HSBC Holdings plc

FORM 20-F SEC Specific Disclosures 2025

HSBC

Income statement commentary: 2024 compared with 2023

The following commentary compares Group financial performance for the year ended 2024 with 2023.

Net interest income ('NII') for 2024 was $32.7bn, a decrease of $3.1bn or 9% compared with 2023. The decrease included a $2.7bn reduction mainly due to the redeployment of our commercial surplus to net trading and fair value assets, for which the associated revenue is reported in 'net income on financial instruments held for trading or managed on a fair value basis'. The fall also reflected a $1.0bn loss due to the disposal of our business in Canada and a $0.2bn loss in 2024 related to the early redemption of legacy securities. NII in HSBC UK grew by $0.6bn, including the benefit of our structural hedge and balance sheet growth, partly offset by mortgage pricing pressures. There was also higher NII in Markets Treasury due to reinvestments in our portfolio at higher yields. Excluding the unfavourable impact of foreign currency translation differences, net interest income decreased by $1.4bn or 4%. NII for the fourth quarter of 2024 was $8.2bn, up 7% compared with the previous quarter, and down 1% compared with the fourth quarter of 2023. The increase compared with 3Q24 was predominantly driven by the non-recurrence of the adverse impact in 3Q24 from the early redemption of legacy securities. The decline in NII compared with 4Q23 was predominantly driven by the impact of lower AIEA.

Net interest margin ('NIM') for 2024 of 1.56% was 10bps lower compared with 2023, reflecting redeployment of our commercial surplus to net trading and fair value assets, and higher interest expense due to higher market rates and an adverse impact of $0.2bn from the early redemption of legacy securities. The decrease in NIM in 2024 included the unfavourable impact of foreign currency translation differences. Excluding this, NIM decreased by 6bps. NIM for the fourth quarter of 2024 was 1.54%, up 8bps compared with the previous quarter, and up 2bps compared with the fourth quarter of 2023. The increase against the previous quarter was primarily due to the non-recurrence of the adverse impact from the early redemption of legacy securities. The year-on-year increase was predominantly driven by HSBC UK.

Interest income for 2024 of $108.6bn increased by $7.8bn compared with 2023, primarily due to an increase in market interest rates.

Interest income of $26bn in the fourth quarter of 2024 was down $1.3bn compared with the previous quarter, and down $0.7bn compared with the fourth quarter of 2023. Both the declines were primarily due to lower market interest rates.

The change in interest income in 2024 compared with 2023 included an adverse impact of foreign currency translation differences of $2.7bn. After excluding foreign currency translation differences, interest income increased by $10.5bn.

Interest expense for 2024 of $75.9bn increased by $10.8bn compared with 2023, primarily due to an increase in market interest rates, growth in customer accounts with higher proportion for term deposits and the impact of the early redemption of legacy securities.

The rise in interest expense included the favourable effects of foreign currency translation differences of $1.1bn. Excluding this, interest expense increased by $11.9bn.

Interest expense of $17.8bn in the fourth quarter of 2024 was $1.8bn and $0.6bn lower compared with the third quarter of 2024 and the fourth quarter of 2023 respectively. The decrease against the previous quarter was due to the non-recurrence of an adverse impact from the early redemption of legacy securities. The year-on-year decline was primarily due to lower market interest rates.

Banking NII was $43.7bn in 2024. The funding costs associated with generating trading and fair value income were $11.4bn, an increase of $2.7bn compared with 2023, primarily reflecting redeployment of our commercial surplus to net trading and fair value assets. Banking NII also deducts third-party NII related to our insurance business, which was $0.4bn, stable compared with 2023. The movement in banking NII also included a reduction from the disposal of our business in Canada of $1.0bn, a $0.2bn loss in 2024 related to the early redemption of legacy securities and from higher interest expense on deposits in part due to balance growth. Banking NII in HSBC UK grew by $0.7bn, including the benefit of our structural hedge and balance sheet growth, partly offset by mortgage pricing pressures. There was higher NII in Markets Treasury due to reinvestments in our portfolio at higher yields.

The internally allocated funding to generate trading and fair value income was approximately $200bn at 31 December 2024, a rise of approximately $37bn since 31 December 2023, although it decreased by approximately $9bn during 4Q24. This relates to trading, fair value and associated net asset balances predominantly in CIB. The increase reflected management decisions on the deployment of our commercial surplus.

Net fee income of $12.3bn was $0.5bn or 4% higher than in 2023, and included an adverse impact from foreign currency translation differences of $0.2bn, as well as a reduction of $0.4bn due to the impact of the disposal of our banking business in Canada.

The increase in net fee income was mainly in Wealth products in our Hong Kong business and in IWPB in Hong Kong, reflecting stronger equity markets and improved customer sentiment. It also included an increase in cards income, mainly in Mexico and Asia in IWPB, as customer spending increased, and in our Hong Kong business.

In CIB, net fee income was down by $0.1 bn. This included lower fees from credit facilities, notably due to the disposal of our banking operations in Canada. In addition, there was higher fee expense relating to custody. This was partly offset by higher broking and underwriting income in our main entity in Europe, although the associated fee expense also increased.

Net income from financial instruments held for trading or managed on a fair value basis of $21.1bn was $4.5bn higher compared with 2023. This included favourable fair value movements of $0.6bn on the foreign exchange hedging of the proceeds of the sale of our banking business in Canada until completion of the sale. The increase also reflected higher client activity and elevated volatility in Debt and Equity Markets in CIB. A component of funding costs incurred to generate this income are reported in NII, and these increased by $2.7bn, compared with 2023.

In IWPB, income rose by $0.2bn due to a favourable movement related to derivatives in our insurance business and from higher customer trading activity in Wealth, including in our main legal entity in Asia.

Net expense from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss of $5.9bn fell by $2.0bn compared with 2023. This decrease reflected adverse fair value movements on debt securities, due to movements in interest rates, including in our portfolios in Hong Kong and France, partly offset by improved equity returns.

This unfavourable movement resulted in a corresponding movement in insurance finance expense, which has an offsetting impact for the related liabilities to policyholders.

Insurance finance expense of $6.0bn was $1.8bn lower than in 2023, reflecting the impact of investment returns on underlying assets on the value of liabilities to policyholders, which moves inversely with 'net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss'.

Insurance service result of $1.3bn increased by $0.2bn compared with 2023, primarily due to an increase in the release of the contractual service margin ('CSM').

Gain on acquisition fell by $1.6bn, reflecting the non-recurrence of a gain recognised in respect of the acquisition of SVB UK in 1Q23.

Losses recognised on sale of business operations were $1.8bn in 2024. This compared with a gain of $61m in 2023. In 2024, there were losses from completion of the disposal of our business in Argentina, comprising the recycling of $5.2bn of foreign currency translation reserve losses and other reserves to the income statement and a $1.0bn loss on disposal. This was partly offset by a gain of $4.6bn on the sale of our banking business in Canada, inclusive of recycling of foreign currency translation reserve and other reserve losses to the income statement.

Other operating income of $0.2bn was $1.3bn higher than in 2023. The increase primarily related to the non-recurrence of losses in 2023 of $1.0bn relating to Treasury repositioning and risk management.

The increase also included the non-recurrence of a loss of $0.3bn in 2023 relating to corrections to historical valuation estimates in our life insurance business, and losses related to the disposal of our New Zealand retail mortgage loan portfolio and the merger of HSBC Bank Oman in 2023 with Sohar International.

Changes in expected credit losses and other credit impairment charges ('ECL') were a charge of $3.4bn, stable compared with 2023.

ECL in 2024 included charges of $0.4bn in respect of commercial real estate in mainland China and of $0.1bn in the Hong Kong real estate sector. This compared with charges of $1.0bn and $0.1bn respectively in these sectors in 2023. In addition, ECL in CIB in 2024 included a charge related to a single exposure in the UK, partly offset by a release of stage 3 allowances in HSBC Bank plc related to a single exposure.

Charges in our UK business were $0.1bn lower compared with 2023.

In WPB, ECL charges were $1.1bn. up $0.2bn compared with 2023. These primarily related to our legal entity in Mexico, reflecting growth in our unsecured lending portfolio and unemployment trends.

▶ For further details on the calculation of ECL, including the measurement uncertainties and significant judgements applied to such calculations, the impact of the economic scenarios and management judgemental adjustments, see pages 120 to 124.

Operating expenses of $33.0bn were $1.0bn or 3% higher than in 2023, including a favourable impact of $0.6bn from foreign currency translation differences. The increase reflected higher spend and investment in technology and inflationary impacts, while performance-related pay remained stable. Operating expenses were adversely impacted by the non-recurrence of a $0.2bn reversal of historical asset impairments in 2023.

These increases were partly offset by the favourable impacts from the completion of business disposals in Canada and France, and a lower UK bank levy of $0.1bn, as 2023 included adjustments relating to prior years. Operating expenses in 2024 benefited from the non-recurrence of a $0.2bn charge in 2023 incurred in the US relating to the FDIC special assessment.

Target basis operating expense growth was 5% compared with 2023, in line with our cost growth target. This primarily reflected higher investment spend, including in technology and from inflationary

pressures, while our performance-related pay accrual was broadly in line with 2023. Our target basis operating expenses are measured on a constant currency basis, excluding notable items, the impact of retranslating the prior year results of hyperinflationary economies at constant currency, and the direct costs from the sales of our French retail banking operations and our banking business in Canada.

The number of employees expressed in full-time equivalent staff ('FTE') at 31 December 2024 was 211,304, a decrease of 9,557 compared with 31 December 2023, primarily reflecting the completion of the sales of our banking business in Canada, our retail banking operations in France and our business in Argentina. The number of contractors at 31 December 2024 was 4,226, a decrease of 450.

Share of profit in associates and joint ventures of $2.9bn was $3.1bn higher than in 2023, including an increase in the share of profit from SAB.

Impairment of interest in associate In relation to our investment in BoCom, at 31 December 2024 we concluded that there was no indication of further significant impairment (or indication that an impairment may no longer exist or may have decreased significantly) since 31 December 2023.

At 31 December 2023, the Group performed an impairment test on the carrying value of our investment in BoCom which resulted in an impairment of $3.0bn.

▶ For further details, see Note 18: Interests in associates and joint ventures on page 319.

Tax expense The effective tax rate for 2024 of 22.6% was higher than the 19.1% in 2023. The effective tax rate for 2024 was increased by 4.8 percentage points by the non-deductible loss on disposal of our business in Argentina and by 0.7 percentage points by the tax charge arising under the Global Minimum Tax rules, and reduced by 3.6 percentage points by the non-taxable gain on disposal of our banking business in Canada. The effective tax rate for 2023 was increased by 2.3 percentage points by the non-deductible impairment of investments in associates, and reduced by 1.6 percentage points by the release of provisions for uncertain tax positions and by 1.5 percentage points by the non-taxable accounting gain arising on the acquisition of SVB UK.

▶ Further details are provided in Note 7 on the financial statements of the HSBC Holdings plc 20-F for the year ended 31 December 2024.

Average balance sheet

Average balance sheet and net interest income

Average balances and related interest are shown for the domestic operations of our principal commercial banks by legal entity. 'Other trading entities' comprise the operations of our principal commercial banking and consumer finance entities outside their domestic markets and all other banking operations, including investment banking balances and transactions.

Average balances are based on daily averages for the principal areas of our banking activities with monthly or less frequent averages used elsewhere.

Balances and transactions with fellow subsidiaries are reported gross in the principal commercial banking and consumer finance entities, and the elimination entries are included within 'Holding companies, shared service centres and intra-group eliminations'.

Net interest margin numbers are calculated by dividing net interest income as reported in the income statement by the average interest-earning assets from which interest income is reported within the 'Net interest income' line of the income statement. Total interest-earning assets include credit-impaired loans where the carrying amount has been adjusted as a result of impairment allowances. In accordance with IFRSs, we recognise interest income on credit-impaired assets after the carrying amount has been adjusted as a result of impairment. Fee income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in 'Interest income'.

Assets

	2025			2024		
	Average balance	**Interest income**	**Yield**	Average balance	Interest income	Yield
	$m	**$m**	**%**	$m	$m	%
Summary						
Interest-earning assets measured at amortised cost (itemised below)	**2,190,078**	**97,872**	**4.47**	2,099,285	108,631	5.17
Trading assets and financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**262,719**	**8,169**	**3.11**	244,686	7,943	3.25
Expected credit losses provision	**(10,151)**	**N/A**	**N/A**	(10,633)	N/A	N/A
Non-interest-earning assets	**755,734**	**N/A**	**N/A**	729,136	N/A	N/A
Total assets and interest income	**3,198,380**	**106,041**	**3.32**	3,062,474	116,574	3.81
Average yield on all interest-earning assets			**4.32**			4.97

	2025			2024		
Short-term funds and loans and advances to banks						
HSBC Bank plc	**146,469**	**4,321**	**2.95**	151,675	5,993	3.95
HSBC UK Bank plc	**65,457**	**2,493**	**3.81**	76,705	3,255	4.24
The Hongkong and Shanghai Banking Corporation Limited	**82,451**	**2,561**	**3.11**	86,976	3,250	3.74
HSBC Bank Middle East Limited	**7,398**	**464**	**6.27**	6,960	418	6.01
HSBC North America Holdings Inc.	**28,832**	**1,136**	**3.94**	29,434	1,275	4.33
HSBC Bank Canada	**—**	**—**	**—**	13	—	—
Grupo Financiero HSBC, S.A. de C.V.	**2,759**	**208**	**7.54**	3,037	298	9.81
Other trading entities	**5,761**	**957**	**16.61**	5,992	812	13.55
Holding companies, shared service centres and intra-group eliminations	**(13,337)**	**(680)**	**5.10**	(11,275)	(574)	5.09
At 31 Dec	**325,790**	**11,460**	**3.52**	349,517	14,727	4.21

	2025			2024		
Loans and advances to customers						
HSBC Bank plc	**107,315**	**4,850**	**4.52**	110,123	5,740	5.21
HSBC UK Bank plc	**295,491**	**14,060**	**4.76**	275,614	13,176	4.78
The Hongkong and Shanghai Banking Corporation Limited	**459,820**	**18,940**	**4.12**	455,258	21,804	4.79
HSBC Bank Middle East Limited	**21,910**	**1,220**	**5.57**	20,558	1,313	6.39
HSBC North America Holdings Inc.	**56,893**	**3,136**	**5.51**	56,149	3,403	6.06
HSBC Bank Canada	**—**	**—**	**—**	—	—	—
Grupo Financiero HSBC, S.A. de C.V.	**25,872**	**3,299**	**12.75**	26,704	3,631	13.60
Other trading entities	**4,901**	**662**	**13.51**	5,642	918	16.27
Holding companies, shared service centres and intra-group eliminations	**(398)**	**(131)**	**32.91**	(223)	(106)	47.53
At 31 Dec	**971,804**	**46,036**	**4.74**	949,825	49,879	5.25

	2025			2024		
Reverse repurchase agreements – banks[1]						
HSBC Bank plc	**41,903**	**2,695**	**6.43**	38,819	3,293	8.48
HSBC UK Bank plc	**5,424**	**220**	**4.06**	2,401	109	4.54
The Hongkong and Shanghai Banking Corporation Limited	**56,488**	**2,058**	**3.64**	57,293	2,384	4.16
HSBC Bank Middle East Limited	**5,723**	**267**	**4.67**	4,195	243	5.79
HSBC North America Holdings Inc.	**13,708**	**745**	**5.43**	12,262	840	6.85
HSBC Bank Canada	**—**	**—**	**—**	—	—	—
Grupo Financiero HSBC, S.A. de C.V.	**2,217**	**188**	**8.48**	2,599	281	10.81
Other trading entities	**1,641**	**155**	**9.45**	2,182	363	16.64
Holding companies, shared service centres and intra-group eliminations	**(8,702)**	**(576)**	**6.62**	(15,962)	(833)	5.22
At 31 Dec	**118,402**	**5,752**	**4.86**	103,789	6,680	6.44

Assets (continued)

	2025			2024		
	Average balance	**Interest income**	**Yield**	Average balance	Interest income	Yield
	$m	**$m**	**%**	$m	$m	%
Reverse repurchase agreements – customers[1]						
HSBC Bank plc	**53,110**	**4,083**	**7.69**	46,092	4,178	9.06
HSBC UK Bank plc	**12,062**	**629**	**5.21**	7,832	478	6.10
The Hongkong and Shanghai Banking Corporation Limited	**51,842**	**1,491**	**2.88**	41,295	1,368	3.31
HSBC Bank Middle East Limited	**3,155**	**146**	**4.63**	2,644	135	5.11
HSBC North America Holdings Inc.	**44,485**	**4,495**	**10.10**	42,410	4,851	11.44
HSBC Bank Canada	**—**	**—**	**—**	2	—	—
Grupo Financiero HSBC, S.A. de C.V.	**274**	**21**	**7.66**	280	32	11.43
Other trading entities	**—**	**—**	**—**	—	—	—
Holding companies, shared service centres and intra-group eliminations	**(9,389)**	**(1)**	**0.01**	(5,650)	(1)	0.02
At 31 Dec	**155,539**	**10,864**	**6.98**	134,905	11,041	8.18
Financial investments						
HSBC Bank plc	**79,377**	**3,025**	**3.81**	70,702	3,013	4.26
HSBC UK Bank plc	**54,417**	**2,157**	**3.96**	41,036	1,845	4.50
The Hongkong and Shanghai Banking Corporation Limited	**313,880**	**10,934**	**3.48**	274,924	11,023	4.01
HSBC Bank Middle East Limited	**13,379**	**591**	**4.42**	11,690	565	4.83
HSBC North America Holdings Inc.	**48,984**	**2,085**	**4.26**	44,044	1,945	4.42
HSBC Bank Canada	**—**	**—**	**—**	—	—	—
Grupo Financiero HSBC, S.A. de C.V.	**6,839**	**577**	**8.44**	5,150	481	9.34
Other trading entities	**4,226**	**759**	**17.96**	3,375	802	23.76
Holding companies, shared service centres and intra-group eliminations	**18,005**	**702**	**3.90**	19,261	913	4.74
At 31 Dec	**539,107**	**20,830**	**3.86**	470,182	20,587	4.38
Other interest-earning assets						
HSBC Bank plc	**66,389**	**2,206**	**3.32**	59,244	2,587	4.37
HSBC UK Bank plc	**336**	**30**	**8.93**	252	35	13.89
The Hongkong and Shanghai Banking Corporation Limited	**14,897**	**599**	**4.02**	10,747	653	6.08
HSBC Bank Middle East Limited	**289**	**13**	**4.50**	(178)	1	(0.56)
HSBC North America Holdings Inc.	**5,710**	**229**	**4.01**	3,726	195	5.23
HSBC Bank Canada	**—**	**—**	**—**	19,475	984	5.05
Grupo Financiero HSBC, S.A. de C.V.	**279**	**9**	**3.23**	315	15	4.76
Other trading entities	**749**	**171**	**22.83**	3,551	1,922	54.13
Holding companies, shared service centres and intra-group eliminations	**(9,213)**	**(327)**	**3.55**	(6,065)	(675)	11.13
At 31 Dec	**79,436**	**2,930**	**3.69**	91,067	5,717	6.28
Total interest-earning assets						
HSBC Bank plc	**494,563**	**21,180**	**4.28**	476,655	24,804	5.20
HSBC UK Bank plc	**433,187**	**19,589**	**4.52**	403,840	18,898	4.68
The Hongkong and Shanghai Banking Corporation Limited	**979,378**	**36,583**	**3.74**	926,493	40,482	4.37
HSBC Bank Middle East Limited	**51,854**	**2,701**	**5.21**	45,869	2,675	5.83
HSBC North America Holdings Inc.	**198,612**	**11,826**	**5.95**	188,025	12,509	6.65
HSBC Bank Canada	**—**	**—**	**—**	19,490	984	5.05
Grupo Financiero HSBC, S.A. de C.V.	**38,240**	**4,302**	**11.25**	38,085	4,738	12.44
Other trading entities	**17,278**	**2,704**	**15.65**	20,742	4,817	23.22
Holding companies, shared service centres and intra-group eliminations	**(23,034)**	**(1,013)**	**4.40**	(19,914)	(1,276)	6.41
At 31 Dec	**2,190,078**	**97,872**	**4.47**	2,099,285	108,631	5.17

1 The average balances for repurchase and reverse repurchase agreements include net amounts where the criteria for offsetting are met, resulting in a lower net balance reported for repurchase agreements and thus higher cost.

