444 (c)	a description of the process used to transfer the issuer and issue credit ratings onto items not included in the trading book;	Refer to 'Qualitative disclosures on bank's use of external credit ratings under the standardised approach for credit risk' section on page 49.
444 (d)	the association of the external rating of each nominated ECAI or export credit agency with the risk weights that correspond to the credit quality steps as set out in Chapter 2 of Title II of Part Three taking into account that it is not necessary to disclose that information where the institutions comply with the standard association published by the competent authority;	Table 42: CQS reference table on page 49.
444 (e)	the exposure values and the exposure values after credit risk mitigation associated with each credit quality step as set out in Chapter 2 of Title II of Part Three [standardised approach] by exposure class, as well as those deducted from own funds.	Table 38: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4) on page 45.
		Table 54: Standardised approach – CCR exposures by regulatory exposure class and risk weights (CCR3) on page 83
		Table 43: Standardised approach – exposures by asset classes and risk weights (CR5) on page 50.
Exposure to market risk		
445	Institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those provisions. In addition, own funds requirements for the specific interest rate risk of securitisation positions shall be disclosed separately.	Table 64: Market risk under standardised approach (MR1) on page 92.

Article	Regulatory Requirements	Compliance reference
Operational risk management		
446	Institutions shall disclose the following information about their operational risk management:	HSBC Holdings plc complies with the requirement as set out below.
446 (a)	the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for;	Table 69: Operational risk own funds requirements and risk-weighted exposure amounts (OR1) on page 97. The approach is also explained under 'Pillar 1 minimum capital requirements and RWA flow' on page 17.
446 (b)	where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include a discussion of relevant internal and external factors being considered in the institution's advanced measurement approach;	This disclosure is not applicable as HSBC Holdings plc applies the standardised approach.
446 (c)	in the case of partial use, the scope and coverage of the different methodologies used.	
Disclosure of key metrics		
447	Institutions shall disclose the following key metrics in a tabular format:	HSBC Holdings plc complies with the requirement as set out below.
447 (a)	the composition of their own funds and their own funds requirements as calculated in accordance with Article 92;	Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
447 (b)	the total risk exposure amount as calculated in accordance with Article 92(3);	
447 (c)	where applicable, the amount and composition of additional own funds which the institutions are required to hold in accordance with regulation 34(1) of the Capital Requirements Regulations;	
447 (d)	their combined buffer as defined in the Capital Buffers Part;	
447 (e)	the following information in relation to their leverage ratio: (i) for all institutions, their leverage ratio and total exposure measure; (ii) for LREQ firms, the information in Article 451(1)(b) and (g) and Article 451(2)(b) to (d);	
447 (f)	the following information in relation to their liquidity coverage ratio as calculated in accordance with Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook:	Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
447 (g)	the following information in relation to their net stable funding requirement as calculated in accordance with Title IV of Part Six:	Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
447 (h)	their own funds and eligible liabilities ratios and their components, numerator and denominator, as calculated in accordance with Article 92a or, in the case of institutions that are material subsidiaries of non-UK G-SIs and are not resolution entities or subsidiaries of a UK parent institution, in accordance with a direction from the Bank of England under section 3A(4B) of the Banking Act 2009, and broken down at the level of each resolution group, where applicable.	Refer to 'Key metrics of the resolution groups' section on page 30.
Exposures to interest rate risk on positions not included in the trading book		
448 (1)	Institutions shall disclose the following quantitative and qualitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities referred to in Chapter 9 of the Internal Capital Adequacy Assessment (ICAA) Part of the PRA Rulebook:	HSBC Holdings plc complies with the requirement as set out below.
448 (1) (a)	(a) the changes in the economic value of equity calculated under the following six supervisory shock scenarios referred to in Rule 9.7 of the ICAA Part of the PRA Rulebook for the current and previous disclosure periods: (i) parallel shock up; (ii) parallel shock down; (iii) steepener shock (short rates down and long rates up); (iv) flattener shock (short rates up and long rates down); (v) short rates shock up; (vi) short rates shock down;	Table 16: Quantitative information on IRRBB (UK IRRBB1) on page 27.
448 (1) (b)	the changes in the net interest income calculated under the following two supervisory shock scenarios referred to in Rule 9.7 of the ICAA Part of the PRA Rulebook for the current and previous disclosure periods: (i) parallel shock up; (ii) parallel shock down;	
448 (1) (c)	a description of key modelling and parametric assumptions used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph;	Refer to the qualitative information on 'Interest rate risk in the banking book' section on page 14.
448 (1) (d)	an explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date;	