Equity and liabilities

	2025			2024		
	Average balance	Interest expense	Cost	Average balance	Interest expense	Cost
	$m	$m	%	$m	$m	%
Summary						
Interest-bearing liabilities measured at amortised cost (itemised below)	**2,027,971**	**63,078**	**3.11**	1,920,795	75,898	3.95
Trading liabilities and financial liabilities designated at fair value (excluding own debt issued)	**153,896**	**5,114**	**3.32**	143,636	5,271	3.67
Non-interest bearing current accounts	**214,507**	**N/A**	**N/A**	220,291	N/A	N/A
Total equity and other non-interest bearing liabilities	**802,006**	**N/A**	**N/A**	777,753	N/A	N/A
Total equity and liabilities	**3,198,380**	**68,192**	**2.13**	3,062,475	81,169	2.65
Average cost on all interest-bearing liabilities			**3.13**			3.93
Deposits by banks[1]						
HSBC Bank plc	**39,910**	**1,236**	**3.10**	33,041	1,376	4.16
HSBC UK Bank plc	**12,550**	**602**	**4.80**	13,265	743	5.60
The Hongkong and Shanghai Banking Corporation Limited	**25,823**	**532**	**2.06**	24,561	611	2.49
HSBC Bank Middle East Limited	**7,693**	**355**	**4.61**	5,870	303	5.16
HSBC North America Holdings Inc.	**12,509**	**345**	**2.76**	9,012	329	3.65
HSBC Bank Canada	**—**	**—**	**—**	27	—	—
Grupo Financiero HSBC, S.A. de C.V.	**563**	**53**	**9.41**	648	74	11.42
Other trading entities	**1,468**	**161**	**10.97**	890	46	5.17
Holding companies, shared service centres and intra-group eliminations	**(24,435)**	**(671)**	**2.75**	(20,909)	(552)	2.64
At 31 Dec	**76,081**	**2,613**	**3.43**	66,405	2,930	4.41
Debt Securities in issue – non trading						
HSBC Bank plc	**47,563**	**1,909**	**4.01**	47,684	2,536	5.32
HSBC UK Bank plc	**24,781**	**1,334**	**5.38**	22,042	1,357	6.16
The Hongkong and Shanghai Banking Corporation Limited	**42,396**	**2,305**	**5.44**	45,303	2,772	6.12
HSBC Bank Middle East Limited	**2,132**	**89**	**4.17**	1,668	67	4.02
HSBC North America Holdings Inc.	**25,048**	**1,408**	**5.62**	26,551	1,694	6.38
HSBC Bank Canada	**—**	**—**	**—**	181	12	6.63
Grupo Financiero HSBC, S.A. de C.V.	**3,712**	**334**	**9.00**	3,429	353	10.29
Other trading entities	**1,386**	**150**	**10.82**	1,608	142	8.83
Holding companies, shared service centres and intra-group eliminations	**51,299**	**3,318**	**6.47**	47,974	3,873	8.07
At 31 Dec	**198,317**	**10,847**	**5.47**	196,440	12,806	6.52
Customer accounts[2]						
HSBC Bank plc	**275,748**	**8,778**	**3.18**	258,026	10,753	4.17
HSBC UK Bank plc	**304,835**	**5,863**	**1.92**	279,227	6,156	2.20
The Hongkong and Shanghai Banking Corporation Limited	**793,610**	**14,024**	**1.77**	738,028	17,654	2.39
HSBC Bank Middle East Limited	**18,669**	**520**	**2.78**	14,725	520	3.53
HSBC North America Holdings Inc.	**80,866**	**2,627**	**3.25**	78,919	3,030	3.84
HSBC Bank Canada	**—**	**—**	**—**	—	—	—
Grupo Financiero HSBC, S.A. de C.V.	**21,679**	**1,135**	**5.24**	22,573	1,555	6.89
Other trading entities	**5,805**	**828**	**14.26**	7,123	1,012	14.21
Holding companies, shared service centres and intra-group eliminations	**(14,180)**	**(486)**	**3.43**	(12,781)	(507)	3.97
At 31 Dec	**1,487,032**	**33,289**	**2.24**	1,385,840	40,173	2.90
Repurchase agreements – with banks[3]						
HSBC Bank plc	**15,015**	**1,615**	**10.76**	17,981	2,212	12.30
HSBC UK Bank plc	**1,856**	**123**	**6.63**	317	23	7.26
The Hongkong and Shanghai Banking Corporation Limited	**66,984**	**2,293**	**3.42**	60,491	2,640	4.36
HSBC Bank Middle East Limited	**4,516**	**198**	**4.38**	3,276	178	5.43
HSBC North America Holdings Inc.	**11,369**	**604**	**5.31**	10,110	655	6.48
HSBC Bank Canada	**—**	**—**	**—**	—	—	—
Grupo Financiero HSBC, S.A. de C.V.	**1,684**	**156**	**9.26**	181	25	13.81
Other trading entities	**363**	**7**	**1.93**	304	43	14.14
Holding companies, shared service centres and intra-group eliminations	**(15,877)**	**(614)**	**3.87**	(18,373)	(881)	4.80
At 31 Dec	**85,910**	**4,382**	**5.10**	74,287	4,895	6.59
Repurchase agreements – with customers[3]						
HSBC Bank plc	**40,513**	**3,721**	**9.18**	44,267	4,090	9.24
HSBC UK Bank plc	**2,597**	**251**	**9.66**	3,147	273	8.67
The Hongkong and Shanghai Banking Corporation Limited	**14,778**	**549**	**3.71**	22,262	1,108	4.98
HSBC Bank Middle East Limited	**11**	**0.4**	**3.64**	19	1	5.26
HSBC North America Holdings Inc.	**42,483**	**4,360**	**10.26**	42,071	4,821	11.46
HSBC Bank Canada	**—**	**—**	**—**	230	13	5.65
Grupo Financiero HSBC, S.A. de C.V.	**4,521**	**365**	**8.07**	3,850	415	10.78
Other trading entities	**—**	**—**	**—**	10	1	10.00
Holding companies, shared service centres and intra-group eliminations	**(2,065)**	**0.6**	**(0.03)**	(2,806)	—	—
At 31 Dec	**102,838**	**9,247**	**8.99**	113,050	10,722	9.48

Equity and liabilities (continued)

	2025			2024		
	Average balance	**Interest expense**	**Cost**	Average balance	Interest expense	Cost
	$m	**$m**	**%**	$m	$m	%
Other interest-bearing liabilities						
HSBC Bank plc	**66,070**	**2,236**	**3.38**	54,689	2,582	4.72
HSBC UK Bank plc	**309**	**11**	**3.56**	426	16	3.76
The Hongkong and Shanghai Banking Corporation Limited	**12,607**	**410**	**3.25**	14,052	619	4.41
HSBC Bank Middle East Limited	**823**	**18**	**2.19**	274	14	5.11
HSBC North America Holdings Inc.	**9,180**	**350**	**3.81**	7,582	367	4.84
HSBC Bank Canada	**—**	**—**	**—**	16,483	659	4.00
Grupo Financiero HSBC, S.A. de C.V.	**157**	**31**	**19.75**	183	24	13.11
Other trading entities	**757**	**138**	**18.23**	2,882	798	27.69
Holding companies, shared service centres and intra-group eliminations	**(12,110)**	**(494)**	**4.08**	(11,798)	(707)	5.99
At 31 Dec	**77,793**	**2,700**	**3.47**	84,773	4,372	5.16
Total interest-bearing liabilities						
HSBC Bank plc	**484,819**	**19,495**	**4.02**	455,688	23,549	5.17
HSBC UK Bank plc	**346,928**	**8,184**	**2.36**	318,424	8,568	2.69
The Hongkong and Shanghai Banking Corporation Limited	**956,198**	**20,113**	**2.10**	904,697	25,404	2.81
HSBC Bank Middle East Limited	**33,844**	**1,179**	**3.48**	25,832	1,083	4.19
HSBC North America Holdings Inc.	**181,455**	**9,694**	**5.34**	174,245	10,896	6.25
HSBC Bank Canada	**—**	**—**	**—**	16,921	684	4.04
Grupo Financiero HSBC, S.A. de C.V.	**32,316**	**2,074**	**6.42**	30,864	2,446	7.93
Other trading entities	**9,779**	**1,284**	**13.13**	12,817	2,042	15.93
Holding companies, shared service centres and intra-group eliminations	**(17,368)**	**1,055**	**(6.07)**	(18,693)	1,226	(6.56)
At 31 Dec	**2,027,971**	**63,078**	**3.11**	1,920,795	75,898	3.95

1 This includes interest-bearing bank deposits only. See page 12 for an analysis of all bank deposits.
2 This includes interest-bearing customer accounts only. See page 13 for an analysis of all customer accounts.
3 The average balances for repurchase and reverse repurchase agreements include net amounts where the criteria for offsetting are met, resulting in a lower net balance reported for repurchase agreements and thus higher cost.

Net interest margin[1]

	2025	2024	2023
	%	%	%
HSBC Bank plc	**0.34**	0.26	0.55
HSBC UK Bank plc	**2.63**	2.56	2.43
The Hongkong and Shanghai Banking Corporation Limited	**1.68**	1.63	1.81
HSBC Bank Middle East Limited	**2.94**	3.47	3.62
HSBC North America Holdings Inc.	**1.07**	0.86	0.98
HSBC Bank Canada	**—**	1.54	1.54
Grupo Financiero HSBC, S.A. de C.V.	**5.83**	6.02	6.17
Other trading entities	**8.23**	13.37	7.71
At 31 Dec	**1.59**	1.56	1.66

1 Net interest margin is calculated as net interest income divided by average interest-earning assets.

Distribution of average total assets

	2025	2024	2023
	%	%	%
HSBC Bank plc	**30.5**	30.6	30.0
HSBC UK Bank plc	**14.1**	13.7	14.0
The Hongkong and Shanghai Banking Corporation Limited	**45.9**	45.4	44.0
HSBC Bank Middle East Limited	**2.0**	1.9	2.0
HSBC North America Holdings Inc.	**8.4**	8.4	8.0
HSBC Bank Canada	**—**	0.7	3.0
Grupo Financiero HSBC, S.A. de C.V.	**1.5**	1.6	2.0
Other trading entities	**1.0**	1.1	2.0
Holding companies, shared service centres and intra-group eliminations	**(3.4)**	(3.4)	(5.0)
At 31 Dec	**100.0**	100.0	100.0

Analysis of changes in net interest income and net interest expense

The following tables allocate changes in interest income and interest expense between volume and rate for 2025 compared with 2024, and for 2024 compared with 2023. We isolate rate variances and allocate any change arising from both volume and rate/volume to volume.

Interest income

		Increase/(decrease) in 2025 compared with 2024			Increase/(decrease) in 2024 compared with 2023		
	2025	Volume	Rate	2024	Volume	Rate	2023
	$m	$m	$m	$m	$m	$m	$m
Short-term funds and loans and advances to banks							
HSBC Bank plc	**4,321**	**(155)**	**(1,517)**	5,993	(887)	679	6,201
HSBC UK Bank plc	**2,493**	**(432)**	**(330)**	3,255	(1,017)	786	3,486
The Hongkong and Shanghai Banking Corporation Limited	**2,561**	**(141)**	**(548)**	3,250	(48)	220	3,078
HSBC Bank Middle East Limited	**464**	**28**	**18**	418	40	24	354
HSBC North America Holdings Inc.	**1,136**	**(24)**	**(115)**	1,275	(155)	294	1,136
HSBC Bank Canada	**—**	**—**	**—**	—	—	(2)	2
Grupo Financiero HSBC, S.A. de C.V.	**208**	**(21)**	**(69)**	298	42	(11)	267
Other trading entities	**957**	**(38)**	**183**	812	(916)	921	807
Holding companies, shared service centres and intra-group eliminations	**(680)**	**(105)**	**(1)**	(574)	138	(151)	(561)
At 31 Dec	**11,460**	**(855)**	**(2,412)**	14,727	(2,263)	2,220	14,770
Loans and advances to customers							
HSBC Bank plc	**4,850**	**(130)**	**(760)**	5,740	28	723	4,989
HSBC UK Bank plc	**14,060**	**939**	**(55)**	13,176	676	1,281	11,219
The Hongkong and Shanghai Banking Corporation Limited	**18,940**	**186**	**(3,050)**	21,804	(578)	561	21,821
HSBC Bank Middle East Limited	**1,220**	**76**	**(169)**	1,313	50	34	1,229
HSBC North America Holdings Inc.	**3,136**	**42**	**(309)**	3,403	125	103	3,175
HSBC Bank Canada	**—**	**—**	**—**	—	—	—	—
Grupo Financiero HSBC, S.A. de C.V.	**3,299**	**(105)**	**(227)**	3,631	252	(27)	3,406
Other trading entities	**662**	**(100)**	**(156)**	918	(2,512)	1,092	2,338
Holding companies, shared service centres and intra-group eliminations	**(131)**	**(58)**	**33**	(106)	74	324	(504)
At 31 Dec	**46,036**	**1,001**	**(4,844)**	49,879	(380)	2,586	47,673
Reverse repurchase agreements – with banks							
HSBC Bank plc	**2,695**	**198**	**(796)**	3,293	(1,205)	1,321	3,177
HSBC UK Bank plc	**220**	**123**	**(12)**	109	32	8	69
The Hongkong and Shanghai Banking Corporation Limited	**2,058**	**(28)**	**(298)**	2,384	(334)	281	2,437
HSBC Bank Middle East Limited	**267**	**71**	**(47)**	243	63	9	171
HSBC North America Holdings Inc.	**745**	**79**	**(174)**	840	233	(38)	645
HSBC Bank Canada	**—**	**—**	**—**	—	—	—	—
Grupo Financiero HSBC, S.A. de C.V.	**188**	**(32)**	**(61)**	281	20	7	254
Other trading entities	**155**	**(51)**	**(157)**	363	(274)	33	604
Holding companies, shared service centres and intra-group eliminations	**(576)**	**480**	**(223)**	(833)	481	(443)	(871)
At 31 Dec	**5,752**	**712**	**(1,640)**	6,680	(609)	803	6,486
Reverse repurchase agreements – with customers							
HSBC Bank plc	**4,083**	**536**	**(631)**	4,178	877	594	2,707
HSBC UK Bank plc	**629**	**221**	**(70)**	478	122	29	327
The Hongkong and Shanghai Banking Corporation Limited	**1,491**	**301**	**(178)**	1,368	(254)	652	970
HSBC Bank Middle East Limited	**146**	**24**	**(13)**	135	11	11	113
HSBC North America Holdings Inc.	**4,495**	**212**	**(568)**	4,851	865	230	3,756
HSBC Bank Canada	**—**	**—**	**—**	—	—	(2)	2
Grupo Financiero HSBC, S.A. de C.V.	**21**	**—**	**(11)**	32	1	—	31
Other trading entities	**—**	**—**	**—**	—	—	—	—
Holding companies, shared service centres and intra-group eliminations	**(1)**	**(1)**	**1**	(1)	(1)	1	(1)
At 31 Dec	**10,864**	**1,442**	**(1,619)**	11,041	645	2,491	7,905

Interest income (continued)

	2025	Increase/(decrease) in 2025 compared with 2024		2024	Increase/(decrease) in 2024 compared with 2023		2023
		Volume	Rate		Volume	Rate	
	$m	$m	$m	$m	$m	$m	$m
Financial investments							
HSBC Bank plc	**3,025**	**330**	**(318)**	3,013	835	312	1,866
HSBC UK Bank plc	**2,157**	**534**	**(222)**	1,845	630	324	891
The Hongkong and Shanghai Banking Corporation Limited	**10,934**	**1,368**	**(1,457)**	11,023	1,345	1,014	8,664
HSBC Bank Middle East Limited	**591**	**74**	**(48)**	565	49	65	451
HSBC North America Holdings Inc.	**2,085**	**210**	**(70)**	1,945	179	132	1,634
HSBC Bank Canada	**—**	**—**	**—**	—	—	—	—
Grupo Financiero HSBC, S.A. de C.V.	**577**	**142**	**(46)**	481	103	87	291
Other trading entities	**759**	**153**	**(196)**	802	(1,834)	728	1,908
Holding companies, shared service centres and intra-group eliminations	**702**	**(49)**	**(162)**	913	(126)	(114)	1,153
At 31 Dec	**20,830**	**2,688**	**(2,445)**	20,587	2,751	978	16,858

Interest expense

	2025	Increase/(decrease) in 2025 compared with 2024		2024	Increase/(decrease) in 2024 compared with 2023		2023
		Volume	Rate		Volume	Rate	
	$m	$m	$m	$m	$m	$m	$m
Deposits by banks							
HSBC Bank plc	**1,236**	**210**	**(350)**	1,376	160	79	1,137
HSBC UK Bank plc	**602**	**(35)**	**(106)**	743	20	107	616
The Hongkong and Shanghai Banking Corporation Limited	**532**	**27**	**(106)**	611	52	52	507
HSBC Bank Middle East Limited	**355**	**84**	**(32)**	303	83	20	200
HSBC North America Holdings Inc.	**345**	**96**	**(80)**	329	32	(18)	315
HSBC Bank Canada	**—**	**—**	**—**	—	—	(6)	6
Grupo Financiero HSBC, S.A. de C.V.	**53**	**(8)**	**(13)**	74	12	(39)	101
Other trading entities	**161**	**63**	**52**	46	(122)	137	31
Holding companies, shared service centres and intra-group eliminations	**(671)**	**(96)**	**(23)**	(552)	(7)	(33)	(512)
At 31 Dec	**2,613**	**334**	**(651)**	2,930	269	260	2,401
Customer accounts							
HSBC Bank plc	**8,778**	**579**	**(2,554)**	10,753	1,134	1,108	8,511
HSBC UK Bank plc	**5,863**	**489**	**(782)**	6,156	225	1,399	4,532
The Hongkong and Shanghai Banking Corporation Limited	**14,024**	**946**	**(4,576)**	17,654	882	2,249	14,523
HSBC Bank Middle East Limited	**520**	**110**	**(110)**	520	61	77	382
HSBC North America Holdings Inc.	**2,627**	**63**	**(466)**	3,030	51	248	2,731
HSBC Bank Canada	**—**	**—**	**—**	—	—	—	—
Grupo Financiero HSBC, S.A. de C.V.	**1,135**	**(48)**	**(372)**	1,555	(2)	68	1,489
Other trading entities	**828**	**(188)**	**4**	1,012	(3,094)	1,710	2,396
Holding companies, shared service centres and intra-group eliminations	**(486)**	**(48)**	**69**	(507)	(115)	10	(402)
At 31 Dec	**33,289**	**2,263**	**(9,147)**	40,173	1,473	4,538	34,162

Interest expense (continued)

	2025	Increase/(decrease) in 2025 compared with 2024		2024	Increase/(decrease) in 2024 compared with 2023		2023
		Volume	Rate		Volume	Rate	
	$m	$m	$m	$m	$m	$m	$m
Repurchase agreements – with banks							
HSBC Bank plc	**1,615**	**(320)**	**(277)**	2,212	(511)	808	1,915
HSBC UK Bank plc	**123**	**102**	**(2)**	23	(25)	14	34
The Hongkong and Shanghai Banking Corporation Limited	**2,293**	**222**	**(569)**	2,640	758	514	1,368
HSBC Bank Middle East Limited	**198**	**54**	**(34)**	178	70	9	99
HSBC North America Holdings Inc.	**604**	**67**	**(118)**	655	296	(85)	444
HSBC Bank Canada	**—**	**—**	**—**	—	—	—	—
Grupo Financiero HSBC, S.A. de C.V.	**156**	**139**	**(8)**	25	(16)	5	36
Other trading entities	**7**	**1**	**(37)**	43	(61)	(10)	114
Holding companies, shared service centres and intra-group eliminations	**(614)**	**96**	**171**	(881)	309	(181)	(1,009)
At 31 Dec	**4,382**	**594**	**(1,107)**	4,895	1,621	273	3,001
Repurchase agreements – with customers							
HSBC Bank plc	**3,721**	**(342)**	**(27)**	4,090	929	647	2,514
HSBC UK Bank plc	**251**	**(53)**	**31**	273	(382)	227	428
The Hongkong and Shanghai Banking Corporation Limited	**549**	**(276)**	**(283)**	1,108	(12)	126	994
HSBC Bank Middle East Limited	**0.4**	**(0.6)**	**—**	1	1	—	—
HSBC North America Holdings Inc.	**4,360**	**44**	**(505)**	4,821	1,249	34	3,538
HSBC Bank Canada	**—**	**(13)**	**—**	13	(15)	3	25
Grupo Financiero HSBC, S.A. de C.V.	**365**	**54**	**(104)**	415	45	(12)	382
Other trading entities	**—**	**(1)**	**—**	1	—	—	1
Holding companies, shared service centres and intra-group eliminations	**0.6**	**(0.2)**	**0.8**	—	—	25	(25)
At 31 Dec	**9,247**	**(921)**	**(554)**	10,722	1,537	1,328	7,857
Debt securities in issue – non trading							
HSBC Bank plc	**1,909**	**(2)**	**(625)**	2,536	512	137	1,887
HSBC UK Bank plc	**1,334**	**149**	**(172)**	1,357	230	368	759
The Hongkong and Shanghai Banking Corporation Limited	**2,305**	**(159)**	**(308)**	2,772	(210)	166	2,816
HSBC Bank Middle East Limited	**89**	**19**	**3**	67	(12)	6	73
HSBC North America Holdings Inc.	**1,408**	**(84)**	**(202)**	1,694	167	22	1,505
HSBC Bank Canada	**—**	**(12)**	**—**	12	(37)	(2)	51
Grupo Financiero HSBC, S.A. de C.V.	**334**	**25**	**(44)**	353	178	83	92
Other trading entities	**150**	**(24)**	**32**	142	(3)	(10)	155
Holding companies, shared service centres and intra-group eliminations	**3,318**	**213**	**(768)**	3,873	(147)	135	3,885
At 31 Dec	**10,847**	**104**	**(2,063)**	12,806	751	832	11,223

Loan maturity and interest sensitivity analysis

The analysis of loan maturity and interest sensitivity is presented for loans where repayment is expected to occur on a contractual repayment basis (presented within Loans and advances to banks and Loans and advances to customers on our balance sheet). Loans that have been re-classified to Assets held for sale are excluded as recovery is expected from sale proceeds within the next 12 months rather than individual contractual repayment terms. The analysis of loan maturity and interest sensitivity by loan type on a contractual repayment basis was as follows.

	Total 2025 $m	Total 2024 $m
Maturity of 1 year or less		
Loans and advances to banks	**101,823**	97,156
Loans and advances to customers	**361,354**	341,022
	463,177	438,178
Maturity after 1 year but within 5 years		
Loans and advances to banks	**5,968**	4,513
Loans and advances to customers	**285,116**	268,427
	291,084	272,940
Interest rate sensitivity of loans and advances to banks		
Fixed interest rate	**1,937**	1,217
Variable interest rate	**4,031**	3,296
	5,968	4,513
Interest rate sensitivity of loans and advances to customers		
Fixed interest rate	**66,999**	60,088
Variable interest rate	**218,117**	208,339
	285,116	268,427
Maturity after 5 years but within 15 years		
Loans and advances to banks	**678**	383
Loans and advances to customers	**177,571**	164,603
	178,249	164,986
Interest rate sensitivity of loans and advances to banks		
Fixed interest rate	**678**	333
Variable interest rate	**—**	50
	678	383
Interest rate sensitivity of loans and advances to customers		
Fixed interest rate	**77,525**	69,464
Variable interest rate	**100,045**	95,139
	177,570	164,603
Maturity after 15 years		
Loans and advances to banks	**—**	—
Loans and advances to customers	**175,050**	166,321
	175,050	166,321
Interest rate sensitivity of loans and advances to banks		
Fixed interest rate	**—**	—
Variable interest rate	**—**	—
	—	—
Interest rate sensitivity of loans and advances to customers		
Fixed interest rate	**83,388**	76,945
Variable interest rate	**91,662**	89,376
	175,050	166,321

Deposits

The following tables summarise the average amount of bank deposits, customer deposits and certificates of deposit ('CDs') and other money market instruments (that are included within 'Debt securities in issue' in the balance sheet), together with the average interest rates paid thereon for each of the past two years.

The analysis of average deposits by legal entity is based on the legal entity in which the deposits are recorded and excludes balances with HSBC companies.