Article	Regulatory Requirements	Compliance reference
448 (1) (e)	the description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities for the purposes of the competent authorities' review in accordance with Chapter 9 of the ICAA Part of the PRA Rulebook, including: (i) a description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income; (ii) a description of the key modelling and parametric assumptions used in the institutions' internal measurement systems for the purpose of calculating changes in the economic value of equity and in net interest income, as required under points (a) and (b) of this paragraph, if those assumptions differ from those used for the purposes of Chapter 9 of the ICAA Part of the PRA Rulebook or from those specified in Annex XXXVIII of Chapter 6 of this Disclosure (CRR II) Part of the PRA Rulebook, including the rationale for those differences; (iii) a description of the interest rate shock scenarios that institutions use to estimate the interest rate risk; (iv) the recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements laid down in Article 106(3); (v) an outline of how often the evaluation of the interest rate risk occurs;	Refer to the 'Interest rate risk in the banking book' section on page 14.
448 (1) (f)	the description of the overall risk management and mitigation strategies for those risks;	Refer to the qualitative information on 'Interest rate risk in the banking book' section on page 14.
448 (1) (g)	average and longest repricing maturity assigned to non-maturing deposits.	
448 (2)	By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e)(iv) of paragraph 1 of this Article for descriptions relating to economic value of equity shall not apply to institutions that use the standardised framework referred to in Rule 9.1B of the ICAA Part of the PRA Rulebook.	This paragraph is not applicable to HSBC Holdings plc.
Exposure to securitisation positions		
449	Institutions calculating risk-weighted exposure amounts in accordance with Chapter 5 of Title II of Part Three or own funds requirements in accordance with Article 337 or 338 shall disclose the following information separately for their trading and non-trading book activities:	HSBC Holdings plc complies with the requirement as set out below.
449 (a)	a description of their securitisation and re-securitisation activities, including their risk management and investment objectives in connection with those activities, their role in securitisation and re-securitisation transactions, whether they use the simple, transparent and standardised securitisation (STS) as defined in point (10) of Article 242, and the extent to which they use securitisation transactions to transfer the credit risk of the securitised exposures to third parties with, where applicable, a separate description of their synthetic securitisation risk transfer policy;	Refer to the 'Securitisation strategy' and 'Securitisation activity' sections on page 87.
449 (b)	the type of risks they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STS positions and: (i) the risk retained in own-originated transactions; (ii) the risk incurred in relation to transactions originated by third parties;	Refer to the 'Securitisation strategy' and 'Securitisation activity' sections on page 87.
449 (c)	their approaches for calculating the risk-weighted exposure amounts that they apply to their securitisation activities, including the types of securitisation positions to which each approach applies and with a distinction between STS and non-STS positions;	Refer to the 'Securitisation regulatory treatment' section on page 88 and our securitisation approaches section on page 17.
449 (d)	a list of SSPEs falling into any of the following categories, with a description of their types of exposures to those SSPEs, including derivative contracts: (i) SSPEs which acquire exposures originated by the institutions; (ii) SSPEs sponsored by the institutions; (iii) SSPEs and other legal entities for which the institutions provide securitisation-related services, such as advisory, asset servicing or management services; (iv) SSPEs included in the institutions' regulatory scope of consolidation;	Refer to the 'Securitisation strategy' section on page 87.
449 (e)	a list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three;	HSBC Holdings plc does not provide support to its originated or sponsored securitisation transactions as a policy.
449 (f)	a list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions;	This disclosure is not applicable to HSBC Holdings plc.
449 (g)	a summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions;	Refer to the 'Securitisation accounting treatment' section on page 88.
449 (h)	the names of the ECAs used for securitisations and the types of exposure for which each agency is used;	Refer to the 'Qualitative disclosures on bank's use of external credit ratings under the standardised approach for credit risk' section on page 49.

Article	Regulatory Requirements	Compliance reference
449 (i)	where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three, including the structure of the internal assessment process and relation between internal assessment and external ratings of the relevant ECAI disclosed in accordance with point (h), the control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review, the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels;	Refer to the 'Securitisation regulatory treatment' section on page 88.
449 (j)	separately for the trading book and the non-trading book, the carrying amount of securitisation exposures, including information on whether institutions have transferred significant credit risk in accordance with Articles 244 and 245, for which institutions act as originator, sponsor or investor, separately for traditional and synthetic securitisations, and for STS and non-STS transactions and broken down by type of securitisation exposures;	Table 59: Securitisation exposures in the non-trading book (SEC1) on page 89. Table 60: Securitisation exposures in the trading book (SEC2) on page 89.
449 (k)(i)	for the trading and the non-trading book activities, the following information: (i) the aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1250%, broken down between traditional and synthetic securitisations and between securitisation and re-securitisation exposures, separately for STS and non-STS positions, and further broken down into a meaningful number of risk-weight or capital requirement bands and by approach used to calculate the capital requirements ;	Table 61: Securitisation exposures in the non-trading book and associated regulatory capital requirements – bank acting as originator or as sponsor (SEC3) on page 90.
449 (k)(ii)	the aggregate amount of securitisation positions where institutions act as investor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1250%, broken down between traditional and synthetic securitisations, securitisation and re-securitisation positions, and STS and non-STS positions, and further broken down into a meaningful number of risk weight or capital requirement bands and by approach used to calculate the capital requirements;	Table 62.i: Securitisation exposures in the non-trading book and associated capital requirements – bank acting as investor (SEC4) on page 90.
449 (l)	for exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type.	Table 63: Exposures securitised by the institution – Institution acts as originator or as sponsor (SEC5) on page 91.
Remuneration disclosures		
450 (1)	Institutions shall disclose the following information regarding their remuneration policy and practices for those categories of staff whose professional activities have a material impact on risk profile of the institutions:	HSBC Holdings plc complies with the requirement as set out below. HSBC's remuneration policy, including the remuneration committee membership and activities, remuneration strategy and remuneration details of HSBC's identified staff and material risk takers, is set out in the Directors' Remuneration Report of the Annual Report and Accounts from page 219.
450 (1) (a)	information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	Details on the governance of the Group Remuneration Committee is outlined on page 230. Details on the meetings of the Group Remuneration Committee during the year are outlined on page 195.
450 (1) (b)	information about the link between pay of the staff and their performance;	Details on the link between risk, performance and reward is outlined on page 229.
450 (1) (c)	the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;	Details on the remuneration structure for colleagues is outlined on page 227 and the link between risk, performance and reward is outlined on page 229.
450 (1) (d)	the ratios between fixed and variable remuneration set in accordance with rules 15.9 of the Remuneration Part of the PRA Rulebook;	The permitted maximum ratios between fixed and variable pay are disclosed as part of our MRT remuneration disclosures from page 238.
450 (1) (e)	information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;	Details on the link between risk, performance and reward is outlined on page 229.