Deposits by banks

	2025		2024	
	Average balance	**Average rate**	Average balance	Average rate
	$m	**%**	$m	%
HSBC UK Bank plc	**12,498**	**—**	13,243	
– demand and other – non-interest bearing	**13**	**—**	31	—
– demand – interest bearing	**30**	**4.5**	11	2.7
– time	**12,455**	**4.8**	13,201	5.5
– other	**—**	**—**	—	—
HSBC Bank plc	**40,789**	**—**	33,104	
– demand and other – non-interest bearing	**8,031**	**—**	6,159	—
– demand – interest bearing	**23,186**	**3.4**	18,384	4.9
– time	**8,145**	**3.5**	8,197	3.9
– other	**1,427**	**—**	364	—
The Hongkong and Shanghai Banking Corporation Limited	**22,932**	**—**	21,785	
– demand and other – non-interest bearing	**3,480**	**—**	3,412	—
– demand – interest bearing	**15,211**	**2.1**	13,326	2.3
– time	**4,236**	**3.8**	5,035	5.0
– other	**5**	**—**	12	—
HSBC Bank Middle East Limited	**3,333**	**—**	2,566	
– demand and other – non-interest bearing	**113**	**—**	101	—
– demand – interest bearing	**744**	**0.9**	721	0.6
– time	**2,401**	**5.2**	1,665	5.9
– other	**75**	**—**	79	—
HSBC North America Holdings Inc.	**7,837**	**—**	5,449	
– demand and other – non-interest bearing	**706**	**—**	942	—
– demand – interest bearing	**6,471**	**3.7**	4,271	4.8
– time	**660**	**4.1**	236	5.5
– other	**—**	**—**	—	—
Grupo Financiero HSBC, S.A. de C.V	**575**	**—**	662	
– demand and other – non-interest bearing	**13**	**—**	14	—
– demand – interest bearing	**45**	**8.4**	34	11.8
– time	**517**	**9.0**	614	10.7
– other	**—**	**—**	—	—
Other trading entities	**489**	**—**	271	
– demand and other – non-interest bearing	**16**	**—**	16	—
– demand – interest bearing	**2**	**1.5**	13	7.7
– time	**471**	**4.1**	242	10.7
– other	**—**	**—**	—	—
Total	**88,453**	**3.0**	77,080	3.8
– demand and other – non-interest bearing	**12,372**	**—**	10,675	—
– demand – interest bearing	**45,689**	**3.0**	36,760	3.9
– time	**28,885**	**4.4**	29,190	5.1
– other	**1,507**	**—**	455	—

Customer accounts

	2025		2024	
	Average balance	**Average rate**	Average balance	Average rate
	$m	**%**	$m	%
HSBC UK Bank plc	**356,138**	**—**	336,151	
– demand and other – non-interest bearing	**56,526**	**—**	58,672	—
– demand – interest bearing	**255,665**	**1.6**	224,061	1.9
– savings	**30,936**	**3.4**	39,915	3.0
– time	**13,011**	**3.4**	13,473	4.3
– other	**—**	**0.5**	30	3.3
HSBC Bank plc	**311,416**	**—**	297,942	
– demand and other – non-interest bearing	**43,164**	**—**	49,569	—
– demand – interest bearing	**174,895**	**3.3**	164,360	4.2
– savings	**58,187**	**2.7**	49,037	3.3
– time	**35,061**	**4.0**	34,976	5.1
– other	**109**	**3.1**	—	—
The Hongkong and Shanghai Banking Corporation Limited	**866,221**	**—**	805,694	
– demand and other – non-interest bearing	**73,600**	**—**	68,539	—
– demand – interest bearing	**465,021**	**0.7**	416,431	1.0
– savings	**318,953**	**3.3**	311,870	4.1
– time	**8,643**	**3.6**	8,704	4.9
– other	**4**	**3.3**	150	—
HSBC Bank Middle East Limited	**35,832**	**—**	33,470	
– demand and other – non-interest bearing	**17,184**	**—**	18,761	—
– demand – interest bearing	**10,102**	**2.0**	6,372	2.4
– savings	**7,451**	**3.7**	7,186	4.2
– time	**1,095**	**4.6**	1,151	5.6
– other	**—**	**—**	—	—
HSBC North America Holdings Inc.	**97,508**	**—**	95,893	
– demand and other – non-interest bearing	**17,066**	**—**	17,409	—
– demand – interest bearing	**37,156**	**3.2**	34,270	3.7
– savings	**43,286**	**3.3**	44,214	4.0
– time	**—**	**—**	—	—
– other	**—**	**—**	—	—
Grupo Financiero HSBC, S.A. de C.V.	**28,009**	**4.1**	29,311	5.3
– demand and other – non-interest bearing	**6,330**	**—**	6,738	—
– demand – interest bearing	**13,432**	**4.2**	13,881	5.6
– savings	**—**	**—**	—	—
– time	**8,247**	**6.9**	8,692	8.9
– other	**—**	**—**	—	—
Other trading entities	**10,442**	**8.0**	11,504	12.8
– demand and other – non-interest bearing	**4,664**	**—**	4,438	—
– demand – interest bearing	**1,374**	**1.2**	2,252	8.0
– savings	**4,183**	**19.2**	4,060	30.9
– time	**221**	**7.1**	754	5.6
– other	**—**	**—**	—	—
Total	**1,705,566**	**2.0**	1,609,965	2.6
– demand and other – non-interest bearing	**218,534**	**—**	224,126	—
– demand – interest bearing	**957,645**	**1.6**	861,627	2.1
– savings	**462,996**	**3.4**	456,282	4.3
– time	**66,278**	**4.2**	67,750	5.4
– other	**113**	**3.7**	180	2.2

Net charge-offs to average loans

The following table provides the net charge-offs to average loans for loans and advances to banks and customers.

Net charge-offs to average loans

	2025 %	2024 %
Loans and advances to banks	—	—
Loans and advances to customers	0.33	0.44

Allowances for credit losses to total loans are presented in Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at page 112.

Estimate of uninsured deposits and uninsured time deposits

HSBC provides deposit services to customers across the many countries in which we operate and are therefore subject to differing national and state deposit insurance regimes. Uninsured deposits are presented on an estimated basis using the same methodologies and assumptions inherent in our liquidity reporting requirements to our primary regulator, the Prudential Regulation Authority.

The insured status of a deposit is determined on the basis of individual insurance limits enacted within local regulations.

At 31 December 2025, the amount of uninsured deposits was $1.4tn (31 December 2024: $1.3tn).

Uninsured time deposits are uninsured deposits which are subject to contractual maturity requirements prior to withdrawal. Amounts are presented on a residual contractual maturity basis and exclude overnight deposits where contractual requirements are imminently satisfied.

Maturity analysis of uninsured time deposits

	At 31 Dec 2025				
	3 months or less $m	After 3 months but within 6 months $m	After 6 months but within 12 months $m	After 12 months $m	Total $m
Uninsured time deposits	**294,755**	**15,139**	**8,416**	**6,340**	**324,650**
	At 31 Dec 2024				
Uninsured time deposits	262,268	20,540	9,433	4,783	297,024

The following commentary compares business segment financial performance on a constant currency basis for the year ended 2024 with 2023, represented based on our reportable segments under IFRS 8 'Operating Segments' effective from 1 January 2025.

Hong Kong Business

2024 compared with 2023

Financial performance (on a constant currency basis)

Profit before tax of $9.1bn was $0.6bn or 7% higher than in 2023 on a constant currency basis.

Revenue of $15.0bn was $0.5bn or 4% higher on a constant currency basis.

Banking NII of $12.0bn fell $0.1bn or 1%. This was due to the impact of lower margins in 2024 relative to 2023 but partly offset by deposit balance growth.

Fee and other income of $3.1bn was up $0.3bn or 9%.

- In Wealth, investment distribution revenue grew by $0.4bn or 31% driven by higher sales of mutual funds, structured products and bonds due to our focus on investment in Wealth and improved market sentiment.
- In Other, revenue decreased by $0.1bn due to lower revenue allocated from Markets Treasury.

Notable items in 2023 include $0.4bn from the non-recurrence of disposal losses relating to Markets Treasury repositioning and risk management.

ECL were $1.1bn, a decrease of $0.4bn compared with 2023 on a constant currency basis, reflecting a reduction in ECL in the commercial real estate sector in 2024.

Operating expenses of $4.8bn were $0.3bn higher on a constant currency basis, reflecting continued investments in Wealth, higher spend and investment in technology, higher performance-related pay and inflationary impacts. These were partly offset by continued cost discipline.

UK Business

2024 compared with 2023

Financial performance (on a constant currency basis)

Profit before tax of $6.8bn was $1.2bn or (15)% lower than in 2023 on a constant currency basis.

Revenue of $12.3bn was $1.1bn or (8)% lower on a constant currency basis.

Banking NII of $10.4bn increased by $0.5bn or 4.6% despite two base rate cut in 2024. The increase reflected balance sheet growth, the full year impact of our acquisition of SVB UK, and benefit from our structural hedges. These increases were partly offset by mortgage pricing pressures, as well as a change in deposit mix towards interest-bearing deposit accounts.

Fee and other income of $2.0bn was broadly stable.

Notable items in 2023 include the non-recurrence of a $1.7bn gain recognised on the acquisition of SVB UK which was partly offset by the non-recurrence of $0.1bn disposal losses relating to Markets Treasury repositioning and risk management.

ECL were $0.4bn, a decrease of $0.1bn compared with 2023 on a constant currency basis, reflecting lower stage 3 charges combined with improved forward economic outlook in 2024.

Operating expenses of $5.1bn were $0.3bn higher on a constant currency basis. This includes the Bank of England levy introduced in 2024. The increase also reflects incremental costs in IVB following the acquisition of SVB, higher spend and investment in technology, higher performance-related pay and inflationary impacts. These were partly offset by continued cost discipline.

Corporate and Institutional Banking

2024 compared with 2023

Financial performance (on a constant currency basis)

Profit before tax of $11.3bn was $0.8bn or 8% higher than in 2023 on a constant currency basis.

Revenue of $26.8bn was $2.0bn or 8% higher on a constant currency basis.

Banking NII of $14.5bn was up $1.1bn or 8%. This was largely driven by the hyperinflationary impacts in Argentina along with higher allocated revenue from Markets Treasury.

Fee and other income of $12.3bn was up $0.6bn or 5%.

- In Debt and Equity Markets, fee and other income rose by $0.6bn or 38.3%. In Equities, fee and other income increased amid improved market sentiment, which drove higher client demand for wealth products, as well as higher levels of volatility in 2H24. In Debt Markets the growth reflected client demand for financing products and increased volumes, primarily from emerging markets credit,
- In Investment Banking, fee and other income increased by $0.1bn or 11%, due to higher advisory and financing activity, supported by the recovery in global capital markets.
- In Wholesale Transaction Banking, fee and other income fell by $0.1bn or 1% driven by a decrease in Foreign Exchange as client activity remained resilient given the market environment, and the impact of the disposal of our banking business in Canada. This was partly offset by an increase fee and other income in GPS reflecting business initiatives, repricing and transaction volume growth, and in GTS reflecting growth from guarantees.

Notable items in 2023 included $0.4bn from the non-recurrence of disposal losses relating to Markets Treasury repositioning and risk management.

ECL charges of $0.9bn were $0.4bn higher on a constant currency basis. ECLs in 2024 reflected higher CRE charges in Asia, and in the Middle East reflecting higher oil and gas and construction sector charges.

Operating expenses of $14.6bn were $0.9bn or 6% higher on a constant currency basis. The increase reflected hyperinflationary impacts in Argentina, incremental costs following the acquisition of SVB UK, higher spend and investment in technology, and inflationary impacts. These increases were in part mitigated by continued cost discipline and lower costs following the disposal of our banking business in Canada.

International Wealth and Premier Banking

2024 compared with 2023

Financial performance (on a constant currency basis)

Profit before tax of $4.0bn was $0.8bn or 24% higher than in 2023 on a constant currency basis.

Revenue of $13.8bn was $$1.4bn or 12% higher on a constant currency basis.

Banking NII of $7.6bn was $0.4bn higher or 5%. This was driven by increase in revenue allocated from Markets Treasury and continued balance sheet growth, partly offset by narrower margins and our business disposals in Canada and France.

Fee and other income of $6.2bn was up $0.8bn or 14% driven by strong growth across all products in Wealth.

In Wealth, fee and other income of $5.6bn was up $1.0bn or 21%.

- Insurance increased by $0.5bn, reflecting a higher contractual service margin ('CSM') release, largely due to continued growth in the CSM balance, as well as due to the impact of corrections to historical valuation estimates recognised in 2023.
- Private Bank increased by $0.3bn, primarily driven by a strong performance in brokerage and trading in our entities in Asia.
- Asset Management increased by $0.1bn, driven by an increase in assets under management due to inflows and positive market movements partly offset by the impact of our business disposal in Canada and France.

Notable items in 2023 included $0.2bn impact of the sale of our retail banking operations in France, and $0.1bn from the non-recurrence of disposal losses relating to Markets Treasury repositioning and risk management.

ECL were $1.0bn, an increase of $0.3bn compared with 2023 on a constant currency basis, primarily reflecting higher charges in our legal entity in Mexico, mainly in our unsecured portfolio, due to portfolio growth and unemployment trends.

Operating expenses of $8.9bn were $0.4bn higher on a constant currency basis, reflecting continued investments in Wealth in Asia, higher spend and investment in technology, higher performance-related pay and from the impact of higher inflation. These were partly offset by continued cost discipline and the impact of the business disposals in France and Canada.

Corporate Centre

2024 compared with 2023

Financial performance (on a constant currency basis)

Profit before tax of $1.2bn was $1.6bn higher than in 2023 on a constant currency basis.

Revenue of $2.0bn was $1.9bn lower on a constant currency basis, primarily due to the impact of notable items.

In 2024, these included a loss on disposal of $1.0bn, as well as foreign currency and other reserve losses of $5.2bn, following the disposal of our business in Argentina. They also included a loss of $0.1bn related to the recycling of reserves following the completion of the sale of our business in Russia, and a $0.2bn loss on the early redemption of legacy securities. These were partly offset by a $4.8bn gain on the sale of our banking business in Canada, inclusive of fair value gains on related hedging and recycling of related reserves.

In 2023, notable items included fair value losses of $0.3bn relating to the hedging of the proceeds of the sale of our business in Canada.

Banking NII in 2024 removes from NII the internal costs to funding trading and fair value net assets, predominately in CIB, of $11.4bn (2023: $8.7bn). Banking NII was a net expense of $0.7bn. This was $0.5bn higher than in 2023. The movement in Banking NII reflected the impact of the transfer of the retained French retail lending portfolio from IWPB.

Fee and other income of $0.4bn was broadly stable.

Operating expenses decreased by $0.4bn on a constant currency basis. This included a lower impact from levies, including in relation to the FDIC special assessment and the UK bank levy.

Share of profit from associates and joint ventures of $2.9bn increased by $3.2bn on a constant currency basis, primarily reflecting the non-recurrence of an impairment charge of $3.0bn in 2023 relating to our investment in BoCom and an increase in share of profit from SAB.

Disclosure controls

The Group CEO and Group CFO, with the assistance of other members of management, carried out an evaluation of the effectiveness of the design and operation of HSBC Holdings' disclosure controls and procedures as at 31 December 2025. Based upon that evaluation, the Group CEO and Group CFO concluded that the disclosure controls and procedures at 31 December 2025 were effective to provide reasonable assurance that information required to be disclosed in the reports that the company files and submits under the US Securities Exchange Act of 1934, as amended, is recorded, processed, summarised and reported as and when required. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Management's assessment of internal controls over financial reporting

Management is responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting, and has completed an assessment of the effectiveness of the Group's internal controls over financial reporting for the year ended 31 December 2025. In making the assessment, management used the framework for internal control evaluation contained in the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (September 2014), as well as the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') in 'Internal Control-Integrated Framework (2013)'.

There have been no changes in HSBC Holdings' internal control over financial reporting during the year ended 31 December 2025 that have materially affected, or are reasonably likely to materially affect, HSBC Holdings' internal control over financial reporting.

Based on the assessment performed, management concluded that for the year ended 31 December 2025, the Group's internal controls over financial reporting were effective.

PricewaterhouseCoopers LLP, which has audited the consolidated financial statements of the Group for the year ended 31 December 2025, has also audited the effectiveness of the Group's internal control over financial reporting as stated in their report on page 253.

Regulation and supervision

The ordinary shares of HSBC Holdings are listed in London, Hong Kong, New York and Bermuda. As a result of the listing in London, HSBC Holdings is subject to the UK Listing Rules of the FCA. As a result of the listing in Hong Kong, HSBC Holdings is subject to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ('HKEX'). In the US, where the listing is through an American Depositary Receipt Programme, shares are traded in the form of American Depositary Shares ('ADS'), which are registered with the US Securities and Exchange Commission ('SEC'). As a consequence of its US listing, HSBC Holdings is also subject to the reporting and other requirements of: the US Securities Act of 1933, as amended; the Securities Exchange Act of 1934, as amended; and the New York Stock Exchange's ('NYSE') Listed Company Manual, in each case as applied to foreign private issuers. In Bermuda, HSBC Holdings is subject to the listing rules of the Bermuda Stock Exchange applicable to companies with secondary listings.

A statement of our compliance with the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council and with the Hong Kong Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on HKEX can be found in the 'Corporate Governance Report: Statement of Compliance' on page 250.

Our operations throughout the world are regulated and supervised globally by a large number of different regulatory authorities, central banks and other bodies in those jurisdictions in which we have offices, branches or subsidiaries. These authorities impose a variety of requirements and controls designed to provide financial stability, transparency in financial markets and a contribution to economic growth. The requirements to which our operations must adhere include those relating to capital and liquidity, disclosure standards and restrictions on certain types of products or transaction structures, recovery and resolution, governance standards, conduct of business and financial crime.

The UK's Prudential Regulation Authority ('PRA') is the HSBC Group's consolidated lead regulator. HSBC Holdings is approved by, and directly responsible to the PRA for ensuring the HSBC Group meets consolidated prudential requirements. The Group's other lead UK regulator, the FCA, supervises 11 of HSBC's entities in the UK, including six where the PRA is responsible for those entities' prudential supervision. The FCA maintains global oversight of the Group's management of financial crime risk in the exercise of its wider powers under the Financial Services and Markets Act 2000, and through the exercise of direct supervisory powers over HSBC Holdings. In addition, and as required under relevant local laws, each operating bank, finance company and insurance operation within HSBC is regulated by relevant local regulatory authorities.

UK regulation and supervision

The UK's financial services regulatory structure is chiefly comprised of three regulatory bodies: the Bank of England ('BoE'); the PRA; and the FCA.

The BoE is responsible for macro-prudential supervision, focusing on systemic risks that may affect the UK's financial stability. This is largely affected through the Financial Policy Committee, a statutory body.

The BoE conducts micro-prudential regulation and supervision of financial services firms through the PRA (also a statutory body), and in addition to its wider role as the UK's central bank, the BoE is the UK resolution authority responsible for taking action to manage the failure of certain types of financial institutions in the UK, if necessary. The latter involves a set of responsibilities and powers that apply outside of an actual bank failure and relate to general resolution planning, including an assessment of any barriers to the resolution of banks, the exercise of powers to require the removal of impediments to resolvability and the setting of minimum requirements for own funds and eligible liabilities ('MREL'), through the Banking Act and the Bank Recovery and Resolution (Amendment) Regulations 2025.

These include own funds and liabilities that can be written down or converted into equity capital to absorb losses or recapitalise a bank in the event of its failure. These requirements are based on the resolution strategy for the Group, as agreed by the BoE in consultation with our local regulators.

The PRA and the FCA are micro-prudential supervisors. The Group's banking subsidiaries in the UK, such as HSBC Bank plc and HSBC UK, are 'dual-regulated' firms, subject to prudential regulation by the PRA and to conduct regulation by the FCA. Other (generally smaller, non-bank) UK-based subsidiaries are 'solo regulated' by the FCA (i.e. the FCA is responsible for both prudential and conduct regulation of those subsidiaries). HSBC Group is subject to consolidated supervision by the PRA.

UK banking and financial services institutions are subject to numerous laws and regulations, plus related regulatory rules, guidance and expectations. The primary UK statute in this context is the Financial Services and Markets Act 2000, as amended and supplemented by subsequent legislation and statutory instruments, in addition to EU financial services legislation that has been assimilated into UK law pursuant to the European Union (Withdrawal) Act 2018, as amended ('EUWA'). In 2023, the Financial Services and Markets Act 2023 ('FSMA 2023') was passed creating a new set of regulatory frameworks, providing powers to HM Treasury and the UK's financial services regulators to revoke and replace EU 'assimilated' law and to establish new objectives, and accountability frameworks.

The PRA and FCA are together responsible for authorising and supervising all our operating businesses in the UK that require authorisation under the Financial Services and Markets Act 2000.

These include deposit-taking, retail banking, consumer credit, life and general insurance, pensions, investments, mortgages, custody and share-dealing businesses, and treasury and capital markets activity.

The FCA is also responsible for promoting effective competition in the interests of consumers, and an independent subsidiary of the FCA, the Payment Systems Regulator, is the economic regulator of payment systems in the UK. Additionally, the Competition and Markets Authority (CMA) is responsible for promoting competitive markets in the UK. It can investigate aspects of the financial services sector where HSBC operates, and take action against firms where it sees fit. The CMA and FCA have established a Memorandum of Understanding for regulatory coordination between the authorities.

The PRA and FCA set the minimum standards for authorising banks and financial institutions engaged in regulated activities. In the UK, both regulators may object—on prudential grounds—to any individual or entity seeking to acquire, or holding, 10% or more of the voting rights or shares in a regulated institution or its parent. The PRA supervises HSBC on a consolidated basis, receiving capital adequacy information and establishing group-wide requirements. It also conducts stress tests across HSBC's UK entities and the broader Group. Meanwhile, each banking subsidiary within the Group is overseen by its respective local regulator, which sets and monitors its capital adequacy standards.

The Group complies with capital requirements under the UK Capital Requirements Legislative Package, which includes on-shored EU Regulation No. 575/2013 (as amended), the PRA Rulebook, and UK law implementing the Capital Requirements Directive.

The UK introduced the initial set of Basel 3.1 reforms in January 2022, targeting risk-weighted assets ('RWAs') for counterparty risk, equity investments in funds and market risk, and the leverage ratio. The PRA subsequently released two near-final rule packages for the second tranche: the first in December 2023, covering market risk, credit valuation adjustment, and operational risk; and the second in September 2024, addressing credit risk, the output floor and requirements for reporting and disclosures. Additionally, the PRA also published the first of two proposals to modify the Pillar 2A capital framework and capital communications.

The PRA initially planned to implement the second tranche of Basel 3.1 on 1 January 2026, with a four-year phase-in for the output floor. In January 2025, this was deferred to 1 January 2027 to align with US timelines, and the output floor phase-in was reduced to three years. Following the UK Government's announcement of its 10-year Financial Services Growth and Competitiveness Strategy in July 2025, the 1 January 2027 implementation date was confirmed for credit risk, operational risk, credit valuation adjustment, and non-modelled market risk. A further one-year extension was proposed for the internal model approach to market risk, moving its implementation to 1 January 2028.