Article	Regulatory Requirements	Compliance reference
450 (1) (f)	the main parameters and rationale for any variable component scheme and any other non-cash benefits;	Details on the remuneration structure for colleagues is outlined on page 227.
450 (1) (g)	aggregate quantitative information on remuneration, broken down by business area;	
450 (1) (h)	<p>aggregate quantitative information on remuneration, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institutions, indicating the following:</p> <p>(i) the amounts of remuneration for the financial year, split into fixed remuneration including a description of the fixed components, and variable remuneration, and the number of beneficiaries;</p> <p>(ii) the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and the deferred part;</p> <p>(iii) the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years;</p> <p>(iv) the amount of deferred remuneration due to vest in the financial year, and the number of beneficiaries of those awards;</p> <p>(v) the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards;</p> <p>(vi) severance payments awarded in previous periods, that have been paid out during the financial year;</p> <p>(vii) the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person;</p>	Our MRT remuneration disclosures are outlined from page 238.
450 (1) (i)	the number of individuals that have been remunerated EUR 1 million or more per financial year, with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and with the remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;	
450 (1) (k)	<p>information on whether the institution benefits from a derogation laid down in the Remuneration Part of the PRA Rulebook at 5.3, and/or 12.2 (second subparagraph), and 15.A1(3).</p> <p>For the purposes of point (k) of the first subparagraph of this paragraph, institutions that benefit from such a derogation shall indicate whether they benefit from that derogation on the basis of the Remuneration Part of the PRA Rulebook at 5.3, and/or 12.2 (second subparagraph), and 15.A1(3). They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.</p>	HSBC Holdings plc is not a small CRR II firm or a small third country CRR firm, therefore the benefits of provision 5.3 in the PRA Rulebook do not apply to HSBC. Provision 12.2 of the PRA Rulebook applies to a firm that is not a small CRR firm or a small third country CRR firm. HSBC doesn't offer discretionary pension benefits, therefore we don't take advantage of the exemption in the second paragraph. HSBC does benefit from the exemption under 15.A1(3). The requirements of Article 450(1)(k) are complied with through Note 4 to REM1 in the Annual Report & Accounts on page 238.
450 (2)	<p>For large institutions, the quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members.</p> <p>Institutions shall comply with the requirements set out in this Article in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities and without prejudice to the GDPR.</p>	Remuneration information for the collective management body is disclosed as part of our MRT remuneration disclosures from page 238.
Leverage		
451 (1)	Institutions shall disclose the following information regarding their leverage ratio as calculated in accordance with Article 429 of Chapter 3 of the Leverage Ratio (CRR II) Part and their management of the risk of excessive leverage:	HSBC Holdings plc complies with the requirement as set out below.
451 (1) (a)	the leverage ratio;	Table 11: Leverage ratio common disclosure (UK LR2-LRCom) on page 20.
451 (1) (b)	the leverage ratio calculated as if central bank claims were required to be included in the total exposure measure;	Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
451 (1) (c)	a breakdown of the total exposure measure, as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;	<p>Table 12: Summary reconciliation of accounting assets and leverage ratio exposures (UK LR1- LRSum) on page 21.</p> <p>Table 13: Leverage ratio – split of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (UK LR3-LRSpI) on page 21.</p>