The Group is also subject to liquidity requirements, namely the Liquidity Coverage Ratio ('LCR') and the Net Stable Funding Ratio ('NSFR') as set out in the Liquidity Coverage Ratio (CRR) and Liquidity (CRR) Parts of the PRA Rulebook respectively.

The PRA and FCA monitor authorised institutions through ongoing supervision and the review of routine and ad hoc reports relating to financial, prudential, conduct of business and financial crime matters. They may also obtain independent reports from a Skilled Person on the adequacy of procedures and systems covering internal controls and governing records and accounting. The PRA meets the Group's senior executives regularly to discuss our adherence to its prudential requirements. In addition, both the PRA and FCA regularly discuss with relevant management fundamental matters relating to our business in the UK and internationally, including areas such as strategic and operating plans, risk control, loan portfolio composition, organisational changes, succession planning and recovery and resolution arrangements.

Hong Kong regulation and supervision

The Banking Ordinance provides the legal framework for banking supervision in Hong Kong. Section 7(1) of the Ordinance provides that the principal function of the Hong Kong Monetary Authority ('HKMA') is to 'promote the general stability and effective working of the banking system'. The HKMA seeks to establish a regulatory framework in line with international standards, in particular those issued by the Basel Committee on Banking Supervision ('Basel') and the Financial Stability Board ('FSB'). The objective is to maintain a prudential supervisory system that underpins the general stability and effective working of the banking system, while at the same time providing sufficient flexibility for authorised institutions to take commercial decisions. Under the Banking Ordinance, the HKMA is the licensing authority responsible for the authorisation, suspension, and revocation of authorised institutions. To provide checks and balances, the HKMA is required under the Ordinance to consult with the Financial Secretary on important authorisation decisions, such as suspension and involuntary revocation.

The Hongkong and Shanghai Banking Corporation Limited and its overseas branches and subsidiaries are licensed under the Banking Ordinance and hence subject to the supervision, regulation, and examination of the HKMA.

The HKMA follows international practices as recommended by Basel to supervise authorised institutions. Under the Banking Ordinance, the HKMA imposes capital requirements on authorised institutions through the Banking (Capital) Rules, liquidity requirements through the Banking (Liquidity) Rules and large exposure limits through the Banking (Exposure Limits) Rules. These rules take into account the latest standards set by Basel. In December 2023, the HKMA published final rules for the implementation of the Basel 3.1 standards, which became effective on 1 January 2025.

The Banking Ordinance empowers the HKMA to collect prudential data from authorised institutions on a routine or ad hoc basis and to require any holding company or subsidiary or sister company of an authorised institution to submit such information as may be required for the exercise of the HKMA's functions under the Ordinance. The HKMA has the power to serve a notice of objection on persons if they are no longer deemed to be fit and proper to be controllers of the authorised institution, if they may otherwise threaten the interests of depositors or potential depositors, or if they have contravened any conditions specified by the HKMA. The HKMA may revoke authorisation in the event of an institution's non-compliance with the provisions of the Banking Ordinance. These provisions require, among other things, the furnishing of accurate reports.

To enhance the exchange of supervisory information and cooperation, the HKMA has entered into Memoranda of Understanding ('MoU') or other formal arrangements with a number of banking supervisory authorities within and outside Hong Kong, including Singapore. The marketing of, dealing in, and provision of advice and asset management services in relation to securities and futures in Hong Kong are subject to the provisions of the Securities and Futures Ordinance of Hong Kong. Entities engaging in activities regulated by the Ordinance (including HSBC) are required to be licensed or registered with the Securities and Futures Commission ('SFC'). The HKMA is the front-line regulator for banks involved in the securities and futures business.

The HKMA and the SFC work very closely to ensure that there is an open market with a level playing field for all intermediaries in the securities industry of Hong Kong.

Among other functions, the Securities and Futures Ordinance vests the SFC with powers to set and enforce market regulations, including investigating breaches of rules and market misconduct and taking appropriate enforcement action.

The SFC is responsible for licensing and supervising intermediaries conducting SFC-regulated activities, such as investment advisers, fund managers, brokers, trustees and custodians. Additionally, the SFC sets standards for the authorisation and regulation of investment products, and it reviews and authorises offering documents of retail investment products to be marketed to the public.

To promote proper conduct and increase awareness of individual responsibility and accountability, the SFC introduced and implemented the Manager-In-Charge ('MIC') regime in Hong Kong. The MIC regime applies to senior individuals of licensed corporations responsible for managing core functions within financial services businesses supervised by the SFC. The regime required SFC-licensed corporations to review their organisational structure and the roles of senior management and their responsible officers in light of the SFC's classification of core functions within licensed corporations and its guidelines on identifying MIC of core functions. The regime also imposes reporting requirements on SFC-licensed corporations.

Similar to the SFC, the HKMA launched its Management Accountability Initiative, which is aimed at increasing the accountability of the senior management of Hong Kong registered institutions ('RIs') i.e. Hong Kong banks registered to carry on one or more regulated activities under the SFO. The Management Accountability Initiative clarified the HKMA's expectations on the responsibility and accountability of RIs' senior management, and enhanced its information-gathering on RIs' regulated activities, while requiring RIs to better identify lines of responsibility and accountability for their regulated activities.

To support capacity building and talent development, the HKMA has been working with the banking industry and relevant professional bodies to implement an industry-wide enhanced competency framework for banking practitioners. Currently, the enhanced competency framework for banking practitioners covers ten professional work streams: anti-money laundering and counter-financing of terrorism; cybersecurity; treasury management; retail wealth management; credit risk management; operational risk management; fintech; private wealth management; green and sustainable finance; and compliance.

Relevant to the Group's insurance business in Hong Kong, the HKMA and the Hong Kong Insurance Authority ('IA') have signed an 'MoU' to enhance the cooperation, exchange of information and mutual assistance between the two authorities. This MoU sets out the framework between the HKMA and the IA for strengthening co-operation in respect of regulation and supervision of entities or financial groups in which the two authorities have a common regulatory interest. Pursuant to the statutory regulatory regime for insurance intermediaries under the Insurance Ordinance, the IA has delegated its inspection and investigation powers to the HKMA in relation to the insurance-related businesses of authorised institutions in Hong Kong, which aims to minimise possible regulatory overlap.

Under the statutory regime for the regulation of Mandatory Provident Fund ('MPF') intermediaries, the Mandatory Provident Fund Schemes Authority is the lead regulator in respect of regulation of MPF intermediaries whereas the HKMA, the IA and the SFC are the front-line regulators of the MPF intermediaries.

The Financial Institutions (Resolution) Ordinance ('FIRO') established the legal basis for a cross-sector resolution regime in Hong Kong under which the HKMA is the resolution authority for banking sector entities, including all authorised institutions. The HKMA is also designated as the lead resolution authority for the cross-sectoral groups in Hong Kong that include banking sector entities within the scope of the FIRO. The HKMA's function as a resolution authority is undertaken by the Resolution Office within the HKMA. The Resolution Office is operationally independent and has a direct reporting line to the chief executive of the HKMA.

For resolution to be both feasible and credible, the HKMA requires authorised institutions to be organised and managed at all times in a way that facilitates the effective use of its resolution powers in the event of their failure or likely failure. Institutions must comply with HKMA resolution standards, which support resolution planning and address barriers to resolvability. Key requirements include regular submission of core data to the Resolution Office, maintaining adequate loss-absorbing capacity, ensuring liquidity and funding during resolution, operational continuity, contractual recognition of suspension of termination rights, and continuity of access to financial market infrastructure services.

US regulation and supervision

The Group is subject to federal and state supervision and regulation in the US. Banking laws and regulations of the Federal Reserve Board (the 'FRB'), the Office of the Comptroller of the Currency (the 'OCC') and the Federal Deposit Insurance Corporation (the 'FDIC') (collectively, the 'US banking regulators') govern various aspects of our US business. HSBC Bank USA, N.A. ('HSBC Bank USA') is subject to direct supervision and regulation by the Consumer Financial Protection Bureau ('CFPB'), which has the authority to examine and take enforcement action related to compliance with US federal consumer financial laws and regulations. HSBC Bank USA's derivative activities are subject to supervision and regulation by the Securities and Exchange Commission ('SEC') and Commodity Futures Trading Commission ('CFTC'). The Group's US securities broker/dealer and investment banking operations are also subject to ongoing supervision and regulation by SEC, the Financial Industry Regulatory Authority and other government agencies and self-regulatory organisations under US federal and state securities laws. Similarly, the Group's US commodity futures, commodity options and swaps-related and client clearing operations are subject to ongoing supervision and regulation by the CFTC, the National Futures Association and other self-regulatory organisations under US federal commodities laws. Furthermore, since we have substantial operations outside the US that conduct many of their day-to-day transactions with the US, HSBC entities' operations outside the US are also subject to the extraterritorial effects of US regulation in many respects.

HSBC Holdings and its US operations are subject to supervision, regulation and examination by the FRB because HSBC Holdings is a 'bank holding company' ('BHC') under the US Bank Holding Company Act of 1956, as a result of its control of HSBC Bank USA and HSBC Trust Company (Delaware), N.A., Wilmington, Delaware ('HTCD'). HSBC North America Holdings ('HNAH') and HSBC USA Inc., are each a 'bank holding company' and HNAH is also an intermediate holding company ('IHC') regulated by the FRB. HSBC Holdings, HNAH and HSBC USA Inc. have elected to be financial holding companies pursuant to the provisions of the Gramm-Leach-Bliley Act and, accordingly, may affiliate with securities firms and insurance companies, and engage in other activities that are financial in nature or incidental or complementary to activities that are financial in nature.

Under regulations implemented by the FRB, if any financial holding company, or any depository institution controlled by a financial holding company, ceases to meet certain capital or management standards, the FRB may impose corrective capital and/or managerial requirements on the financial holding company and place limitations on its ability to conduct the broader financial activities permissible for financial holding companies. In addition, the FRB may require divestiture of the holding company's depository institutions, or its affiliates engaged in broader financial activities in reliance on the Gramm-Leach-Bliley Act if the deficiencies persist.

The regulations also provide that if any depository institution controlled by a financial holding company fails to maintain a satisfactory rating under the Community Reinvestment Act of 1977, the FRB must prohibit the financial holding company and its subsidiaries from engaging in any additional activities other than those permissible for bank holding companies that are not financial holding companies.

The two US banks, HSBC Bank USA and HTCD, are subject to regulation and examination primarily by the OCC. HSBC Bank USA and HTCD are subject to additional regulation and supervision by the FDIC, the CFPB and the FRB. Banking laws and regulations restrict many aspects of their operations and administration, including the establishment and maintenance of branch offices, capital and reserve requirements, deposits and borrowings, investment and lending activities, payment of dividends and numerous other matters.

In 2019, the FRB and other US banking regulators introduced the Tailoring Rules, which refine the application of enhanced prudential standards for large US banking organisations and the US operations of certain foreign banks. Under these rules, institutions with $50 billion or more in total US assets are categorised into five groups (Categories I–IV and 'Other Firms') according to factors such as asset size, cross-jurisdictional activity, short-term wholesale funding reliance, non-bank asset size, and off-balance sheet exposures.

As of 1 January 2026, HNAH remains classified as a Category IV firm, subject to the specific enhanced prudential standards for this category. HSBC Bank USA is also required to comply with the regulatory capital and liquidity requirements applicable to Category IV firms.

HNAH, HSBC USA Inc. ('HUSI') and HSBC Bank USA ('HBUS') are required to maintain minimum capital ratios (exclusive of any capital buffers), including a minimum Tier 1 leverage ratio of 4%, and a minimum total risk-based capital ratio of at least 8%. HNAH, HUSI and HBUS each calculate their risk-based capital requirements as Non-Advanced Approaches banks in accordance with the Basel III rules as adopted by US banking regulators. Over and above the minimum risk-based requirements, HNAH is subject to a Stress Capital Buffer ('SCB'), which is floored at 2.5% and is recalibrated every other year unless HNAH opts to be subject to supervisory stress testing by the FRB during an 'off year'. HUSI and HBUS continue to be subject to the static 2.5% capital conservation buffer ('CCB'). Compliance with the SCB/CCB does not represent minimum requirements, but rather a necessary condition to allow capital distributions and discretionary bonus payments.

In 2023, US banking regulators proposed changes to the regulatory capital rules applicable to US banks, BHCs and IHCs, including HNAH, HSBC USA Inc. and HSBC Bank USA. The 2023 proposal has not yet been finalised, and as of December 2025, a re-proposal of the rule changes, rather than a finalised version of the 2023 proposal, is expected to be issued, likely sometime in early 2026.

Under FRB regulations, HNAH is subject to supervisory stress testing requirements (on an every other year basis, with the next FRB supervisory stress test expected to take place in 2026) that are designed to evaluate whether a BHC has sufficient capital on a total consolidated basis to absorb losses and support operations under severely adverse economic conditions. As part of the Comprehensive Capital Analysis and Review ('CCAR'), the FRB uses pro-forma capital positions and ratios under such stress scenarios to determine the size of the SCB for each CCAR participating firm.

As part of CCAR, HNAH is required to submit an annual capital plan to the FRB on or before 5 April of each year. Category IV firms may opt into CCAR supervisory stress testing in an 'off year' in order to recalibrate their SCB, based on their most recent supervisory stress test. The SCB equals (i) a firm's projected decline in common equity tier 1 under the supervisory severely adverse stress testing scenario plus (ii) one year of planned common stock dividends. HNAH's SCB requirement effective from 1 October 2025 is 5.1%, unchanged from 2024.

HNAH already utilises an internal capital assessment approach that is analogous to the SCB and continues to review the composition of its capital structures and capital buffers in light of these developments.

Under the Tailoring Rules, certain US banking organisations are subject to heightened liquidity and risk management requirements, including the US LCR and NSFR. Category IV firms whose weighted short term wholesale funding equals or exceeds $50bn, including HNAH, are subject to a less stringent US LCR and NSFR modified regulatory requirement. As a result, under the modified US LCR requirement, a LCR of 100% or higher reflects an unencumbered HQLA balance that is equal to or exceeds 70% of the firm's liquidity needs (net cash outflows) for a 30-calendar day liquidity stress scenario.

Under the modified US NSFR requirement as applied to HNAH, a NSFR of 100% or more reflects an available stable funding balance from liabilities and capital over the next 12 months that is equal to or exceeds 70% of the firm's required stable funding amount for assets and off-balance sheet exposures. As a Category IV firm, HNAH is also subject to tailored liquidity risk management and liquidity buffer requirements, as well as liquidity stress testing on a quarterly basis.

Section 165(d) of the Dodd-Frank Act requires designated financial institutions, including foreign bank holding companies such as HSBC Holdings plc (HSBC Group), to periodically submit a resolution plan to the FDIC and Federal Reserve. This plan outlines the strategy for the rapid and orderly resolution of their U.S. operations under the U.S. Bankruptcy Code in the event of material financial distress or failure. Following the transition of HSBC Group's US Operations from Category III to Category IV, HSBC Holdings now qualifies for triennial reduced filings. The last reduced resolution plan was submitted in July 2025, with the next submission due 1 July, 2028. In July 2024, the FDIC finalised a rule requiring insured depository institutions (IDIs) with total assets of $100 billion or more to submit resolution plans (the 'IDI plan'). The rule revises existing requirements concerning the content and timing of full resolution submissions and interim supplements, in the off years and enhancing the FDIC's preparedness for potential distress or failure of large IDIs. It also strengthens the assessment of submission credibility, broadens expectations for engagement and capabilities testing, and clarifies the FDIC's approach to review, feedback, and enforcement of compliance. HSBC Bank USA continues to be required to submit an IDI Plan every three years and would become subject to increased content requirements and an emphasis on capabilities testing and engagement with the FDIC. In April 2025, the FDIC waived several of the substantive requirements associated with all IDI Plan submissions due in July 2025, and, in December 2025, extended that waiver for certain IDI Plan submissions due in 2026, including HSBC Bank USA's full IDI Plan. In December 2025, the FDIC indicated that it intends to consider further changes to its resolution plan requirements in 2026. As a result, the future of these requirements is uncertain. HSBC Bank USA submitted an interim supplement on 1 July 2025, while its next full IDI Plan submission is due by 1 July 2026.

In Q4 2024, the Office of the Comptroller of the Currency (OCC) issued guidelines establishing recovery planning standards for certain financial institutions, effective 1 January 2025. These requirements apply to insured national banks, Federal savings associations, and Federal branches with average total consolidated assets of $100 billion or more. HSBC Bank USA became subject to these standards, with compliance deadlines set for 1 January 2026 (overall recovery plan) and 1 January 2027 (scenario testing). HSBC Bank USA submitted its recovery plan in December 2025, in line with the Guideline. In October 2025, the OCC proposed rescinding the recovery planning guidelines; however, as no final rule has been issued, the requirement for the 1 January 2027 submission remains uncertain.

The FRB has separately established a framework for recovery plans, although HSBC is not currently required to submit a recovery plan to US regulators unless specifically requested to do so. The FRB limits credit exposures to single counterparties for large BHCs and IHCs. HNAH is not directly subject to these single counterparty credit limits. Independent of HNAH's classification as a Category IV firm, HNAH, together with its subsidiaries, could become subject to limits on its exposures to unaffiliated counterparties if its parent, HSBC, cannot certify its compliance with a large exposure regime in the UK that is consistent with the Basel large exposure framework.

Pursuant to Title VII of the Dodd-Frank ('Title VII'), the SEC and CFTC have adopted extensive requirements to regulate over-the-counter ('OTC') derivatives, including, among other requirements, registration for swap dealers, major swap participants, security-based swap ('SBS') dealer and major SBS participants, mandatory clearing and trade execution of certain OTC derivatives, position limits for certain physical positions and economically equivalent swaps, real-time public and regulatory trade reporting, business conduct, enhanced documentation, supervision, recordkeeping, and financial reporting requirements.

HSBC Bank USA and HSBC Bank plc are registered as swap dealers with the CFTC and registered as SBS dealers with the SEC. Because it is a non-US dealer, HSBC Bank plc is only subject to certain of the CFTC's requirements in respect of swap transactions with US persons and certain persons guaranteed by or affiliated with US persons, and only subject to certain of the SEC's requirements in respect of SBS transactions with US persons or which are arranged, negotiated, or executed by US personnel. HSBC Bank plc is also permitted to satisfy certain CFTC requirements and SEC requirements through 'substituted compliance' pursuant to relevant determinations and related relief issued by the SEC and the CFTC.

Pursuant to Title VII, the US prudential regulators adopted margin requirements for non-cleared swaps and SBS for prudentially regulated swap dealers and SBS dealers, such as HSBC Bank USA and HSBC Bank plc. Subject to certain exceptions, the margin rules require HSBC Bank USA and HSBC Bank plc to collect and post initial and variation margin for non-cleared swaps and SBS entered into with other swap dealers and certain financial end-users. The prudential regulators' margin requirements, the parallel margin rules adopted by the CFTC and the SEC and certain non-US regulators, as well as other regulations of OTC derivatives under Title VII, have increased the costs associated with trading OTC derivatives and may adversely affect our business in such products.

Dodd-Frank also expanded the extra-territorial jurisdiction of US courts over actions brought by the SEC or the US with respect to violations of the anti-fraud provisions in the Securities Act, the Securities Exchange Act of 1934 and the Investment Advisers Act of 1940.

In addition, regulations could affect the nature of the activities that our FDIC-insured depository institution subsidiaries may conduct, and may impose restrictions and limitations on the conduct of such activities. The implementation of the remaining Dodd-Frank provisions could result in additional costs, or limit or restrict the way we conduct our business in the US.

EU Regulation and supervision

HSBC Continental Europe ('HBCE'), headquartered in France, is the parent company of all HSBC European subsidiaries. In accordance with provisions of the Capital Requirements Directive ('CRD'), HBCE is an Intermediate Parent Undertaking ('IPU') for HSBC's European subgroup, centralising all coordination and requests to the unique Joint Supervisory Team ('JST') and the unique Internal Resolution Team ('IRT'), made up respectively of the European Central Bank ('ECB') and the national supervisory authorities on the one hand, and the Single Resolution Board ('SRB') and the national resolution authorities on the other. In particular, HBCE will have to submit consolidated reports directly onto the portal of the French resolution authority (ACPR), as the host authority of HBCE.

At the end of 2025, HBCE operated ten branches in the following jurisdictions: Belgium, Czech Republic, Germany, Ireland, Italy, Luxembourg, Netherlands, Poland, Spain and Sweden with two principal subsidiaries, HSBC Bank Malta plc ('HBMT') and HSBC Private Bank (Luxembourg) SA ('PBLU') following further transformation in 2022 and 2023 to support HBCE's role as the Group's EU IPU.

The revised Capital Requirements Regulation ('CRR3') implementing EU's Basel 3.1 package entered into force on 1 January 2025; however, the market risk framework was delayed. In June 2025, the European Commission ('EC') announced a further one-year delay to market risk implementation to 1 January 2027. The one-year delay aims to ensure that implementation in Europe is aligned to other major jurisdictions. Furthermore, the European Banking Authority ('EBA') continues to publish technical standards in line with its mandate to develop 140 technical standards.

In June 2024, the EU adopted amendments to the Capital Requirements Directive ('CRD6') which EU member states are in the process of transposing. While CRR3 and most CRD6 provisions apply solely to HSBC's European subsidiaries, CRD6 Article 21c introduces restrictions on cross-border services offered by non-EU banking entities to EU clients, with certain exemptions. Such cross-border restrictions will generally come into effect in January 2027, although precise effective dates will vary across EU member states.

Global and regional prudential and other regulatory developments

The Group operates under the oversight of numerous regulatory authorities and agencies. Regulatory changes are introduced both at the national level and by global organisations such as Basel, FSB and the G20. These global standards are subsequently adopted by individual countries.

We are subject to regulatory stress testing across multiple jurisdictions, with increasing frequency and more detailed data requirements from supervisors. These include programmes from the BoE, FRB (see 'US regulation and supervision'), OCC, EBA, ECB, HKMA, and other authorities. For further information, refer to 'Stress testing' on page 99. Details on prudential changes are available in the 'Regulatory developments' section on page 7 of the Pillar 3 Disclosures as at 31 December 2025.

Recovery and resolution

The HSBC Group is subject to recovery and resolution requirements in many of the jurisdictions in which it operates. In Europe, the Bank Recovery and Resolution Directive (BRRD) establishes a framework for the recovery and resolution of EU credit institutions and investment firms. This framework applies to HSBC's operating banks in the European region. In Hong Kong, the Banking Ordinance and Financial Institutions (Resolution) Ordinance sets out requirements for recovery and resolution planning. In general, each respective part of the HSBC Group is responsible for ensuring that it meets local recovery and resolution requirements where they exist, which are mainly applicable only to those regulated entities in a particular jurisdiction. The PRA and BoE, however, are the lead regulators from a recovery and resolution perspective respectively for the consolidated HSBC Group.