Article	Regulatory Requirements	Compliance reference
451 (1) (d)	a description of the processes used to manage the risk of excessive leverage;	Refer to Leverage ratio section on page 20.
451 (1) (e)	a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers;	
451 (1) (f)	in relation to the quarterly periods up to 31 December 2022, the leverage ratio calculated as if Article 468 of the CRR II did not apply for purposes of the capital measure under Article 429(3) of Chapter 3 of the Leverage Ratio (CRR II) Part;	No temporary treatment for HSBC, Row UK-25b in the LR2-LRCom table on page 20 shows the leverage ratio is aligned to row UK-25.
451 (1) (g)	in relation to the quarterly periods up to 31 December 2024, the leverage ratio calculated as if Article 473a of the CRR II did not apply for purposes of the capital measure under Article 429(3) of Chapter 3 of the Leverage Ratio (CRR II) Part.	Table 11: Leverage ratio common disclosure (UK LR2-LRCom) on page 20. Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
451 (2)	LREQ firm must disclose each of the following – a) average exposure measure; b) average leverage ratio; c) average leverage ratio calculated as if central bank claims were required to be included in the total exposure measure; d) countercyclical leverage ratio buffer; and e) any additional leverage ratio buffer.	Table 11: Leverage ratio common disclosure (UK LR2-LRCom) on page 20. Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
451 (3)	An LREQ firm must disclose such information as is necessary to enable users to understand changes in the firm's total exposure measure and tier 1 capital (leverage) over the quarter that have affected the firm's average leverage ratio.	Refer to Leverage ratio commentary on page 20.
451 (4)	Subject to paragraph 5 (see below):	See below
451 (4) (a)	for the purposes of paragraph 2(a) an LREQ firm must calculate its average exposure measure for a quarter as the sum of: (i) the arithmetic mean of the firm's total exposure measure in relation to on-balance sheet assets and securities financing transactions on each day in the quarter; and (ii) the arithmetic mean of the firm's total exposure measure excluding on-balance sheet assets and securities financing transactions on the last day of each month in the quarter; and	Table 11: Leverage ratio common disclosure (UK LR2-LRCom) on page 20. Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
451 (4) (b)	for the purposes of paragraphs 2(b) and 3, an LREQ firm must calculate its average leverage ratio for a quarter as its capital measure divided by its exposure measure where the: (i) capital measure is the arithmetic mean of the firm's tier 1 capital (leverage) on the last day of each month in the quarter; and (ii) exposure measure is the sum derived in accordance with (a).	Table 11: Leverage ratio common disclosure (UK LR2-LRCom) on page 20. Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
Disclosure of liquidity requirement		
451a (1)	Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article.	HSBC Holdings plc complies with the requirement as set out below.
451a (2)	Institutions shall disclose the following information in relation to their liquidity coverage ratio as calculated in accordance with the Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook:	HSBC Holdings plc complies with the requirement as set out below.
451a (2) (a)	the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	Table 14: Quantitative information of LCR (UK LIQ1) on page 23.
451a (2) (b)	the average or averages, as applicable, of their total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer;	Table 14: Quantitative information of LCR (UK LIQ1) on page 23.
451a (2) (c)	the averages of their liquidity outflows, inflows and net liquidity outflows as calculated in accordance with the Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition.	Table 14: Quantitative information of LCR (UK LIQ1) on page 23.
451a (3)	Institutions shall disclose the following information in relation to their net stable funding ratio as calculated in accordance with Title IV of Part Six:	HSBC Holdings plc complies with the requirement as set out below.
451a (3) (a)	averages of their net stable funding ratio calculated in accordance with Chapter 2 of Title IV of Part Six for each quarter of the relevant disclosure period, based on end-of-the-quarter observations over the preceding four quarters;	Table 15: Net stable funding ratio (UK LIQ2) on page 24.
451a (3) (b)	an overview of the amount of available stable funding calculated in accordance with Chapter 3 of Title IV of Part Six for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters;	Table 15: Net stable funding ratio (UK LIQ2) on page 24.