HSBC maintains recovery plans designed to outline credible management actions that the HSBC Group could implement in the event of severe stress in order to restore its business to a stable and sustainable condition. The HSBC Group submits a Group recovery plan to the PRA, the latest plan being submitted to the PRA in June 2024. In addition, certain HSBC entities also submit local recovery plans to host regulators, where local recovery planning requirements are in place. HSBC's recovery plans are frequently re-appraised to reflect HSBC's Group structure as well as meet regulatory and internal feedback, including through regular stress testing and 'fire drill' simulations.

In general terms, resolution refers to the exercise of statutory powers where a financial institution and/or its parent or other group company is deemed by its regulators to be failing, or likely to fail and it is not reasonably likely that any action taken would result in the institution recovering.

In view of the HSBC Group's corporate structure, which comprises a group of locally regulated operating banks, the preferred resolution strategy for the HSBC Group, as confirmed by its regulators, is a multiple point of entry ('MPE') bail-in strategy. This provides flexibility for HSBC to be resolved either (i) through a bail-in at the HSBC Holdings level, which enables the recapitalisation of operating bank subsidiaries in the HSBC Group (as required) while restructuring actions are undertaken, with the HSBC Group remaining together; or (ii) at a local subsidiary level pursuant to the application of statutory resolution powers by local resolution authorities.

In the event of a resolution of the HSBC Group, it is anticipated that the MREL eligible debt issued externally by HSBC Holdings plc would be written down or converted to equity by the BoE using its statutory powers. This would enable subsidiaries of the HSBC Group to be recapitalised, as needed, to support the resolution objectives and maintain the provision of critical functions locally. Recapitalisation of operating bank subsidiaries could be achieved through the write-down, or conversion to equity, of internally issued MREL, Total Loss Absorbing Capacity ('TLAC') or Loss Absorbing Capacity ('LAC'). It is anticipated that this approach to recapitalising the HSBC Group's operating bank subsidiaries would allow the Group to stay together in order to ensure an effective stabilisation of the whole Group whilst also facilitating an orderly restructuring process post resolution. Any resolution of HSBC as a group would be coordinated by the BoE.

Given the geographical footprint of the HSBC Group, resolution authorities have determined that HSBC has three resolution groups that together account for over 92% ($817bn) of the Group's consolidated RWAs ($889bn): The Asia resolution group ('ARG'), the European resolution group ('ERG') and the US resolution group ('USRG'). As a result, HSBC is overseen by various regulators and resolution authorities including its lead global regulators and resolution authority, the BoE and the PRA and a number of host regulators and resolution authorities. Examples include the European SRB, the HKMA, FRB, FDIC and OCC. These host resolution authorities have statutory resolution group powers which could be applied to subsidiaries of the HSBC Group in their jurisdictions. The application of these local statutory resolution powers may result in one or more individual resolution authorities leading to a local resolution of the subsidiaries within their jurisdiction.

This may or may not result in such subsidiaries ceasing to be part of the HSBC Group, depending on the drivers of failure and the resolution powers exercised by the relevant resolution authority.

HSBC considers that a bail-in at the HSBC Holdings plc level that enables subsidiaries in the HSBC Group to be recapitalised, (as required), and the subsequent implementation of restructuring actions while the HSBC Group remains together, is the strategy most likely to deliver the optimal resolution outcome for all of HSBC's stakeholders.

In July 2019, the BoE and PRA published final policies on the Resolvability Assessment Framework ('RAF'), which places the onus on firms to demonstrate their own resolvability and is designed to increase transparency and accountability for resolution planning. In order to be considered resolvable, HSBC must meet three outcomes: (i) have adequate resources in resolution; (ii) be able to continue business through resolution and restructuring; and (iii) be able to co-ordinate its resolution and communicate effectively with stakeholders.

The RAF requires HSBC to prepare a report on the HSBC Group's assessment of its resolvability, which must be submitted to the BoE on a periodic basis as requested by the BoE. HSBC Group submitted its second report to the BoE in October 2023. In August 2024, HSBC made its second public disclosure on its resolvability, which summarised the key findings from the second RAF Self-assessment. In line with the previous BoE RAF cycle, alongside HSBC's disclosure, the BoE also disclosed its own assessment of UK banks' resolvability, including HSBC, against expectations set out in the RAF.

Regular engagement with the BoE and PRA is maintained on Recovery and Resolution Planning topics. HSBC continues to engage with the BoE, PRA and its global regulators in other jurisdictions to help ensure that it meets current and future recovery and resolution requirements.

Financial crime regulation

HSBC is committed to preventing our products and services from being exploited for criminal activity. We do this because it is the right thing to do to protect our customers, shareholders, staff, the communities in which we operate and the integrity of the financial system on which we all rely. We recognise that financial institutions are inherently exposed to financial crime risk, which cannot be mitigated in its entirety. We employ a risk-based approach to managing our exposure by focusing our resources in a manner that is proportionate to the level of financial crime risk inherent in our business strategy and operating model. We remain committed to conducting our activities in accordance with all applicable financial crime laws and regulations in the markets in which we operate, the expectations of our regulators, measures associated with corporate criminal liability, and our own risk appetite.

HSBC has an established financial crime risk management programme that is applicable across all global businesses and functions, and all countries and territories in which we operate. This enables the bank and its staff to detect, analyse, investigate, report and mitigate the risk of HSBC facilitating or being used to facilitate financial crime, including bribery and corruption, fraud, money laundering, terrorist financing and proliferation financing, tax evasion, sanctions and export control violations and evasion.

HSBC could be subject to heightened commercial, operational, regulatory, reputational and market risks resulting from sanctions, trade restrictions and other regulatory changes related to foreign policy or national security concerns, as well as shifts in the geopolitical landscape. These risks may increase or evolve due to changing geopolitical dynamics, economic uncertainties, strategic competition in technology, and political instability and conflicts. HSBC has developed a comprehensive compliance framework to seek to manage sanctions and other financial crime risks. It is designed to identify and respond to changes in financial crime laws and regulations affecting the Group, to identify and address exposure that may arise from the activities of the Group, while fostering a strong compliance culture. This is supported through an extensive training programme aimed at equipping HSBC employees with the knowledge and skills necessary to maintain high standards of compliance.

Technical and digital innovation in how we engage with customers and the services we provide to them continue at pace. Considering the dynamic and changing environment, including the increasing use of alternative (including digitised) payment methods and technologies, HSBC continues to shape its risk appetite and enhance its control framework to detect, deter and disrupt financial crime more effectively, increasing its use of intelligence-led technologies and artificial intelligence to monitor customers for unusual or suspicious activity.

HSBC also maintains clear whistleblowing policies and processes, to enable individuals to report concerns confidentially.

Disclosures pursuant to Section 13(r) of the Securities Exchange Act

Section 13(r) of the Securities Exchange Act requires each issuer registered with the SEC to disclose in its annual or quarterly reports whether it or any of its affiliates have knowingly engaged in specified activities or transactions with persons or entities targeted by U.S. sanctions programmes relating to Iran, terrorism, or the proliferation of weapons of mass destruction, even if those activities are not prohibited by U.S. law, are conducted outside the U.S. by non-U.S. affiliates in compliance with local laws and regulations, and are not material to the business of the issuer or any of its affiliates.

To comply with this requirement, HSBC Holdings plc (together with its affiliates, "HSBC") has requested relevant information from its affiliates globally. The following activities conducted by HSBC are disclosed in response to Section 13(r) and are not material to the business of HSBC:

Legacy contractual obligations related to guarantees

Between 1996 and 2007, we provided guarantees to a number of our non-Iranian customers in Europe and the Middle East for various business activities in Iran. In a number of cases, we issued counter indemnities involving Iranian banks as the Iranian beneficiaries of the guarantees required that they be backed directly by Iranian banks. The Iranian banks to which we provided counter indemnities included Bank Tejarat, Bank Melli, and the Bank of Industry and Mine.

There was no measurable gross revenue in 2025 under those guarantees and counter indemnities. We do not allocate direct costs to fees and commissions and, therefore, have not disclosed a separate net profit measure. We are seeking to cancel all relevant guarantees and counter indemnities, and do not currently intend to provide any new guarantees or counter indemnities involving Iran. No guarantees were cancelled in 2025, and approximately 14 remain outstanding.

Other relationships with Iranian banks

Activity related to U.S.-sanctioned Iranian banks not covered elsewhere in this disclosure includes the following:

We act as the trustee and administrator for a pension scheme involving employees of a U.S.-sanctioned Iranian bank in Asia. Under the rules of this scheme, we accept contributions from the Iranian bank each month and allocate the funds into the pension accounts of the Iranian bank's employees. We run and operate this pension scheme in accordance with applicable laws and regulations. Estimated gross revenue, which includes fees and/or commissions, generated by this pension scheme during 2025, was approximately $2,224.

For the Iranian bank-related activity discussed above, we do not allocate direct costs to fees and commissions and, therefore, have not disclosed a separate net profit measure.

We currently intend to continue to wind down the above activities, to the extent legally permissible, and not enter into any new such activity.

Activity related to U.S. Executive Order 13224

We have a corporate customer in Asia that was designated under Executive Order 13224 in 2025. Immediately following the designation, and prior to the accounts being restricted, we processed two low-value local currency domestic payments for the customer.

We had an individual customer in Europe that was designated under Executive Order 13224 in 2021. The relationship was exited in 2025 and, as part of the exit process, we wrote off a de minimis local currency balance owed by the customer.

We had an individual customer in Latin America that was designated under Executive Order 13224 in 2025. Shortly following the designation and before the account was restricted, we processed three small local currency domestic payments for our customer.

We had an individual customer in the Middle East that was designated under Executive Order 13224 in 2021. The customer's accounts were restricted at the time of designation and the relationship was exited during 2025. As part of the exit process, we returned the customer's funds to the customer.

During 2025, as part of the settlement of the estate of a deceased customer in the Middle East, we processed a local currency domestic payment from the deceased customer's account to an individual designated under Executive Order 13224 who acted as representative for the deceased customer's heirs.

We have individual and corporate customers in the Middle East that, during 2025, made local currency cheque payments for the rental of property to a corporate entity designated under Executive Order 13224. We processed these cheques on behalf of our customers.

During 2025, pursuant to general licences issued by the U.S. Department of the Treasury's Office of Foreign Assets Control, we processed a small number of low-value U.S. dollar payments to the account of a non-designated non-governmental organisation held at a financial institution designated under Executive Order 13224 and one U.S. dollar payment from an entity designated pursuant to Executive Order 13224 to a non-designated corporate customer of HSBC.

For these activities, there was no measurable gross revenue or net profit to HSBC during 2025.

Activity related to U.S. Executive Order 13382

We had a corporate customer in Asia that was designated under Executive Order 13382 in 2025. Immediately following the designation, and prior to the accounts being restricted, we processed two payments for the customer. The relationship was exited in 2025 and, as part of the exit process, we returned the customer's funds to the customer.

For this activity, there was no measurable gross revenue or net profit to HSBC during 2025.

Other activity

We have a non-Iranian insurance company customer in the Middle East that, during 2025, made local currency domestic payments for the reimbursement of medical treatment to a hospital located outside Iran that is owned by the Government of Iran. We processed these payments from our customer to the hospital.

We have three customers in the Middle East that, during 2025, made local currency domestic payments for medical treatment to a hospital located outside Iran that is owned by the Government of Iran. We processed these payments from our customers to the hospital.

We have three corporate customers in the Middle East that, during 2025, received local currency cheques from a hospital located outside Iran that is owned by the Government of Iran. We processed the cheques from the hospital to our customers.

We have individual and corporate customers in the Middle East that, during 2025, received local currency cheques from an insurance company located outside Iran that is owned by the Government of Iran. We processed these cheques from the insurance company to our customers.

We have individual and corporate customers in Europe that, during 2025, made local currency domestic payments to, or received such payments from, an Iranian embassy. Generally, these customers appear to receive consular or other services provided by the embassy or provide goods and services that support the conduct of the official business of the embassy. We processed these payments between our customers and the Iranian embassy.

We have an individual customer in Europe that is employed by a bank located outside Iran that is owned by the Government of Iran. During 2025, we processed local currency salary payments received via a bank that is not owned by the Government of Iran to our customer. We are in the process of exiting the customer.

During 2025, we processed two low value local currency payments to a pension fund in Europe from an account held at a non-designated financial institution by an insurance company located outside Iran that is owned by the Government of Iran.

For these activities, there was no measurable gross revenue or net profit to HSBC during 2025.

Frozen accounts and transactions

We maintain several accounts that are frozen as a result of relevant sanctions programmes, and safekeeping boxes and other similar custodial relationships, for which no activity, except as licensed, authorised, or otherwise related to the maintenance of such accounts as consistent with applicable law, took place during 2025. There was no measurable gross revenue or net profit to HSBC during 2025 relating to these frozen accounts.

Risk factors

We have identified a suite of risk factors that cover a broad range of risks to which our businesses are exposed. These risks have the potential to have a material adverse effect on our business, financial condition, results of operations, prospects, capital position, strategy, reputation and/or customers.

They may not necessarily be deemed as top or emerging risks; however, they inform the ongoing assessment of our top and emerging risks that may result in our risk appetite being revised. The risk factors are set out below.

Macroeconomic and geopolitical risk

Economic and market conditions and geopolitical developments may adversely affect our financial condition and results

Our earnings are affected by global and local economic, financial and geopolitical changes. Uncertain economic conditions and volatile markets can create a challenging operating environment for our business operations.

HSBC has experience of financial and operational loss sustained as a consequence of the economic cycle, financial crises and wars. Our earnings, operations and operating model have been and could in future be affected by the following factors:

- The economic cycle: Deteriorating business, consumer or investor confidence and lower levels of investment and productivity growth, may lead to economic recession and lower customer and client activity. Rapid changes to the economic environment can also create challenging operating conditions for financial institutions such as HSBC and may affect our earnings and profits. The volatility of US trade and tariff policies remains a key source of uncertainty. Changes to tariff rates, including sector-specific levies, may deter capital investment and consumer spending, disrupt supply chains and reduce global trade growth. A broader escalation of tariffs, and a potential trade war remain a risk. Policy uncertainty may also deter businesses from hiring. During 2025, unemployment rose across many of our major markets, and there remains a risk of further increases if layoffs begin to increase more significantly, employment growth continues to be constrained by uncertainty, or if investment in artificial intelligence ('AI') starts to yield productivity gains that reduce demand for labour. Slowing growth in China over the second half of 2025 also suggests that additional economic policy support may be needed to stimulate domestic growth. Weak growth, higher unemployment and rising costs could affect the earnings and activity of our customers, which could, in turn, reduce demand for our products and services.
- Inflation and monetary policy: The future path for interest rates remains uncertain and changes to interest rate expectations could affect net interest income, the fair value of our assets and liabilities and overall financial performance. The combined pressure of tariffs, persistent inflation and restrictive interest rates could have material impacts on our customers as these factors could erode real purchasing power, increase debt service costs and weigh on real estate and other asset prices. High interest rates may affect the credit rating of our customers and their ability to repay debt. This could negatively impact the Group's risk-weighted assets ('RWAs') and capital position, resulting in increases in expected credit losses and other impairment charges ('ECL') and potential liquidity stresses due to, amongst other factors, increased customer drawdowns. There could be further adverse impacts on the Group's income if high rates were to result in lower lending volumes and weaker wealth and insurance revenue. Alternatively, lowering interest rates, while stimulating demand for new lending, could reduce revenue from net interest margins and profitability. Major central banks, including the US Federal Reserve, the European Central Bank and the Bank of England ('BoE'), eased monetary policy during 2025 as higher inflation risks were seen to diminish as unemployment rose. However, that trajectory could be disrupted if wage growth, tariffs or key commodity prices keep inflation higher for longer.
- Financial stability: Changing economic conditions and shifting policy create a more uncertain and volatile environment for asset markets. Financial markets have seen significant gains over 2025, including in the AI and the technology sectors, supported by the decline in short-term interest rates. The investment in these sectors may lead to future gains to productivity, while high equity market valuations may create a tailwind from positive wealth effects. However, current high valuations also raise the risk of a material fall in the markets, if the expected gains to productivity fail to materialise. This could adversely affect economic growth, which may, in turn, have an adverse impact on HSBC's risk profile and earnings by increasing the financial vulnerability of customers and decreasing the value of collateral and other claims. The depreciation of the US dollar through 2025 driven by changing interest rates and tariff policy uncertainty, is also an area of focus due to the associated hedging and revaluation risks. Elevated volatility is expected to persist, reflecting concern over fiscal sustainability and an increasingly complex fiscal and monetary policy environment. Exchange rate volatility may affect our risk exposure through mark-to-market changes in trading positions and the translation effects of currency movements.
- Fiscal policy and high levels of government debt: Debt levels in many of our major markets have continued to rise due to higher social welfare costs and increased expenditures on defence and climate transition. Rising government debt and high interest payments could adversely affect the fiscal capacity and debt sustainability of highly indebted sovereign issuers. Emerging markets with substantial debt and weak fiscal positions may also face increased repayment costs, heightened refinancing risks and greater likelihood of sovereign rating downgrades. A fragmented political landscape in many markets has diminished the political will for fiscal tightening. These factors could drive higher refinancing costs and could lead to tax increases that prove negative for growth. Uncertainty about future taxation could undermine confidence, business investment and consumer spending, which would be negative for the Group's retail and corporate operations in various markets. Additionally, where HSBC has exposure to such sovereigns or related parties, it could incur losses. At the same time, sovereign rating downgrades and/or a disorderly increase in long-term government funding costs, could increase the cost of funding for HSBC and/or limit access to market funding, resulting in an adverse impact on interest margins and liquidity.
- Longer term trends: Strategic competition between countries is reshaping trading relationships and increasing the focus on long-term economic and supply chain security, which could adversely affect the Group and our customers. Diversification in trade invoicing currencies, payment systems and reserve holdings is also increasing as a consequence of these trends, raising liquidity and volatility risks, as well as increasing operational complexity. Evolving demographics, including population ageing and changing migration patterns, may also result in changes to long-term savings and investment behaviours, including reduced demand for bank borrowing.
- Geopolitical risks: Geopolitical risks remain high. The disruption of key supply routes caused by geopolitical conflicts has continued to impact global supply chains. The Russia-Ukraine war and further conflict or military action, in the Middle East, Venezuela or elsewhere, could impact economic activity regionally or globally which, if continued for a prolonged period, could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, liquidity, capital position and credit ratings. (For further details see 'We are subject to political, social and other risks in the countries in which we operate').

Adverse changes to the current economic, financial and geopolitical situation including in relation to any of the factors listed above, could result in:

- Idiosyncratic losses: Impairment estimates attempt to capture the effects of economic, financial and geopolitical risks in the aggregate, but credit losses on specific exposures, with idiosyncratic features that make them particularly susceptible to the risks described above, may not be fully captured in our impairment estimates;
- Sector-wide impairment: Changing economic conditions, policies and funding costs may give rise to a deterioration in specific industries and sectors that may reduce the creditworthiness of our customers. For example, in mainland China, excess supply conditions continued to weigh on the property market, despite various central government policies introduced to support the property market and wider economy. In contrast, the Hong Kong real estate market showed some signs of recovery in the second half of 2025, particularly in the residential segment, supported by lower interest rates. Nevertheless, valuation pressures and liquidity constraints are expected to continue in the near term, particularly for mid-sized and sub-investment grade corporates. In addition, certain products, sectors and countries may be targeted by material increases in trade tariffs, potentially driving a slowdown in export demand;
- Reduced credit demand: The demand for borrowing from creditworthy customers may diminish during periods of recession or where economic activity slows or remains subdued;
- A tightening of financial market conditions: Our ability to borrow from other financial institutions or to engage in funding transactions may be adversely affected by market disruption; and
- Goodwill and intangibles: A changing economic and geopolitical outlook may change the recoverable value of assets and necessitate a write down in the value of intangible balance sheet items such as goodwill.

Provisioning against credit loss is conducted under the IFRS 9 'Financial Instruments' (IFRS 9) calculations of ECL, which use forward looking scenarios that incorporate the economic and financial risks detailed above. In the fourth quarter of 2025, HSBC's Central scenario, which has the highest probability weighting, assumes that GDP growth in many of our major markets will remain stable, or slow down in 2026, relative to 2025. Slower growth is assumed to result from the higher global tariffs and weaker labour market conditions across major economies. The scenario also assumes that central banks will cut policy interest rates further over 2026, as inflation is expected to converge towards official target rates.

However, forecasts remain uncertain, and changing economic conditions and the materialisation of key risks could reduce the accuracy of our Central scenario. There remains uncertainty regarding the adequacy of our models in capturing credit losses under emerging risks which are not captured by the historical loss experience of our models, or to effectively distinguish risks for specific sectors and portfolios. Our financial model outputs (including retail and wholesale credit models such as IFRS loss models) continue to be monitored and management judgemental adjustments are used where modelled ECL does not fully reflect the identified risks and related uncertainty, or to capture significant late-breaking events. Nevertheless, our model outputs may fail to accurately capture the effects of complex economic, financial and geopolitical risks. See also 'We could incur losses or be required to hold additional capital as a result of model limitations or failure'.

The occurrence of any of these events or circumstances could have a material adverse effect on our business, financial condition, results of operations, prospects and customers.

We are subject to political, social and other risks in the countries in which we operate

We operate through an international network of subsidiaries and affiliates across countries and territories around the world. Our global operations are subject to potentially unfavourable political, social, environmental and economic developments in such jurisdictions, which may include:

- coups, armed conflict or acts of terrorism;
- political and/or social instability;
- geopolitical tensions;
- epidemics and pandemics (such as the Covid-19 pandemic);
- climate change, acts of God and natural disasters (such as floods and hurricanes); and
- infrastructure issues, such as transportation and power failures.

Each of the above could impact RWAs, and the financial losses caused by any of these risk events or developments could impair asset values and the creditworthiness of customers.

These risk events or developments may also give rise to disruption to the Group's services and some may result in physical damage to our operations and/or risks to the safety of our personnel and customers.