Article	Regulatory Requirements	Compliance reference
451a (3) (c)	an overview of the amount of required stable funding calculated in accordance with Chapter 4 of Title IV of Part Six for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters.	Table 15: Net stable funding ratio (UK LIQ2) on page 24.
451a (4)	Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with the Internal Liquidity Adequacy Assessment Part of the PRA Rulebook.	For details on our approach to managing Liquidity Risk, refer to 'Treasury Risk' section on page 14.
Use of the IRB approach to credit risk		
452	Institutions calculating the risk-weighted exposure amounts under the IRB Approach to credit risk shall disclose the following information:	HSBC Holdings plc complies with the requirement as set out below.
452 (a)	the competent authority's permission of the approach or approved transition;	HSBC Holdings plc applies the IRB approach where it has PRA permission. Refer to the 'Application of the IRB approach' and 'Roll-out of the IRB approach' sections on page 51.
452 (b)	for each exposure class referred to in Article 147, the percentage of the total exposure value of each exposure class subject to the Standardised Approach laid down in Chapter 2 of Title II of Part Three or to the IRB Approach laid down in Chapter 3 of Title II of Part Three, as well as the part of each exposure class subject to a roll-out plan; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall disclose separately the percentage of the total exposure value of each exposure class subject to that permission; For the purposes of this Article, institutions shall use the exposure value as defined in Article 166.	Table 41: Scope of the use of IRB and SA approaches (UK CR6-A) on page 48.
452 (c)	the control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on: (i) the relationship between the risk management function and the internal audit function; (ii) the rating system review; (iii) the procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models; (iv) the procedure to ensure the accountability of the functions in charge of developing and reviewing the models;	Refer to 'Global Risk analytics and model governance' section on page 13.
452 (d)	the role of the functions involved in the development, approval and subsequent changes of the credit risk models;	Refer to 'Global Risk analytics and model governance' section on page 13.
452 (e)	the scope and main content of the reporting related to credit risk models;	Refer to the 'Credit risk management' section on page 36.
452 (f)	a description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering: (i) the definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods; (ii) where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure; (iii) where applicable, the definitions, methods and data for estimation and validation of conversion factors, including assumptions employed in the derivation of those variables;	Table 46: Wholesale IRB models – estimated and actual values on page 67. Table 49: Retail IRB models – estimated and actual values on page 75. For retail, refer to 'Retail risk rating systems', 'Retail credit models', and 'model performance' sections on page 72, 75 and 79 respectively. For wholesale, refer to 'Wholesale risk rating system' and 'Whole sale models' sections from page 65.
452 (g)	as applicable, the following information in relation to each exposure class referred to in Article 147: (i) their gross on-balance-sheet exposure; (ii) their off-balance-sheet exposure values prior to the relevant conversion factor; (iii) their exposure after applying the relevant conversion factor and credit risk mitigation; (iv) any model, parameter or input relevant for the understanding of the risk weighting and the resulting risk exposure amounts disclosed across a sufficient number of obligor grades (including default) to allow for a meaningful differentiation of credit risk; (v) separately for those exposure classes in relation to which institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, and for exposures for which the institutions do not use such estimates, the values referred to in points (i) to (iv) subject to that permission;	Table 52: IRB – Credit risk exposures by portfolio and PD range (CR6) on page 52. Table 55: IRB – CCR exposures by portfolio and PD scale (CCR4) on page 84.

Article	Regulatory Requirements	Compliance reference
452 (h)	institutions' estimates of PDs against the actual default rate for each exposure class over a longer period, with separate disclosure of the PD range, the external rating equivalent, the weighted average and arithmetic average PD, the number of obligors at the end of the previous year and of the year under review, the number of defaulted obligors, including the new defaulted obligors, and the annual average historical default rate.	Table 47: Wholesale IRB exposure – back-testing of probability of default (PD) per portfolio (CR9)) on page 67. Table 50: Retail IRB exposure – back-testing of probability of default (PD) per portfol (CR9) on page 76.
Use of credit risk mitigation techniques		
453	Institutions using credit risk mitigation techniques shall disclose the following information:	HSBC Holdings plc complies with the requirement as set out below.
453 (a)	the core features of the policies and processes for on- and off-balance-sheet netting and an indication of the extent to which institutions make use of balance sheet netting;	
453 (b)	the core features of the policies and processes for eligible collateral evaluation and management;	
453 (c)	a description of the main types of collateral taken by the institution to mitigate credit risk;	Refer to the 'Risk Mitigation Policies and procedures' section on page 12.
453 (d)	for guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purpose of reducing capital requirements, excluding those used as part of synthetic securitisation structures;	
453 (e)	information about market or credit risk concentrations within the credit mitigation taken;	Refer to 'Risk mitigation' section on page 12.
453 (f)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments; the disclosure set out in this point shall be made separately for loans and debt securities and including a breakdown of defaulted exposures;	Table 37: Credit risk mitigation techniques – overview (CR3) on page 44.
453 (g)	the corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect;	Table 38: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4) on page 45. Table 40: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) on page 46.
453 (h)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation;	Table 38: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4) on page 45.
453 (i)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class;	Table 38: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4) on page 45.
453 (j)	for institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission.	Table 39: IRB – Effect on the RWA of credit derivatives used as CRM techniques (CR7) on page 45.
Use of the Advanced Measurement Approaches to operational risk		
454	The institutions using the Advanced Measurement Approaches set out in Articles 321 to 324 for the calculation of their own funds requirements for operational risk shall disclose a description of their use of insurance and other risk transfer mechanisms for the purpose of mitigating that risk.	This disclosure is not applicable to HSBC Holdings plc as we apply the standardised approach
Use of internal market risk models		
455	Institutions calculating their capital requirements in accordance with Article 363 shall disclose the following information:	HSBC Holdings plc complies with the requirement as set out below.
455 (a) (i)	for each sub-portfolio covered: (i) the characteristics of the models used	Refer to 'Market risk measures' section on page 93.
455 (a) (ii)	where applicable, for the internal models for incremental default and migration risk and for correlation trading, the methodologies used and the risks measured through the use of an internal model including a description of the approach used by the institution to determine liquidity horizons, the methodologies used to achieve a capital assessment that is consistent with the required soundness standard and the approaches used in the validation of the model;	Refer to 'Incremental risk charge' in the 'Market Risk' section on page 96.
455 (a) (iii)	a description of stress testing applied to the sub-portfolio;	Refer to 'Stress testing' in the 'Market Risk' section on page 94.