Geopolitical tensions could have significant ramifications for the Group and its customers. In particular:

- Throughout 2025, the US government announced far-reaching tariffs against a broad spectrum of countries, including the UK, China, the EU, Canada, India, and Mexico. Although subsequent bilateral and multilateral negotiations have moderated certain tariff rates, particularly in sectors deemed critical to domestic supply chains, there is a possibility that these deals are replaced by alternative US tariffs on different terms, and the overall trade policy environment remains fluid and unpredictable;
- While globalisation appears to remain deeply embedded in the international system, it is increasingly challenged by protectionism, including trade tariffs. The broad geographic footprint and coverage of HSBC may make us and our customers susceptible to protectionist measures taken by national governments and authorities, including imposition of trade tariffs, restrictions on market access and investment, restrictions on the ability to transact on a cross-border basis, expropriation, restrictions on international ownership, interest rate caps, limits on dividend flows and increases in taxation. There may be uncertainty as to the conflicting nature of such measures, their duration, the potential for escalation, and their potential impact on global economies;
- Following the US military operation in Venezuela, further action elsewhere remains possible. Such developments, including the actual or threatened use of force, could have regional or global economic and political implications, leading to further trade disruption. (For further details, see 'Economic and market conditions and geopolitical developments may adversely affect our financial conditions and results');
- Sanctions and restrictions on trade and investment are continually evolving in response to geopolitical events and may adversely affect the Group, its customers and the markets in which the Group operates. These factors may result in increased legal, regulatory, reputational and market risks, and a more complex operating environment;
- The Russia-Ukraine war along with related financial sanctions, trade restrictions and Russian countermeasures, has had global economic and political implications. The US, the UK, and the EU, as well as other countries, have continued to impose sanctions against Russia. The US retains broad discretion to impose sanctions on non-US financial institutions that knowingly or unknowingly engage in transactions or provide services to sanctioned parties or otherwise involve Russia's military-industrial base. The imposition of such sanctions against any non-US HSBC entity could result in significant adverse commercial, operational, and reputational consequences for HSBC;
- Strategic competition between the US and China, including in the form of escalation and de-escalation over tariffs, sanctions, export controls, the trade of rare earth minerals and semiconductors, and cross-border investment restrictions, have increased risk and uncertainty. Diplomatic tensions between China and the US and related actions, which may extend to and involve other countries, and developments in Hong Kong and Taiwan and the surrounding maritime region, may further adversely affect the Group.

Developments in alternative payment systems, such as projects to explore how tokenised commercial and central bank money could be used for cross-border payments, continue with implications for the future architecture of global finance. Development of new payments infrastructure and use of alternative currencies may present operational and other challenges, if, for example, certain governments mandate the use of payment channels that do not integrate with our payment architecture and financial crime controls.

Global tensions over trade and technology are resulting in divergent regulatory standards and compliance regimes, presenting long-term strategic challenges for multinational businesses such as HSBC. As the geopolitical landscape evolves, compliance by multinational corporations with their legal or regulatory obligations or other initiatives in one jurisdiction may be seen as supporting the law or policy objectives of that jurisdiction over another, creating additional legal, regulatory, reputational and political risks for the Group. The financial impact on the Group of geopolitical risks in Asia is heightened due to the region's relatively high contribution to the Group's profitability, particularly in Hong Kong.

While it is the Group's policy to comply with all applicable laws and regulations of all jurisdictions in which it operates, geopolitical tensions, and potential ambiguities in the Group's compliance obligations, continue to present challenges and risks for the Group and could have a material adverse impact on the Group's strategy, business, customers, operations, financial results and reputation.

We are subject to financial and non-financial risks associated with Environmental, Social and Governance ('ESG') related matters, such as climate change, nature-related and human rights issues

ESG-related matters such as climate change, society's impact on nature and human rights issues bring risks to our business, our customers and wider society. If we fail to meet evolving regulatory expectations or requirements relating to these matters, this could have regulatory compliance and reputational impacts.

Climate change could have both financial and non-financial impacts on HSBC either directly or indirectly through our business activities and relationships. Our climate risk approach identifies physical risk and transition risk as primary drivers of climate risk. We continue to identify the risk of greenwashing as a thematic risk issue related to climate risk, which may arise if we knowingly or unknowingly make inaccurate, unclear, misleading or unsubstantiated claims regarding sustainability to our stakeholders.

Physical risk may arise from the increased frequency and severity of extreme weather events, such as hurricanes and floods or chronic gradual shifts in weather patterns or rises in sea level.

Transition risk may arise from the process of moving to a net zero economy including changes in government policy and legislation, technology, market demand and reputational implications triggered by a change in stakeholder expectations in relation to our action or inaction.

We currently expect the following to be the most likely ways in which climate risk may materialise for the Group:

- credit risk may increase if climate-related regulatory, legislative or technological changes impact customers' business models or if extreme weather events disrupt or interrupt operations, resulting in financial difficulty for customers and/or stranded assets, or impacting their ability to repay their debts. Clients may find that their business models fail to align to a net zero economy or face disruption to their operations or deterioration to their assets as a result of extreme weather;
- trading losses if climate change results in changes to macroeconomic and financial variables which negatively impact our trading book exposures;
- liquidity impacts in the form of deposit outflows due to changes in customer behaviours driven by impacts to profitability and wealth, or from reputational concerns relating to the progress we make towards our ESG-related ambitions, targets and commitments;
- our real estate portfolios may be impacted due to changes to the climate, an increase in the frequency and severity of extreme weather events and chronic gradual shifts in weather patterns, which could impact both property values and the ability of borrowers to afford their mortgage payments. This may lead to the reduced availability or increased cost of insurance, including insurance that protects property pledged as collateral for HSBC mortgages;
- operational risk may increase if extreme weather events impact critical operations and premises;
- regulatory compliance risk may result from the increasing pace, breadth and depth of climate-related regulatory expectations, including on the management of climate risk, and variations in climate-related external reporting standards and taxonomies, requiring implementation in short timeframes across multiple jurisdictions;
- conduct risk may arise in association with the increasing demand for 'green' or 'sustainable' products where there are differing and developing standards or taxonomies;
- reputational risks may arise from how we decide to support our customers in high-emitting sectors in their transition to net zero, the preferences of different stakeholders in relation to our approach to the transition to net zero, and if we make insufficient progress in achieving our ESG-related ambitions, targets and commitments; and
- model risk may arise from the uncertain and evolving impacts of climate change, as well as data and methodology limitations, which present challenges to creating reliable and accurate model outputs.

We may face heightened reputational, regulatory compliance, and legal risks as we advance towards our ESG-related ambitions, targets and commitments. Stakeholders are likely to scrutinise our actions, including the formulation of our ESG and sustainability risk policies, our disclosures, and our financing and investment decisions in relation to these ambitions, targets and commitments. Additional risks may arise if we fail to:

- make sufficient progress towards our ESG-related ambitions, targets and commitments;
- set adequate plans and execute, or adapt those plans as necessary, in response to changes in the external environment;
- manage the risks associated both with meeting and not meeting our ESG-related ambitions, targets and commitments; and
- meet evolving regulatory expectations and requirements on the management of ESG risks.

We may also face risks related to climate and ESG-related litigation and regulatory enforcement. This could occur directly if stakeholders believe we are not effectively managing these risks, or indirectly if our customers are involved in litigation, which might lead to a revaluation of their assets.

Requirements, policy objectives, expectations, views or market and public perceptions and preferences in connection with the transition to a net zero economy and ESG-related matters may vary by jurisdiction and stakeholder, particularly in light of the differing perspectives and responses to climate change of stakeholders in different markets, such as the UK, the US, the EU and others. We may be subject to potentially conflicting approaches to ESG matters in certain jurisdictions, which may impact our ability to conduct certain business within those jurisdictions or result in additional regulatory compliance, reputational, political or litigation risks.

For example, our reputation and client relationships may be damaged as a result of our decision to participate, or not to participate, in certain projects perceived to be associated with causing or exacerbating climate change, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change, including the transition to net zero. These risks may also arise from divergence in the implementation of ESG, climate policy and financial regulation in the many regions in which we operate, including initiatives to apply and enforce policy and regulation with extraterritorial effect.

We recognise the importance of nature-related risks, as well as the complex interactions and compounding effects of climate and nature-related risk drivers. Nature related-risks may emerge when dependencies on natural capital - such as plants, soils and minerals - and ecosystem services - such as water availability and air quality - are affected by key drivers of nature loss, or when there is a lack of alignment between an organisation's impact on the natural environment and actions to protect, restore or reduce negative impacts on nature. Such risks can affect both HSBC and our customers through various channels, including macroeconomic, market, credit, reputational, regulatory compliance, and legal risks.

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

Our strategy and business model, including our products, services, and risk management processes, will need to continue to evolve to align with evolving regulatory requirements, stakeholder expectations and to manage ESG-related risks. This may involve adapting the way we measure and manage both financial and non-financial risks associated with ESG matters. Achieving our strategy with respect to ESG matters, including any related ambitions, targets and commitments we may set, depends on a number of factors beyond the Group's control, such as technological advancements and supportive public policies in our operating markets. If these external factors do not materialise or are delayed, we may not meet our ESG-related ambitions, targets and commitments.

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

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

The UK's trading relationship with the EU, following the UK's withdrawal from the EU, may adversely affect our operating model and financial results

The uncertain outcome of potential developments relating to the financial services trading relationship between the UK and EU, including the rules under which financial services may be provided on a cross-border basis into the EU and its member states, remains a source of risk for the Group.

The EU Capital Requirements Directive ('CRDVI'), which EU member states are in the process of transposing into national law, introduces a new requirement ('the EU branch requirement') under which non-EU banks and significant investment firms would have to establish a branch in each EU member state in which they carry out 'core banking activities', defined as deposit taking, lending and guarantees, and commitments. The EU branch requirement, which will be subject to certain exclusions and exemptions will generally come into effect on 11 January 2027, although precise effective dates vary across EU member states. Grandfathering of cross border core banking contracts entered into before 11 July 2026 is provided for under CRDVI, although the availability of such grandfathering may vary subject to transposition by EU member states.

The Financial Services and Markets Act ('FSMA') 2023 became law in June 2023 and provides for a number of changes to the regulatory architecture in the UK. It contains provisions that would allow for specified 'onshored' EU legislation, also known as 'retained EU law' or 'REUL' (and known as 'assimilated law' after 1 January 2024), to be revoked and replaced by legislation or rules made by HM Treasury or the regulators. FSMA 2023 allows for the eventual repeal of assimilated law related to financial services and enables the government and regulators to replace it in line with the FSMA model. Each piece of assimilated law related to financial services is now within a 'transitional period', lasting until its repeal is individually commenced by HM Treasury in a phased and sequenced manner. Furthermore, as of 1 January 2024, certain legal effects previously associated with REUL (now referred to as assimilated law) no longer apply, including the supremacy of REUL over other types of conflicting domestic UK law, general principles of EU law (which informed REUL's interpretation and application) and directly effective EU rights.

Uncertainty remains as to the extent to which EU and UK laws will diverge in the future, as a result of the future repeal of assimilated law under FSMA 2023 or further development of the EU's own regulatory regime. In particular, the UK is in the process of revoking the remainder of the assimilated version of the Capital Requirements Regulation and replacing it with rules published and maintained by the Prudential Regulation Authority ('PRA'), which will also reflect the UK's implementation of the Basel Committee on Banking Supervision's ('BCBS') final reforms to the prudential framework ('Basel 3.1').

Any changes to the current EU and UK banking and financial services rules, including as a result of the EU branch requirement, the UK's revocation and replacement of EU-derived laws, the UK and EU implementation of Basel 3.1 reforms and any further divergences between the two legal regimes, could require modifications to our UK and EU operating models, with resulting impacts to our customers and employees. The precise impacts on our customers will depend on the nature of any developments and their individual circumstances and could include disruption to the provision of products and services, and this could in turn increase operational complexity and/or costs for the Group.

More generally, over the medium to long term, the UK's withdrawal from the EU and the operation of the Trade and Cooperation Agreement agreed between the EU and the UK (and any complexities that may result therefrom), may lead to increased market volatility and economic risk, particularly in the UK, which could adversely impact our profitability and prospects for growth in this market.

In addition, the UK's future trading relationship with the EU and the rest of the world will likely take a number of years to fully stabilise. This may result in a prolonged period of uncertainty, unstable economic conditions and market volatility. This could include reduced international trade flows and loss of export market shares, as well as currency fluctuations. If any of the above risks materialise, this could have a material adverse effect on our business, financial condition, results of operations, reputation, prospects and strategy.

We operate in markets that are highly competitive

We compete with other financial institutions in a highly competitive industry that continues to undergo significant change as a result of financial regulatory reform, as well as increased public scrutiny and a continued challenging macroeconomic environment.

We target internationally mobile customers who need sophisticated global financial solutions. We generally compete on the basis of the quality of our customer service, the variety of products and services that we can offer our customers, the ability of our products and services to satisfy our customers' needs, the extensive distribution channels available for our customers, our innovation, and our reputation. Continued and/or increased competition in any one or all of these areas may negatively affect our market share and/or require increased capital investment in our businesses in order to remain competitive.

In the highly competitive markets in which we operate, our ability to reposition or reprice our products and services from time to time may be limited, and could be influenced significantly by the actions of our customers or competitors. Any changes in the types of products and services that we offer our customers, and/or the pricing for those products and services, could result in a loss of customers and market share.

Developments in technology and changes to regulations are enabling new entrants to the industry. This challenges HSBC to continue innovating and taking advantage of new digital capabilities so that we improve how we serve our customers, drive efficiency and adapt our products to attract and retain customers. As a result, we may need to increase our investment in our business to adapt or develop products and services to respond to evolving customer needs and regulatory requirements. New digital capabilities have the potential to weaken our resilience or wider risk management capabilities. If HSBC fails to develop and adapt its products and services to take advantage of new digital capabilities this could have an adverse impact on our business.

The digitisation of financial services continues to have an impact on the payment services ecosystem, including new market entrants and payment mechanisms, not all of which are subject to the same level of regulatory scrutiny or regulations as financial institutions. This presents ongoing challenges in terms of maintaining required levels of payment transparency, notably where financial institutions serve as intermediaries. Developments around digital assets and currencies have continued at pace, with an increasing regulatory and enforcement focus.

Any of these factors could have a material adverse effect on our business, financial condition, results of operations, prospects and reputation.

Changes in foreign currency exchange rates may affect our results

We prepare our accounts in US dollars because the US dollar and currencies linked to it form the major currency bloc in which we transact and fund our business. However, a substantial portion of our assets, liabilities, assets under management, revenues and expenses are denominated in other currencies. Changes in foreign exchange rates, including those that may result from a currency becoming de-pegged from the US dollar, may have an effect on our accounting standards, reported income, cash flows and shareholders' equity.

Unfavourable changes in foreign exchange rates could have a material adverse effect on our business, financial condition, results of operations, capital position and prospects.

Market fluctuations may reduce our income or the value of our portfolios

Our businesses are inherently subject to risks in financial markets and in the wider economy, including changes in, and increased volatility of, interest rates, inflation rates, credit spreads, foreign exchange rates, commodity, equity, bond and property prices, and the risk that our customers act in a manner inconsistent with our business, pricing and hedging assumptions.

Market pricing can be volatile and ongoing market movements could significantly affect us in a number of key areas. For example, banking and trading activities are subject to interest rate risk, foreign exchange risk, inflation risk and credit spread risk. Changes in interest rate levels, interbank spreads over official rates and yield curves affect the interest rate spread realised between lending and borrowing costs. The potential for future volatility and margin changes remains. See 'Economic and market conditions and geopolitical developments may adversely affect our financial condition and results' above regarding the impact of these on the interest rate environment. Competitive pressures on fixed rates or product terms in existing loans and deposits sometimes restrict our ability to change interest rates applying to customers in response to changes in official and wholesale market rates. Our pension scheme assets include equity and debt securities, the cash flows of which change as equity prices and interest rates vary.

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

It is difficult to predict with any degree of accuracy changes in market conditions, and such changes could have a material adverse effect on our business, financial condition, results of operations, capital position and prospects.

Liquidity, or ready access to funds, is essential to our businesses

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

Current accounts and savings deposits payable on demand or at short notice form a significant part of our funding, and we place considerable importance on maintaining their stability. For deposits, stability depends upon preserving investor confidence in our capital strength and liquidity, and on comparable and transparent pricing.

We also access wholesale markets in order to provide funding for entities that do not accept deposits, to align asset and liability maturities and currencies, and to maintain a presence in local markets. In 2025, we issued the equivalent of $28.1bn of senior debt securities in the public capital markets in a range of currencies and maturities from a number of Group entities, including $25.7bn of senior securities issued by HSBC Holdings.

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

Unfavourable macroeconomic developments, market disruptions or regulatory developments may increase our funding costs or challenge our ability to raise funds to support or expand our businesses.

If we are unable to raise funds through deposits and/or in the capital markets, our liquidity position could be adversely affected, and we might be unable to meet deposit withdrawals on demand or at their contractual maturity, to repay borrowings as they mature, to meet our obligations under committed financing facilities and insurance contracts or to fund new loans, investments and businesses.

We may need to liquidate unencumbered assets to meet our liabilities. In a time of reduced liquidity, we may be unable to sell some of our assets, or we may need to sell assets at reduced prices, which in either case could materially adversely affect our business, financial condition, results of operations, capital position and prospects.

Macro-prudential, regulatory and legal risks to our business model

We are subject to numerous new and existing legislative and regulatory requirements, and to the risk of failure to comply with applicable regulations

Our businesses are subject to ongoing regulation, policies, voluntary codes of practice and interpretations in the various markets in which we operate. A number of regulatory changes affecting our business have effects beyond the country in which they are enacted. Increased fragmentation in regulatory requirements may limit our ability to implement globally consistent standards in response to regulatory change.

The areas where regulatory changes and increased supervisory expectations could have a material adverse effect on our business, financial condition, results of operations, prospects, capital position, reputation and strategy include, but are not limited to, those listed below, grouped around prudential and non-prudential themes.

Prudential and related issues

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

- the implementation of Basel 3.1, which includes changes to the RWA approaches to credit risk, market risk, operational risk, counterparty risk and credit valuation adjustments, and the application of an RWA output floor. The majority of the rules in the new framework will take effect from 1 January 2027, while the Internal Model Approach for market risk rules has been delayed until 1 January 2028;
- the UK government's Financial Services Growth and Competitiveness Strategy, which was published in July 2025 and which re-iterated proposals to reform the UK capital framework for banks, including reforms to the UK's bank ring fencing regime. Finally, the BoE's Financial Policy Committee ('FPC') was asked to undertake a review of capital levels for banks in the UK. While the FPC published the initial findings of its review in December 2025, there remain a number of areas subject to further review, including the capital buffers, the leverage ratio and the application of the RWA output floor to the ring-fenced bank;
- enhanced supervisory expectations regarding regulatory reporting, including increased focus on data integrity, governance, and controls. To seek to address these expectations, we have been advancing a programme aimed at strengthening our global regulatory reporting processes and making them more sustainable, including enhancing data, consistency and controls and, while this programme continues, there may be further impacts on some of our regulatory ratios, such as the common equity tier 1 ('CET1') ratio, the liquidity coverage ratio ('LCR'), and the net stable funding ratio ('NSFR');
- the financial effects of climate risk and other ESG-related changes being incorporated within the global prudential framework, including physical risks from climate change and the transition risks resulting from a shift to a low carbon economy;
- heightened supervisory concern regarding the growth of private markets and their interconnection with banks, as demonstrated by the BoE's launch of a system-wide exploratory scenario in 2026 and the PRA's 'Dear Chief Risk Officer' letter on private equity related financing activities from the PRA in 2024; and
- BCBS's review of the cryptoassets RWA standard, following delays in implementation reported by various jurisdictions, which attribute the postponements to technological advancements in the cryptoassets sector that have made parts of the Basel standards outdated.

Non-prudential and related issues

With regard to the non-financial risk agenda, there is a focus on business practices (including customers and markets), operational and cyber resilience, AI, digital and technology changes, ESG, payments and financial crime, including:

- continued focus by regulators, international bodies and policymakers on banks' business practices. This includes ensuring fair outcomes for customers, fostering effective competition and maintaining the orderly and transparent functioning of global financial markets. We also continue to focus on employee culture and behaviour, whistleblowing, and inclusion;
- the EU's CRDVI Article 21c amendment requiring non-EU entities to provide core banking services to EU clients through an EU branch or subsidiary;
- the high regulatory expectations and requirements relating to various aspects of operational and cyber resilience, and third-party risks, including an ongoing focus on the response of institutions to operational disruptions, including those arising out of the application of the EU's Digital Operational Resilience Act ('DORA'), which came into effect in January 2025;
- regulatory expectations and requirements around the use of AI, including in connection with, the implementation of the EU's AI Act and the US's AI Action Plan;
- the supervisory and regulatory focus on technology adoption and digital delivery, underpinned by consumer protection, including in respect of the use of digital assets and currencies and wider financial technology risks. For example, the UK FCA and PRA launched consultations in 2025 relating to stablecoin issuance, custody of cryptoassets, associated requirements and the regulation of systemic stablecoins. In the US, the Stablecoin (GENIUS) Act was signed into law in July 2025. In Hong Kong, the HKMA Stablecoin Ordinance came into effect in August 2025;
- the ongoing transition of a small number of legacy contracts tied to benchmark rates that have been demised, which continues to expose HSBC to regulatory compliance, legal and conduct risks. In particular, if HSBC does not successfully transition its remaining legacy contracts to the appropriate replacement benchmarks, this could lead to reliance on fallback provisions which do not contemplate the permanent cessation of the relevant demised benchmark rate or on recently implemented legislative solutions the operation and enforceability of which may, in certain circumstances, remain uncertain, and this could result in unfavourable outcomes for clients and investors;
- compliance with existing and future ESG-related risk management and disclosure requirements applicable to banks and businesses more generally, particularly those relating to climate change, transition plans, greenwashing and supply chain due diligence (such as requirements under the UK's Sustainability Disclosure Requirements, proposed amendments to the EU's Sustainable Finance Disclosure Regulation ('SFDR') and proposed changes to the Corporate Sustainability Reporting Directive ('CSRD') and the Corporate Sustainability Due Diligence Directive ('CSDDD') in the EU). The US Agencies (the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency) have rescinded the interagency Principles for Climate-Related Financial Risk Management for Large Financial Institutions published in 2023, although various individual US states have issued their own requirements, such as California's climate disclosure rules;
- continuing supervisory and regulatory change globally on payment services and related infrastructure, including future changes in the EU as a result of the EU's Third Payment Services Directive ('PSD3') and an accompanying Payment Services Regulation, which are expected to come into force in 2026; and
- the ongoing expectations with respect to managing emerging financial crime risks and their impact on customers, managing conflicting laws and approaches to legal and regulatory regimes,

and implementing complex sanctions and restrictions on trade and investment.

We are subject to the risk of current and future legal, regulatory or administrative actions and investigations, the outcomes of which are inherently difficult to predict

We face significant risks in our business relating to legal, regulatory or administrative actions and investigations. The amounts of damages claimed in litigation, regulatory proceedings, investigations, administrative actions and other adversarial proceedings against financial institutions remain elevated for many reasons. These reasons include a substantial increase in the number of regulatory changes taking place globally, increasing focus from regulators, investors and other stakeholders on ESG disclosures, including in relation to the measurement and reporting of such matters as both local and international standards in this area continue to significantly evolve and develop, increased media attention, higher expectations from regulators and the public, and the globalisation of class actions, including in relation to competition matters and data breach litigation. In addition, criminal prosecutions of, and civil proceedings involving, financial institutions for, among other things, alleged conduct breaches, breaches of anti-money laundering, anti-bribery and anti-corruption and sanctions regulations, antitrust violations, market manipulation, aiding and abetting tax evasion, and providing unlicensed cross-border banking services, have become more commonplace and may increase in frequency due to increased media attention and higher expectations from regulators and the public.