Article	Regulatory Requirements	Compliance reference
455 (a) (iv)	a description of the approaches used for back-testing and validating the accuracy and consistency of the internal models and modelling processes;	Refer to 'Back-testing' in the 'Market Risk' section on page 93.
455 (b)	the scope of permission by the competent authority;	Refer to 'Market risk capital models' section on page 95 Also, non-proprietary details of the models and permissions are available in the Financial Services Register on the PRA website.
455 (c)	a description of the extent and methodologies for compliance with the requirements set out in Articles 104 and 105;	Refer to 'Prudent valuation adjustment' section on page 96.
455 (d)	the highest, the lowest and the mean of the following: (i) the daily value-at-risk measures over the reporting period and at the end of the reporting period; (ii) the stressed value-at-risk measures over the reporting period and at the end of the reporting period; (iii) the risk numbers for incremental default and migration risk and for the specific risk of the correlation trading portfolio over the reporting period and at the end of the reporting period;	Table 67: IMA values for trading portfolios (MR3) on page 95.
455 (e)	the elements of the own funds requirement as specified in Article 364;	Table 65: Market risk under IMA (MR2-A) on page 92.
455 (f)	the weighted average liquidity horizon for each sub-portfolio covered by the internal models for incremental default and migration risk and for correlation trading;	This disclosure is not applicable to HSBC Holdings plc as only one liquidity horizon is used, therefore no weighting required.
455 (g)	a comparison of the daily end-of-day value-at-risk measures to the one-day changes of the portfolio's value by the end of the subsequent business day together with an analysis of any important overshooting during the reporting period.	Table 66: Comparison of VaR estimates with gains/losses (MR4) on page 94.

Other Information

Abbreviations

The following abbreviated terms are used throughout this document.

Currencies

\$	United States dollar
A	
AIRB ¹	Advanced internal ratings based approach
ALCO	Asset and Liability Management Committee
Apr	April
ARG	Asian resolution group
ASF	Available stable funding
AT1 capital	Additional tier 1 capital
Aug	August
AVA	Additional value adjustment
AVM	Automated valuation models
B	
Basel	Basel Committee on Banking Supervision
Basel III	Basel Committee's reforms to strengthen global capital and liquidity rules
Basel 3.1	Outstanding measures to be implemented from the Basel III reforms
BNII	Banking net interest income
Board	Board of directors
BoCom	Bank of Communications Co., Limited, one of China's largest banks
BoE	Bank of England
C	
CCF	Credit conversion factor
CCP ¹	Central counterparty
CCR ¹	Counterparty credit risk
CCyB ¹	Countercyclical capital buffer
CDS ¹	Credit default swap
CET1 ¹	Common equity tier 1
CEO	Chief Executive Officer
CIB	Corporate and Institutional Banking, a business segment
CIU	Collective investment undertakings
CQS	Credit quality step
CRA	Credit risk adjustment
CRD IV ¹	Capital Requirements Regulation and Directive
CRE ¹	Commercial real estate
CRM ¹	Credit risk mitigation/mitigant
CRR ¹	Customer risk rating
CRR II	The regulatory requirements of the PRA Rulebook, Capital Requirements Regulation and Directive, and the CRR II regulation (EU 2019/876)
CRCO	Chief Risk and Compliance Officer
CRO	Chief Risk Officer
CSA	Credit support annex
CSRD	Corporate Sustainability Reporting Directive
CVA ¹	Credit valuation adjustment
D	
DBRS	Morningstar DBRS ratings
Dec	December
E	
EAD ¹	Exposure at default
EBA	European Banking Authority
EC	European Commission
ECA	External credit agency
ECAI	External Credit Assessment Institution
ECL ¹	Expected Credit Losses
EEPE	Effective Expected Positive Exposure
EL	Expected loss
EHQLA	Extremely high-quality liquid assets
ERG	European resolution group
ESG	Environmental, social and governance
EU	European Union
EVE	Economic value of equity