Any such legal, regulatory or administrative action or investigation against HSBC Holdings or one or more of our subsidiaries could result in, among other things, substantial fines, civil penalties, criminal penalties, cease and desist orders, forfeitures, the suspension or revocation of key licences, requirements to exit certain businesses, other disciplinary actions and/or withdrawal of funding from depositors and other stakeholders. Any threatened or actual litigation, regulatory proceeding, administrative action, investigation, or other adversarial proceedings against HSBC Holdings or one or more of our subsidiaries could have a material adverse effect on our business, financial condition, results of operations, prospects and reputation. Additionally, the Group's financial statements reflect provisioning for legal proceedings, regulatory and customer remediation matters. Provisions for legal proceedings, regulatory and customer remediation matters, typically require a higher degree of judgement than other types of provisions, and the actual costs resulting from such proceedings and matters may exceed existing provisioning.

Additionally, as described in Note 35 to the Financial Statements, we continue to be subject to a number of material legal proceedings, regulatory actions and investigations, the outcomes of which are inherently difficult to predict, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. Moreover, we may face additional legal proceedings, investigations, or regulatory actions in the future, including in other jurisdictions and/or with respect to matters similar to, or broader than, the existing legal proceedings, investigations or regulatory actions. An unfavourable result in one or more of these proceedings could have a material adverse effect on our business, financial condition, results of operations, prospects and reputation.

We may fail to meet the requirements of regulatory stress tests

We are subject to supervisory stress tests in many jurisdictions, which are described on page 157. These exercises are designed to assess the resilience of banks to potential adverse economic developments or operational failure to inform mitigation actions and ensure that they have robust, forward looking capital planning processes that account for the risks associated with their business profile. Assessment by supervisors is both on a quantitative and qualitative basis, the latter focusing on our data provision, stress testing capability and internal management processes and controls.

Failure to meet quantitative or qualitative requirements of regulatory stress tests, or the failure by supervisors to approve our stress test results and capital plans, could result in the Group being required to enhance its capital position, and this could, in turn, have a material adverse effect on our business, financial returns, capital position, operational capabilities and reputation.

HSBC and its UK subsidiaries may become subject to stabilisation provisions under the UK Banking Act 2009, in certain significant stress situations

Under the Special Resolution Regime set out in the UK Banking Act 2009 (the 'SRR'), HM Treasury, the BoE, the PRA and the FCA (together, the 'Authorities') are granted substantial powers to implement the following stabilisation options: (i) transfer of all or part of the business of a relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a 'bridge bank' wholly owned by the BoE temporarily, to allow for preparation for an onward sale to a private sector purchaser or an initial public offering; (iii) transfer of part of the assets, rights or liabilities of the relevant entity to one or more asset management vehicles for management of the transferor's assets, rights or liabilities; (iv) the write-down, conversion, transfer, modification, or suspension of the relevant entity's equity, capital instruments and liabilities (the so-called 'bail-in power'); and (v) temporary public ownership of the relevant entity.

The SRR also provides for modified insolvency and administration procedures for relevant entities, and confers ancillary powers on the Authorities, including the power to modify or override certain contractual arrangements in certain circumstances. The UK Banking Act 2009 gives power to HM Treasury to make further amendments to the law for the purpose of enabling it to use the SRR powers effectively, potentially with retrospective effect.

These stabilisation options and powers may also be applied to a UK bank or investment firm or to certain of their affiliates (which, in respect of HSBC, could include HSBC Holdings) where certain conditions are met.

In view of the HSBC Group's corporate structure, which comprises a group of locally regulated operating banks, the preferred resolution strategy for the HSBC Group, as confirmed by its lead home and host regulators through the annual Crisis Management Group, is Multiple Point of Entry bail-in strategy. This approach provides flexibility for HSBC to be resolved either (i) through a bail-in at the HSBC Holdings level (using the above-mentioned bail-in power), which enables the recapitalisation of operating bank subsidiaries in the HSBC Group (as required) while restructuring actions are undertaken, with the HSBC Group remaining together; or (ii) at a local subsidiary level pursuant to the application of statutory resolution powers by local resolution authorities. Further details on HSBC's resolution strategy can be found in the section entitled 'Recovery and resolution' on page 20.

In addition to the stabilisation options, the relevant Authority may, in certain circumstances, require the permanent write-down or conversion into equity of any outstanding tier 1 capital instruments and tier 2 capital instruments prior to the exercise of any stabilisation option (including the bail-in power), which may lead to the cancellation, transfer or dilution of HSBC Holdings' ordinary share capital.

In general, the UK Banking Act 2009 requires the Authorities to have regard to specified objectives in exercising the powers provided for by the Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial system of the UK. The UK Banking Act 2009 includes, in certain circumstances, and with respect to the exercise of certain powers provided for by the Act, provisions related to compensation in respect of transfer instruments and orders made under it. This includes a 'no creditor worse off' safeguard, which requires that no shareholder or creditor must be left worse off from the use of resolution powers than they would have been had the entity entered insolvency rather than resolution.

However, if we are at or approaching the point where we may be deemed by our regulators to be failing, or likely to fail, so as to require regulatory intervention, any exercise of the above mentioned powers by the Authorities may result in holders of our ordinary shares, or other instruments that may fall within the scope of the 'bail in' or other write-down and conversion powers granted under the UK Banking Act 2009, being materially adversely affected, including by the cancellation of shares, the write-down or conversion into shares of other instruments, the transfer of shares to a third party appointed by the BoE, the loss of rights associated with shares or other instruments (including rights to dividends or interest payments), the dilution of their percentage ownership of our share capital, and any corresponding material adverse effect on the market price of our ordinary shares and other instruments.

We are subject to tax-related risks in the countries in which we operate

We are subject to the substance and interpretation of tax laws in all countries in which we operate and are subject to routine review and audit by tax authorities in relation thereto. Our interpretation or application of these tax laws may differ from those of the relevant tax authorities and we provide for potential tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities. The amounts ultimately paid may differ materially from the amounts provided depending on the ultimate resolution of such matters.

In addition, potential changes to tax legislation, the approach taken by tax authorities in audits, and tax rates in the countries and territories in which we operate, in particular, those arising as a consequence of the OECD's Base Erosion and Profit Shifting project, could increase our effective tax rate in the future and have a material adverse effect on our business, financial condition, results of operations, prospects and capital position.

Risks related to our operations

Our operations are highly dependent on our information technology systems

We operate in an extensive and complex technology landscape, which must remain resilient to support customers, the Group and markets globally. Risks can arise where technology is not understood, maintained, or developed appropriately.

The reliability and security of the HSBC Group's information technology infrastructure is crucial to the HSBC Group's provision of financial services to our customers and protecting the HSBC brand.

The effective functioning of our payment systems, financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between our branches and main data processing centres, are important to our operations.

Critical system failure, prolonged service unavailability or a material breach of data security, particularly of customer data, could compromise HSBC Group's ability to serve its customers. Rapid advances in AI may further facilitate cyber-attacks or data compromise. Such scenarios could breach regulations and could cause long-term damage to HSBC Group's business and brand that could have a material adverse effect on our financial condition, results of operations, prospects and reputation.

We remain susceptible to a wide range of cyber risks

The threat of cyber-attacks remains a concern for HSBC, as it does across the global financial sector. As cyber-attacks continue to evolve, failure to protect our operations may result in disruption for customers, manipulation of data or financial loss. This could adversely impact our customers and the Group.

Adversaries attempt to achieve their objectives by compromising HSBC or our third-party suppliers. They use techniques that include malware (such as ransomware), exploitation of both known and unpublished (zero-day) software vulnerabilities, phishing emails, distributed denial of service attacks, as well as physical compromise of premises, or coercion of staff. Our customers may also be subject to these attack techniques. The Group, like other financial institutions, has experienced numerous common cyber-attacks, including for example, distributed denial of service and phishing attacks. Some of our third-party service providers have also experienced cyber-attacks. To date, we have not been materially affected by cybersecurity threats. However, we expect cyber-attacks to continue, and our business strategy, results of operations and financial condition could be materially affected by cybersecurity risks and any future material incidents.

Cybersecurity risks will continue to increase due to several factors, including the growing delivery of services over the internet; increased dependence on internet-based products, applications and data storage; and the expanding use of AI, which could enable sophisticated cyber-attacks. Additionally, the adoption of hybrid working models by HSBC's employees, contractors, and third-party service providers and their sub-contractors contributes to this trend.

Failure to adhere to HSBC's cybersecurity policies, procedures or controls, employee or third-party wrongdoing, human error, or governance or technological error could compromise HSBC's ability to defend against cyber-attacks. Should any of these cybersecurity risks materialise, they could have a material adverse effect on our customers, business, financial condition, results of operations, prospects and reputation.

We could incur losses or be required to hold additional capital as a result of model limitations or failure

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

HSBC could face adverse consequences as a result of decisions that may lead to actions by management based on models that are poorly developed, implemented or used, or as a result of the modelled outcome being misunderstood, or the use of modelled information for purposes which it was not designed for, or by inherent limitations arising from the uncertainty inherent in predicting or estimating future outcomes. Regulatory scrutiny and supervisory concerns over banks' use of models are considerable, particularly the internal models and assumptions used by banks in the calculation of regulatory capital. If regulatory approval for key capital models is not achieved in a timely manner or if those models are subject to negative feedback from regulators HSBC could face fines or be required to hold additional capital. Evolving regulatory requirements have resulted in changes to HSBC's approach to model risk management, which poses execution challenges. The adoption of more sophisticated modelling approaches including AI and technology related developments by both HSBC and the financial services industry could also lead to increased model risk. HSBC's commitment to changes to business activities due to climate and sustainability challenges will also have an impact on model risk going forward. Models will play an important role in risk management and financial reporting of climate-related risks. Uncertainty around the long-dated impacts of climate change and lack of robust and high-quality climate related data present challenges to creating reliable and accurate model outputs for these models.

Model risk remains a key area of focus given the regulatory scrutiny in this area with local regulatory examinations taking place in many jurisdictions and revised principles on model risk published by the PRA which came into force in 2024.

Risks arising from the use of models could have a material adverse effect on our business, financial condition, results of operations, prospects, capital position and reputation. See also 'Economic and market conditions and geopolitical developments may adversely affect our financial condition and results'.

Our operations use third-party suppliers and service providers

HSBC relies on third parties to provide goods and services. The use of third-party providers by financial institutions is of particular focus to global regulators. This includes how outsourcing decisions are made, how key relationships are managed, our understanding of third-party dependencies, and the potential impacts of third parties on our operational resilience.

The inadequate management of third-party risk could impact our ability to meet strategic, regulatory and customer expectations.

This may lead to a range of impacts, including regulatory censure, penalties or damage both to shareholder value and to our reputation. This could have a material adverse effect on our business, financial condition, results of operations, prospects, capital position and reputation.

Risks related to our governance and internal controls

Our data management and data privacy controls must be sufficiently robust to support the increasing data volumes and evolving regulations

As the HSBC Group becomes more data-driven and our business processes move to digital channels, the volume of data that we rely on has increased. As a result, management of data (including data storage and deletion, data quality, data privacy and data architecture) from creation to destruction must be robust and designed to identify quality and availability issues. Inadequate data management could result in negative impacts to customer service, business processes, or require manual intervention to reduce the risk of errors in reporting to senior management, executives or regulators.

Expanding data privacy, national security and cybersecurity laws in a number of markets could pose potential challenges to intra-group data sharing. These developments could increase financial institutions' compliance obligations in respect of cross-border transfers of personal information, which may affect our ability to manage financial crime risks across markets.

In addition, failure to comply with data privacy laws and other legislation in the jurisdictions in which we operate may result in regulatory sanctions. Any of these failures could have a material adverse effect on our business, financial condition, results of operations, prospects, and reputation.

Third parties may use us as a conduit for illegal activities without our knowledge

We are required to comply with applicable financial crime laws and regulations, and have adopted various policies, procedures and controls aimed at preventing the exploitation of HSBC's products and services for criminal activity. Financial crime includes fraud, bribery and corruption, tax evasion and the facilitation of tax evasion, sanctions and export control violations and evasion, money laundering, terrorist financing and proliferation financing (see 'Regulation and supervision - Financial crime regulation'). There are instances, as permitted by regulation, where we may rely upon third parties to undertake certain financial crime risk management activities on our behalf. Any controls implemented and maintained by HSBC to manage the risk created by such reliance may not prevent third parties from using us (and our relevant counterparties) as a conduit for financial crime, without our knowledge (and that of those counterparties).

Becoming a party to, associated with, or accused of being associated with, financial crime could damage our reputation and could make us subject to fines, sanctions and / or legal or regulatory enforcement. Any one of these outcomes could have a material adverse effect on our strategy, business, customers, financial condition, results of operations, prospects and reputation.

We are subject to the risk of financial crime

We are exposed to financial crime risk from our customers, staff and third parties engaging in criminal activity (see also 'Third parties may use us as a conduit for illegal activities without our knowledge') and, as such, we continue facing increasing regulatory expectations. In 2025, financial crime risk continued to be exacerbated by increasingly complex geopolitical challenges, the macroeconomic outlook, the complex and dynamic nature of sanctions and export control compliance, evolving financial crime regulations, rapid technological developments, an increasing number of national data privacy requirements and the increasing sophistication of fraud and other criminal activities. Our ability to manage financial crime risk is dependent on the use and effectiveness of our financial crime risk assessments, systems and controls. Weak or ineffective financial crime processes and controls may risk HSBC inadvertently facilitating financial crime, which may result in regulatory investigation, sanction, litigation, fines and reputational damage.

In addition, HSBC Bank USA, as the primary US dollar correspondent bank for the Group, is subject to heightened financial crime risk arising from business conducted on behalf of its non-US HSBC affiliates.

HSBC Bank USA has implemented policies, procedures and controls reasonably designed to comply with financial crime legal and regulatory requirements and mitigate financial crime risk from its affiliates. Nevertheless, in the event that these controls are ineffective, this could lead to a breach of these requirements resulting in a potential enforcement action by the US Department of the Treasury or other US agencies that may include substantial fines or penalties. Any such action against HSBC Bank USA could have a material adverse effect on our strategy, business, customers, financial condition, results of operations, prospects and reputation.

We may suffer losses due to employee misconduct

Our businesses are exposed to risk from potential non-compliance with Group policies, including the HSBC Values, and associated behaviours and employee misconduct such as fraud, negligence or non-financial misconduct. These issues could lead to regulatory penalties and damage to our reputation or finances. In recent years, several global financial institutions have incurred significant losses due to rogue employee actions. While we strive to prevent and detect such misconduct, our measures may not always be effective, or a regulator could find HSBC's efforts to deter such activities inadequate.

The risk of misconduct may be heightened if our prevent-and-detect measures are less effective, particularly in remote and home working environments.

If any of these risks materialise, this could have a material adverse effect on our business, financial condition, results of operations, prospects and reputation.

The delivery of our strategic actions is subject to execution risk and we may not achieve all of the expected benefits of our strategic initiatives

Management of strategic execution risk is required for us to be able to deliver our strategy, meet shareholder expectations and maintain stakeholder confidence.

Executing our strategy and meeting our targets necessitates effective prioritisation, planning, and management. This process may be influenced by operational capacity, the efficacy of key controls, and structural challenges arising from any mergers or acquisitions. Additionally, there is a possibility of unforeseen changes in the market or regulatory environment in which we operate, while complex technological changes are underway. The global economic outlook remains uncertain, particularly concerning legislative changes and geopolitical tensions. The scale, complexity, and concurrent demands of such transformation initiatives can result in heightened execution risk.

Our strategic actions seek to align with investor expectations, yet they carry increased execution risk due to the emphasis on cost management and funding capacity. Consequently, there is a risk that our cost and investment measures may not fully realise the anticipated benefits of our strategic initiatives.

The development and implementation of our strategy requires difficult and complex judgements, including forecasts of economic conditions in various parts of the world. We may fail to correctly identify the relevant factors in making decisions as to capital deployment and cost reduction. We may also encounter unpredictable changes in the external environment that are disadvantageous to our strategy.

There is a risk that the Group's reorganisation announced in 2024 may not achieve some or all of its goals and may fail to deliver or achieve the expected benefits of the Group's strategic initiatives.

If any of these risks materialise, this could have a material adverse effect on our customers, business, financial condition, prospects, operational resilience and reputation.

Our risk management measures may not be successful

The management of risk is a fundamental component of all our activities, as outlined in our Risk Management Framework ('RMF'). Risk represents our exposure to uncertainty and the potential variability in outcomes. Specifically, risk encompasses the negative impact on profitability or financial condition due to various sources of uncertainty, including retail and wholesale credit risk, treasury risk, traded risk, financial reporting and tax risk, resilience risk, strategic risk, legal risk, regulatory compliance risk, financial crime risk, people risk and model risk.

We employ a comprehensive and diversified set of risk monitoring and mitigation techniques, supported by the Three Lines of Defence model, which defines clear accountabilities across risk ownership, oversight, and independent assurance. However, these methods and the judgements involved cannot foresee every adverse event or the specifics and timing of every outcome. Inadequate risk management could have a material adverse effect on our business, financial condition, results of operations, prospects, capital position, strategy and reputation.

Risks related to our business

Our business has inherent reputational risk

Reputational risk is the risk of failing to meet stakeholder expectations as a result of any event, behaviour, action or inaction, either by HSBC, our employees or those with whom we are associated. Any material lapse in standards of integrity, compliance, customer service or operating efficiency may represent a potential reputational risk. Stakeholder expectations constantly evolve, and so reputational risk is dynamic and varies between geographical regions, groups and individuals. In addition, our business faces increasing scrutiny in respect of ESG-related matters. If we fail to act responsibly, or to achieve our announced targets, commitments, goals or ambitions, in a number of areas, such as inclusion, climate, sustainability, workplace conduct, human rights, and support for local communities, our reputation and the value of our brand may be negatively affected.

Social media and other broadcasting channels that facilitate communication with large audiences in short time frames and with minimal costs, may significantly enhance and accelerate the distribution and effect of damaging information and allegations. Reputational risk could also arise from negative public opinion about the actual, or perceived, manner in which we conduct our business activities, or our financial performance, as well as actual or perceived practices in banking and the financial services industry generally. Negative public opinion may adversely affect our ability to retain and attract customers, in particular, corporate and retail depositors, and to retain and motivate staff, and could have a material adverse effect on our business, financial condition, results of operations, prospects and reputation.

Non-Financial risks are inherent in our business

We are exposed to many types of non-financial risks that are inherent in our operations. Non-financial risk can be defined as the risk to HSBC of not achieving its strategy or objectives because of inadequate or failed internal processes, people and systems, or external events. It includes: breakdowns in processes or procedures, breaches of regulations or law, financial crime, financial reporting and tax errors, external events and systems failure or non-availability. These risks are also present when we rely on outside suppliers or vendors to provide services to us and our customers.

These non-financial risks may result in financial losses to the Group and our customers, an adverse customer experience, reputational damage and potential litigation, regulatory proceedings, administrative action or other adversarial proceedings in any jurisdiction in which we operate, depending on the circumstances of the event.

These could have a material adverse effect on our business, financial condition, results of operations, prospects, operational resilience, strategy and reputation.

We rely on recruiting, retaining and developing appropriate senior management and skilled personnel

Our ongoing success and the successful execution of our strategy are partly reliant on retaining key management team members and our broader workforce, as well as ensuring the availability of skilled management and personnel across our global businesses and functions. The complexity of our talent supply challenge is heightened by the shortage of talent and capabilities in our major markets, especially where specialist skills require global mobility. This challenge is further compounded by ongoing organisational changes, rapidly evolving skill requirements, regulatory developments, and heightened expectations for employing local nationals and fostering inclusion in certain jurisdictions.

HSBC's ability to continue to attract, train, motivate and retain highly qualified professionals may also depend on factors beyond our control, including economic, market and regulatory conditions.

When acquiring or disposing of a Group operation, it is essential to comply with employment requirements, support affected employees and integrate new employees into HSBC's values, culture and working practices.

Should global businesses or functions fail to adequately staff their operations, lose key senior executives without timely and satisfactory replacements, or fail to implement necessary organisational changes to support the Group's strategy, this could have a material adverse effect on our business performance, reputation, operational resilience and overall control environment.

We have significant exposure to counterparty risk

We are exposed to counterparties that are involved in virtually all major industries, and we routinely execute transactions with counterparties in financial services, including brokers and dealers, central clearing counterparties, commercial banks, investment banks, mutual and hedge funds, and other institutional clients.

Many of these transactions expose us to credit risk in the event of default by our counterparty or client.

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

Mandatory central clearing of OTC derivatives poses risks to the Group. As a clearing member, we are required to underwrite losses incurred at a central counterparty by the default of other clearing members and their clients. An increased move towards central clearing brings with it a further element of interconnectedness between clearing members and clients that we believe may increase rather than reduce our exposure to systemic risk. At the same time, our ability to manage such risk ourselves will be reduced because control has been largely outsourced to central counterparties, and it is unclear at present how, at a time of stress, regulators and resolution authorities will intervene.

Where bilateral counterparty risk has been mitigated by taking collateral, our credit risk may remain high if the collateral we hold cannot be realised or has to be liquidated at prices that are insufficient to recover the full amount of our loan or derivative exposure.

There is a risk that collateral cannot be realised, including situations where this arises by change of law or the imposition of sanctions, that may influence our ability to foreclose on collateral or otherwise enforce contractual rights.

The Group also has credit exposure arising from mitigants, such as credit default swaps, and other credit derivatives, each of which is carried at fair value. The risk of default by counterparties to credit default swaps and other credit derivatives used as mitigants affects the fair value of these instruments depending on the valuation and the perceived credit risk of the underlying instrument against which protection has been purchased. Any such adjustments or fair value changes could have a material adverse effect on our business, financial condition, results of operations, prospects, capital position and reputation.

Any reduction in the credit rating assigned to HSBC Holdings, any subsidiaries of HSBC Holdings or any of their respective debt securities could increase the cost or decrease the availability of our funding and materially adversely affect our liquidity position and/or net interest margin

Credit ratings affect the cost and other terms upon which we are able to obtain market funding. Rating agencies regularly evaluate HSBC Holdings and certain of its subsidiaries, as well as their respective debt securities. Their ratings are based on a number of factors, including their assessment of the relative financial strength of the Group or of the relevant subsidiary, as well as conditions affecting the financial services industry generally. There can be no assurance that the rating agencies will maintain HSBC Holdings' or the relevant subsidiary's current ratings, or outlook based on bank rating methodologies applied by ratings agencies.