F	
FCP	Funded credit Protection
Feb	February
FINREP	Financial Reporting templates submitted to BoE
Fitch	Fitch Ratings
FIRB ¹	Foundation internal rating based approach
Free deliveries ¹	Where the institution paid for securities, foreign currencies or commodities before receiving them or delivered securities, foreign currencies or commodities before receiving payment
FSB	Financial Stability Board
FVOCI ¹	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FX	Foreign exchange
G	
GAC	Group Audit Committee
GCRCO	Group Chief Risk and Compliance Officer
GDPR	General Data Protection Regulation
GEC	Group Executive Committee
GMOF	Global Model Oversight Forum
GMRC	Global Model Risk Committee
GRC	Group Risk Committee
GRMM	Group Risk Management Meeting
Group	HSBC Holdings together with its subsidiary undertakings
G-SIB	Global systemically important bank
G-SII	Global systemically important institution
H	
Hang Seng Bank	Hang Seng Bank Limited, one of Hong Kong's largest banks
HKMA	Hong Kong Monetary Authority
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China
HQLA	High-quality liquid assets
HSBC	HSBC Holdings together with its subsidiary undertakings
HSBC Bank plc	HSBC Bank plc, also known as the non-ring-fenced bank
HSBC Bank USA	HSBC Bank US, N.A., HSBC's retail bank in the US
I	
IAA	Internal assessment approach
ICAAP ¹	Internal capital adequacy assessment process
ICR	Individual capital requirement
IFRS	International Financial Reporting Standards
IMA	Internal models approach
IMM ¹	Internal model method
IRB ¹	Internal ratings-based approach
IRRBB	Interest rate risk in the banking book
IRC	Incremental risk charge
ISSB	International Sustainability Standards Board
IWPB	International Wealth and Premier Banking, a business segment
J	
Jan	January
Jul	July
Jun	June
L	
LAC	Loss absorbing capital
LCR ¹	Liquidity coverage ratio
LGD ¹	Loss given default
Libor	London interbank offered rate
M	
Mar	March
MENAT	Middle East, North Africa and Türkiye
Moody's	Moody's Investor Service
MPE	Multiple point of entry
MREL	Minimum requirements for own funds and eligible liabilities
MRM	Model risk management
MSS	Markets and Securities Services

N		SA-CCR	Standardised approach for counterparty credit risk
NMD	Non-maturing deposits	S&P	Standard and Poor's rating agency
Nov	November	SEC-ERBA	Securitisation external rating-based approach
NSFR ¹	Net stable funding ratio	SEC-IRBA	Securitisation internal rating-based approach
O		SEC-SA	Securitisation standardised approach
Oct	October	Sep	September
OTC ¹	Over-the-counter	SFT	Securities financing transactions
P		SME	Small and medium-sized enterprise
PD ¹	Probability of default	SPE ¹	Special purpose entity
PFE	Potential future exposure	SREP	Supervisory review and evaluation process
PIT	Point-in-time	SRS	Sustainability reporting standards
PMA	Post-model adjustment	SSPE	Securitisation Special Purpose Entity
POCI	Purchased or originated credit-impaired	STS	Simple transparent and standardised
PRA ¹	Prudential Regulation Authority (UK)	SVaR	Stressed Value at risk
PSF	Parental support framework	T	
PVA	Prudent valuation adjustment	TCFD	Task Force on Climate-related Financial Disclosures
Q		TLAC ¹	Total Loss Absorbing Capacity
QCCP	Qualifying central counterparty	T1 capital ¹	Tier 1 capital
R		T2 capital ¹	Tier 2 capital
RAS	Risk appetite statement	U	
RMF	Risk Management Framework	UCC	Unconditionally cancellable commitments
RMM	Risk Management Meeting	UK	United Kingdom
RNIV	Risks not in VaR	URG	US resolution group
RSF	Required stable funding	US	United States of America
RW	Risk weight	USD	United States dollar
RWA ¹	Risk-weighted asset	UTP	Unlikeliness to pay
S		V	
SAB	Saudi Awwal Bank, which was formed from the merger between The Saudi British Bank and Alawwal Bank	VaR ¹	Value at risk
SA ¹	Standardised approach		

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

Cautionary statement regarding forward-looking statements

These Pillar 3 Disclosures at 31 December 2025 contain certain forward-looking statements with respect to HSBC's financial condition; results of operations and business, including the strategic priorities; financial, investment and capital targets; and ESG ambitions, targets, and commitments described herein.

Statements that are not historical facts, including statements about HSBC'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. HSBC makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements. Written and/or oral forward-looking statements may also be made in the periodic reports to the US Securities and Exchange Commission, summary financial statements to shareholders, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by HSBC's directors, officers or employees to third parties, including financial analysts. Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These include, but are not limited to:

- changes in general economic conditions in the markets in which we operate, such as new, continuing or deepening recessions, prolonged inflationary pressures and fluctuations in employment levels and the creditworthiness of customers beyond those factored into consensus forecasts; the Russia-Ukraine war, further conflict or military action in the Middle East or elsewhere and their impact on global economies and the markets where HSBC operates, which could have a material adverse effect on (among other things) our financial condition, results of operations, prospects, liquidity, capital position and credit ratings; deviations from the market and economic assumptions that form the basis for our ECL measurements (including, without limitation, as a result of the Russia-Ukraine war, further conflict or military action in the Middle East or elsewhere, inflationary pressures, commodity price changes, and ongoing developments in the commercial real estate sector in mainland China and Hong Kong); potential changes in HSBC's dividend policy; changes and volatility in foreign exchange rates and interest rates levels, including fluctuations in HIBOR and the accounting impact resulting from financial reporting in respect of hyperinflationary economies; volatility in equity markets and the risk of disruptive correction stemming from high company valuations; lack of liquidity in wholesale funding or capital markets, which may affect our ability to meet our obligations under financing facilities or to fund new loans, investments and businesses; geopolitical tensions or diplomatic developments producing social instability or legal uncertainty, such as the Russia-Ukraine war, conflict in the Middle East, the US military operation in Venezuela and any potential military action or conflict elsewhere, and the related imposition of sanctions, export-control, trade and investment restrictions, supply chain restrictions and disruptions, sustained increases in energy prices and key commodity prices, claims of human rights violations, diplomatic tensions between China and the US, which may extend to and involve other countries and territories, and developments in Hong Kong and Taiwan and the surrounding maritime region, alongside other potential areas of tension, which may adversely affect HSBC by creating regulatory, reputational and market risks; the efficacy of government, customer, and HSBC's actions in managing and mitigating ESG-related risks, in particular climate risk, nature-related risks and human rights risks, and in supporting the global transition to net zero carbon emissions, each of which can impact HSBC both directly and indirectly through our customers and which may result in potential financial and non-financial impacts; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; the significant depreciation of the US dollar through 2025, with volatility expected to persist; societal shifts in customer financing and investment needs, including consumer perception as to the continuing availability of credit; exposure to counterparty risk, including third parties using us as a conduit for illegal activities without our knowledge; and price competition in the market segments we serve;
- changes in government policy and regulation, as well as monetary, interest rate and other policies of central banks and other regulatory authorities in the principal markets in which we operate and the consequences thereof (including, without limitation, actions taken as a result of changes in government following national elections in the markets where the Group operates); continued volatility in trade and tariff policies, changes in tariff rates, including sector-specific levies imposed by various nations, including the US, which could further disrupt supply chains and reduce global trade growth; initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks, which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; changes to tax laws and tax rates applicable to HSBC, including the imposition of levies or taxes designed to change business mix and risk appetite; the practices, pricing or responsibilities of financial institutions serving their consumer markets; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; the UK's relationship with the EU, particularly with respect to the potential divergence of UK and EU law on the regulation of financial services; changes in government approach and regulatory treatment in relation to ESG disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to ESG across all sectors and markets; changes in UK macroeconomic and fiscal policy, which may result in fluctuations in the value of the pound sterling; general changes in government policy (including, without limitation, actions taken as a result of changes in government following national elections in the markets where the Group operates) that may significantly influence investor decisions; the costs, effects and outcomes of regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where we operate including increased competition from non-bank financial services companies; and
- factors specific to HSBC, including our success in adequately identifying the risks we face, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques); our ability to achieve our financial, investment, capital and ESG ambitions, targets and commitments (including the positions set forth in our thermal coal phase-out policy and our energy policy and our targets to reduce our on-balance sheet financed emissions and, where applicable, facilitated emissions in our portfolio of selected high-emitting sectors), which may result in our failure to achieve any of the expected outcomes of our strategic priorities and may result in reputational risks; evolving regulatory requirements and the development of new technologies, including artificial intelligence, affecting how we manage risk, including model risk; model limitations or failure, including, without limitation, the impact that high inflationary pressures and interest rates have had on the performance and usage of financial models, which may require us to hold additional capital, incur losses and/or use compensating controls, such as judgemental post-model adjustments, to address model limitations; changes to the judgements, estimates and assumptions we base our financial statements on; changes in our ability to meet the requirements of regulatory stress tests; a reduction in the credit ratings assigned to us or any of our subsidiaries, which could increase the cost or decrease the

availability of our funding and affect our liquidity position and net interest margin; changes to the reliability and security of our data management, data privacy, information and technology infrastructure, including threats from cyber-attacks, which may impact our ability to service clients and may result in financial loss, business disruption and/or loss of customer services and data; the accuracy and effective use of data, including internal management information that may not have been independently verified; changes in insurance customer behaviour and insurance claim rates; our dependence on loan payments and dividends from subsidiaries to meet our obligations; changes in our reporting frameworks and accounting standards, which have had and may continue to have a material impact on the way we prepare our financial statements; our ability to successfully execute planned strategic acquisitions and disposals; our success in adequately integrating acquired businesses into our business; our ability to successfully execute and implement the announced strategic reorganisation of the Group; changes in our ability to manage third-party, fraud, financial crime and reputational risks inherent in our operations; employee misconduct, which may result in regulatory sanctions and/or reputational or financial harm; changes in skill

requirements, ways of working and talent shortages, which may affect our ability to recruit and retain senior management and an inclusive and skilled workforce; and changes in our ability to develop sustainable finance and ESG-related products consistent with the evolving expectations of our regulators, and our capacity to measure the environmental and social impacts from our financing activity (including as a result of data limitations and changes in methodologies), which may affect our ability to achieve our ESG ambitions, targets and commitments, including our net zero ambition, our targets to reduce on-balance sheet financed emissions and, where applicable, facilitated emissions in our portfolio of selected high-emitting sectors and the positions set forth in our thermal coal phase-out policy and our energy policy, and increase the risk of greenwashing. Effective risk management depends on, among other things, our ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; our success in addressing operational, legal and regulatory, and litigation challenges; and other risks and uncertainties we identify in 'Top and emerging risks' on pages 100 to 104 of the Annual Report and Accounts 2025.

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