Any reductions in these current ratings or the outlook could increase the cost of our funding, limit access to capital markets and require additional collateral to be placed and, consequently, materially adversely affect our interest margins and our liquidity position.

Risks concerning borrower credit quality are inherent in our businesses

Risks arising from changes in credit quality and the recoverability of loans and amounts due from borrowers and counterparties (for example, reinsurers and counterparties in derivative transactions) are inherent in a wide range of our businesses. Adverse changes in the credit quality of our borrowers and counterparties or reduced recoverability of our assets arising from a general deterioration in economic conditions or systemic risks in the financial systems, could require an increase in our ECLs (see 'Economic and market conditions and geopolitical developments may adversely affect our financial condition and results').

We estimate and recognise ECLs in our credit exposure. This process, which is critical to our results and financial condition, requires difficult, subjective and complex judgements, including forecasts of how the macroeconomic and geopolitical conditions might impair the ability of our borrowers to repay their loans and the ability of other counterparties to meet their obligations. This assessment considers multiple alternative forward-looking economic conditions (including GDP estimates) and incorporates this into the ECL estimates to meet the measurement objective of IFRS 9. As is the case with any such assessments, we may fail to estimate accurately the effect of factors that we identify or fail to identify relevant factors. Further, the information we use to assess the creditworthiness of our counterparties may be inaccurate or incorrect. Any failure by us to accurately estimate the ability of our counterparties to meet their obligations could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our insurance businesses are subject to risks relating to insurance claim rates and changes in insurance customer behaviour

We provide various insurance products for customers, including several types of life insurance products. The cost to support insurance claims and benefits can be influenced by many factors, including mortality and morbidity rates, lapse and surrender rates and the performance of assets to support the liabilities. Adverse developments in any of these factors could materially adversely affect our business, financial condition, results of operations, capital position, prospects and reputation.

HSBC Holdings is a holding company and, as a result, is dependent on loan/instrument payments and dividends from its subsidiaries to meet its obligations, including obligations with respect to its debt securities, and to provide profits for payment of future dividends to shareholders

HSBC Holdings is a non-operating holding company and, as such, its principal source of income is from operating subsidiaries that hold the principal assets of the Group. As a separate legal entity, HSBC

Holdings relies on remittance of its subsidiaries' loan/instrument interest payments and dividends in order to be able to pay obligations to debt holders as they fall due, and to pay dividends to its shareholders. The ability of HSBC Holdings' subsidiaries and affiliates to pay interest and dividends to HSBC Holdings is subject to such subsidiaries' and affiliates' financial performance and could also be restricted by applicable laws, regulations, exchange controls and other requirements.

We may be required to make substantial contributions to our pension plans

We operate a number of pension plans throughout the world for our personnel, including defined benefit pension plans. Pension scheme obligations fluctuate with changes in long-term interest rates, inflation, salary levels and the longevity of scheme members. They can also be affected by operational and legal risks. The level of contributions we make to our pension plans has a direct effect on our cash flow. To the extent plan assets are insufficient to cover existing liabilities, higher levels of contributions may be required. As a result, deficits in those pension plans could have a material adverse effect on our business, financial condition, results of operations, prospects and reputation.

Risk related to our financial statements and accounts

Our financial statements are based in part on judgements, estimates and assumptions that are subject to uncertainty

The preparation of financial information requires management to make judgements and use estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, particularly those involving the use of complex models, actual results reported in future periods could differ from the expectations on which management's estimates are based. Judgements, estimates, assumptions and models are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances. The impacts of revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Accounting policies deemed critical to our results and financial position are those that involve a high degree of uncertainty and have a material impact on the financial statements. In 2025, these included impairment of amortised cost financial assets and financial assets measured at FVOCI, impairment of goodwill and non-financial assets, valuation of financial instruments, deferred tax assets, provisions, impairment of interests in associates, post-employment benefit plans, and impairment of investments in subsidiaries, which are discussed in detail in 'Critical estimates and judgements' on page 67.

The measurement of ECLs requires the selection and calibration of complex models and the use of estimates and assumptions to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Additionally, significant judgement is involved in determining what is considered to be significant increases in credit risk and what the point of initial recognition is for revolving facilities.

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

The recognition and measurement of provisions involve significant judgements due to the high degree of uncertainty in determining whether a present obligation exists, and in estimating the probability and amount of any outflows that may arise. The valuation of financial instruments measured at fair value can be subjective, in particular where models are used that include unobservable inputs.

The assessment of interests in associates for impairment involves significant judgements in determining the value in use, in particular estimating the present values of cash flows expected to arise from continuing to hold the investment, based on a number of management assumptions.

The Group's impairment test on the carrying amount at 30 June 2025 resulted in an impairment of $1.0bn, as the recoverable amount as determined by a value-in-use calculation was lower than the carrying amount. No further impairment (or reversal) was required for the period from 1 July 2025 to 31 December 2025. Impairment reviews are complex and require significant judgments, such as the appropriateness of projected future cash flows, discount rate, and regulatory capital assumptions. There can be no assurance that no additional impairment will be required in future financial periods. See Note 18 to the Financial Statements for further details.

The calculation of the defined benefit pension obligation involves the determination of key assumptions, including discount rate, inflation rate, pay, pension payments and deferred pension, and mortality.

The assessment of interests in subsidiaries for impairment involves significant judgements in determining the value in use, in particular estimating the present values of cash flows expected to arise from continuing to hold the investment, based on a number of management assumptions.

Given the uncertainty and subjectivity associated with the above critical accounting judgements and estimates, future outcomes may differ materially from those assumed using information available at the reporting date.

These judgements and estimates could have a material adverse effect on the future financial position of the Group, results of operations, capital position, prospects and reputation. For further details, see 'Critical estimates and judgements' on page 67.

Changes in accounting standards may have a material impact on how we report our financial results and financial condition

We prepare our consolidated financial statements in conformity with UK-adopted international accounting standards and with the requirements of the UK Companies Act 2006, and have also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. Our consolidated financial statements are also prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB') ('IFRS Accounting Standards'), including interpretations issued by the IFRS Interpretations Committee.

From time to time, the IASB or the IFRS Interpretations Committee may issue new accounting standards or interpretations that could materially impact how we calculate, report and disclose our financial results and financial condition, and which may affect our capital ratios, including the CET1 ratio. We could also be required to apply new or revised standards retrospectively, resulting in our restating prior period financial statements in material amounts. This could have a material adverse effect on our business, financial condition, results of operations and capital position.

Payments on loss of office

The table below sets out the basis on which payments on loss of office may be made. Other than as set out in the table, there are no further obligations which could give rise to remuneration payments or payments for loss of office.

Payments on loss of office

Component of remuneration	Approach taken
Fixed pay and benefits	Executive Directors may be entitled to payments in lieu of: – notice, which may consist of base salary, FPA, pension entitlements and other contractual benefits, or an amount in lieu of; and/or – accrued but untaken holiday entitlement. Payments may be made in instalments or a lump sum, and may be subject to mitigation, and subject to applicable tax and social security deductions.
Annual incentive and LTI	In exceptional circumstances, as determined by the Committee, an executive Director may be eligible for the grant of annual and/or long-term incentives under the HSBC Share Plan based on the time worked in the performance year and on the individual's contribution.
Unvested awards	All unvested awards will be forfeited when an executive Director ceases employment voluntarily and is not deemed a good leaver. An executive Director may be considered a good leaver, under the HSBC Share Plan, if their employment ceases in specified circumstances which includes: – ill health, injury or disability, as established to the satisfaction of the Committee; – retirement with the agreement and approval of the Committee; – the employee's employer ceasing to be a member of the Group; – redundancy with the agreement and approval of the Committee; or – any other reason at the discretion of the Committee. If an executive Director is considered a good leaver, unvested awards will normally continue to vest in line with the applicable vesting dates, subject to performance conditions, the share plan rules, and malus and clawback provisions. In the event of death, unvested awards will vest and will be released to the executive Director's estate as soon as practicable. In respect of outstanding unvested awards, the Committee may determine that good leaver status is contingent upon the Committee being satisfied that the executive has no current or future intention at the date of leaving HSBC of being employed by any competitor financial services firm. The Committee determines the list of competitor firms from time to time, and the length of time for which this restriction applies. If the Committee becomes aware of any evidence to the contrary before vesting, the award will lapse.
Post-departure benefits	Executive Directors can be provided certain benefits for up to a maximum of seven years from date of departure for those who depart under good leaver provisions under the HSBC Share Plan, in accordance with the terms of the policy. Benefits may include, but are not limited to, medical coverage, tax return preparation assistance and legal expenses. The Committee also has the discretion to extend the post-departure benefit of medical coverage to former executive Directors, up to a maximum of seven years from their date of departure.
Other	Where an executive Director has been relocated as part of their employment, the Committee retains the discretion to pay the repatriation costs. This may include, but is not restricted to, airfare, accommodation, shipment, storage, utilities, and any tax and social security that may be due in respect of such benefits. Except in the case of gross misconduct or resignation, an executive Director may also receive retirement gifts.
Legal claims	The Committee retains the discretion to make payments (including professional and outplacement fees) to mitigate against legal claims, subject to any such payments being made in accordance with the terms of an appropriate settlement agreement waiving all claims against the Group.
Change of control	In the event of a change of control, outstanding awards will be treated in line with the provisions set out in the respective plan rules.

Going concern

The Directors considered it appropriate to prepare the financial statements on a going concern basis.

In making the going concern assessment, the Directors have considered a wide range of detailed information relating to present and future conditions, including future projections for profitability, liquidity, capital requirements and capital resources.

In carrying out their assessment of the principal risks (as detailed on page 100 of this annual report on Form 20-F), the Directors considered a wide range of information including:

– details of the Group's business and operating models, and strategy (see page 9 in this annual report on Form 20-F);
– details of the Group's approach to managing risk and allocating capital;
– a summary of the Group's financial position considering performance, its ability to maintain minimum levels of regulatory capital, liquidity funding and the minimum requirements for own funds and eligible liabilities over the period of the assessment. Notable are the risks which the Directors believe could adversely impact the Group's future results or operations;
– enterprise risk reports, including the Group's risk appetite profile (see page 98 of this annual report on Form 20-F) and top and emerging risks (see page 100 of this annual report on Form 20-F);
– the impact on the Group due to the Russia-Ukraine war and further conflict or military action in the Middle East, Venezuela or elsewhere; uncertainty around Hong Kong and mainland China's CRE sectors; ongoing and potential trade restrictions; cross-border investment restrictions; changes to tariff rates; and heightened strategic competition between the US and China;
– reports and updates regarding regulatory and internal stress testing. On 24 March 2025, the Bank of England ('BoE') launched the Bank Capital Stress Test ('BCST') exercise to assess the resilience of the UK banking system to a range of adverse shocks. The exercise involved determining projected capital and liquidity metrics under a severe but plausible stress scenario. The BoE published the results of the 2025 BCST as part of the Financial Stability Report on 2 December 2025. HSBC demonstrated a strong CET1 performance, highlighting its resilience in stress. Internal stress tests, including the 2026 Group-wide internal stress test performed in December 2025, together with additional scenario analysis examining the potential outcomes from ongoing geopolitical uncertainty, supported adequate capitalisation. We also conduct reverse stress tests each year at Group level and, where required at subsidiary entity level, to understand potential extreme conditions that would make our business model non-viable. Reverse stress testing identifies potential stresses and vulnerabilities we might face, and helps inform early warning triggers, management actions and contingency plans designed to mitigate risks
– we conduct internal climate scenario analysis to evaluate our resilience to climate change, with a particular focus on both climate-related physical and transition risks. The findings indicate that the Group does not anticipate any material impacts arising from climate change, at least for the next three years. Furthermore, our capital position is robust enough to absorb severe climate-related stresses. Nonetheless, it is recognised that climate-related risks are likely to increase beyond this timeframe. Further details of our modelling approach, modelling limitations and insights from our 2025 climate scenario analysis are explained from page 173 of this annual report on Form 20-F;
– reports and updates from management on risk-related issues selected for in-depth consideration;
– reports and updates on regulatory developments;
– legal proceedings and regulatory matters set out in Note 35 of the financial statements in this annual report on Form 20-F; and
– reports and updates from management on the operational resilience of the Group.

39 Non-statutory accounts

The information set out in these accounts does not constitute the Company's statutory accounts for the years ended 31 December 2025 or 2024. Those accounts have been reported on by the Company's auditors: their reports were unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The accounts for 2024 have been delivered to the Registrar of Companies and those for 2025 will be delivered in due course.

Information about the enforceability of judgments made in the US

HSBC Holdings is a public limited company incorporated in England and Wales.

Most of the Directors and executive officers live outside the US. As a result, it may not be possible to serve process on such persons or HSBC Holdings in the US or to enforce judgments obtained in US courts against them or HSBC Holdings based on civil liability provisions of the securities laws of the US.

There is doubt as to whether English courts would enforce:

– civil liabilities under US securities laws in original actions; or
– judgments of US courts based upon these civil liability provisions.

In addition, judgments that contain awards of punitive and/or multiple damages in actions brought in the US or elsewhere may be unenforceable in the UK.

The enforceability of any judgment in the UK will depend on the particular facts of the case as well as the laws and treaties in effect at the time.

Exchange controls and other limitations affecting equity security holders

Other than certain economic sanctions that may be in force from time to time, there are currently no UK laws, decrees or regulations that would prevent the import or export of capital or remittance of distributable profits by way of dividends and other payments to holders of HSBC Holdings' equity securities who are not residents of the UK. There are also no restrictions under the laws of the UK or the terms of the Memorandum and Articles of Association concerning the right of non-resident or foreign owners to hold HSBC Holdings' equity securities or, when entitled to vote, to do so.

Insider trading policies and procedures

The Company has adopted insider trading policies and procedures governing the purchase, sale, and other dispositions of its securities by directors, senior management and employees that are reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and any listing standards applicable to the Company.

Dividends on the ordinary shares of HSBC Holdings

The HSBC Holdings dividends approved, per ordinary share, in respect of each of the last five years were:

		First interim	Second interim	Third interim	Fourth interim[1]	Total[2]
2025	$	**0.100**	**0.100**	**0.100**	**0.450**	**0.75**
	£	**0.074**	**0.074**	**0.075**	**0.335**	**0.558**
	HK$	**0.784**	**0.778**	**0.778**	**3.502**	**5.842**
2024[3]	$	0.310	0.100	0.100	0.360	0.870
	£	0.243	0.076	0.078	0.273	0.671
	HK$	2.420	0.779	0.777	2.791	6.768
2023	$	0.100	0.100	0.100	0.310	0.610
	£	0.079	0.080	0.080	0.248	0.487
	HK$	0.783	0.783	0.780	2.426	4.773
2022	$	0.090	0.230			0.320
	£	0.079	0.185			0.264
	HK$	0.706	1.804			2.511
2021	$	0.070	0.180	–	–	0.250
	£	0.051	0.138	–	–	0.189
	HK$	0.545	1.412	–	–	1.957

1 The fourth interim dividend for 2025 of $0.45 per ordinary share will be paid on 30 April 2026. The fourth interim dividend for 2025 has been translated into pounds sterling and Hong Kong dollars at the closing rate on 31 December 2025.
2 The above dividends approved are accounted for as disclosed in Note 8 on the Financial Statements.
3 The first interim dividend for 2024 includes a special dividend of $0.21.
4 The above dividend amounts for pounds sterling and Hong Kong dollars have been rounded.

American Depositary Shares

A holder of HSBC Holdings' American Depositary Shares ('ADSs') may have to pay, either directly or indirectly (via the intermediary through whom their ADSs are held) fees to the Bank of New York Mellon as depositary.

Fees may be paid or recovered in several ways: by deduction from amounts distributed; by selling a portion of distributable property; by deduction from dividend distributions; by directly invoicing the holder; or by charging the intermediaries who act for them.

Fees for the holders of the HSBC ADSs include:

For:	HSBC ADS holders must pay:
Each issuance of HSBC ADSs, including as a result of a distribution of shares (including through a stock dividend, stock split or distribution of rights or other property)	$5.00 (or less) per 100 HSBC ADSs or portion thereof
Each cancellation of HSBC ADSs, including if the deposit agreement terminates	$5.00 (or less) per 100 HSBC ADSs or portion thereof
Transfer and registration of shares on our share register to/from the holder's name to/from the name of The Bank of New York Mellon or its agent when the holder deposits or withdraws shares	Registration or transfer fees (of which there currently are none)
Conversion of non-US currency to US dollars	Charges and expenses incurred by The Bank of New York Mellon with respect to the conversion
Each cash distribution to HSBC ADS holders	$0.02 or less per ADS
Transfers of HSBC ordinary shares to the depositary in exchange for HSBC ADSs	Any applicable taxes and/or other governmental charges
Distribution of securities by the depository to HSBC ADS holders	A fee equivalent to the fee that would be payable if securities distributed to you had been shares and those shares had been deposited for issuance of ADSs
Any other charges incurred by the depositary or its agents for servicing shares or other securities deposited	As applicable

The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

The depositary has agreed to reimburse us for expenses we incur, and to pay certain out-of-pocket expenses and waive certain fees, in connection with the administration, servicing and maintenance of our ADS programme. There are limits on the amount of expenses for which the depositary will reimburse us. During the year ended 31 December 2025, the depositary reimbursed, paid and/or waived fees and expenses totalling $2,025,386.48 in connection with the administration, servicing and maintenance of the programme.

Nature of trading market

HSBC Holdings ordinary shares are listed or admitted to trading on the London Stock Exchange ('LSE'), the Hong Kong Stock Exchange ('HKSE'), the Bermuda Stock Exchange and on the New York Stock Exchange ('NYSE') in the form of ADSs. HSBC Holdings maintains its principal share register in England and overseas branch share registers in Hong Kong and Bermuda (collectively, the 'share register').

As at 31 December 2025, there were a total of 159,073 holders of record of HSBC Holdings ordinary shares on the share register.

As at 31 December 2025, approximately 15.5m HSBC Holdings ordinary shares were registered in the HSBC Holdings' share register in the name of 13,601 holders of record with addresses in the US. These shares represented approximately 0.09% of the total HSBC Holdings ordinary shares in issue.

As at 31 December 2025, there were 4,255 holders of record of ADSs holding approximately 112.62m ADSs, representing approximately 563.1m HSBC Holdings ordinary shares, 4,188 of these holders had addresses in the US, holding approximately 112.60m ADSs, representing approximately 563.0m HSBC Holdings ordinary shares. As at 31 December 2025, approximately 3.28% of the HSBC Holdings ordinary shares were represented by ADSs held by holders of record with addresses in the US.

Memorandum and Articles of Association

The disclosure under the caption 'Memorandum and Articles of Association' contained in Form 20-F for the years ended 31 December 2000, 2001, 2014, 2018 and 2022 is incorporated by reference herein.

Differences in HSBC Holdings/New York Stock Exchange corporate governance practices

Under the NYSE's corporate governance rules for listed companies and the applicable rules of the SEC, as a NYSE-listed foreign private issuer, HSBC Holdings must disclose any significant ways in which its corporate governance practices differ from those followed by US companies subject to NYSE listing standards. HSBC Holdings believes the following to be the significant differences between its corporate governance practices and NYSE corporate governance rules applicable to US companies.

US companies listed on the NYSE are required to adopt and disclose corporate governance guidelines. The UK Listing Rules of the FCA require each listed company incorporated in the UK to include in its annual report and accounts a statement of how it has applied the principles of the UK Corporate Governance Code issued by the Financial Reporting Council and a statement as to whether or not it has complied with the code provisions of The UK Corporate Governance Code throughout the accounting period covered by the annual report and accounts. A company that has not complied with the code provisions, or complied with only some of the code provisions or (in the case of provisions whose requirements are of a continuing nature) complied for only part of an accounting period covered by the report, must specify the code provisions with which it has not complied, and (where relevant) for which part of the reporting period such non-compliance continued, and give reasons for any non-compliance. During 2025, HSBC complied with the applicable code provisions of the UK Corporate Governance Code. The UK Corporate Governance Code does not require HSBC Holdings to disclose the full range of corporate governance guidelines with which it complies.

Under NYSE standards, companies are required to have a nominating/corporate governance committee composed entirely of directors determined to be independent in accordance with the NYSE's corporate governance rules. All of the members of the Nomination & Corporate Governance Committee (excluding the Group Chairman) during 2025 were independent non-executive Directors, as determined in accordance with the UK Corporate Governance Code. The terms of reference of our Nomination & Corporate Governance Committee, which comply with the UK Corporate Governance Code, require that the Committee shall be comprised of the independent non-executive Directors of the Company and the Group Chairman. In addition to identifying individuals qualified to become Board members, a nominating/corporate governance committee must develop and recommend to the Board a set of corporate governance principles.

The Nomination & Corporate Governance Committee's terms of reference do not require it to develop and recommend corporate governance principles for HSBC Holdings, as HSBC Holdings is subject to the corporate governance principles of the UK Corporate Governance Code.

The Board of Directors is responsible under its terms of reference for the development and review of Group policies and practices on corporate governance.

Under the NYSE standards, companies are required to have a compensation committee composed entirely of directors determined to be independent in accordance with the NYSE's corporate governance rules. All of the members of the Group Remuneration Committee during 2025 were independent non-executive Directors, as determined in accordance with the UK Corporate Governance Code. The terms of reference of our Group Remuneration Committee, which comply with the UK Corporate Governance Code, require the Committee (including the Chair) to comprise at least three members, all of whom shall be independent non-executive Directors. A compensation committee must review and approve corporate goals and objectives relevant to Chief Executive Officer ('CEO') compensation and evaluate a CEO's performance in light of these goals and objectives. The Group Remuneration Committee's terms of reference require it to review and approve performance-based remuneration of the executive Directors by reference to corporate goals and objectives that are set by the Board of Directors.

Pursuant to NYSE listing standards, non-management directors must meet on a regular basis without management present and independent directors must meet separately at least once per year.

The Group Chairman meets with the independent non-executive Directors without the executive Directors in attendance after each scheduled Board meeting and otherwise, as necessary. HSBC Holdings' practice, in this regard, complies with the UK Corporate Governance Code.

In accordance with the requirements of the UK Corporate Governance Code, HSBC Holdings discloses in its Annual Report and Accounts how the Board, its committees and the Directors are evaluated (on page 198) and provides extensive information regarding Directors' compensation in the Directors' remuneration report (on page 216).

The terms of reference of HSBC Holdings' Group Audit, Nomination & Corporate Governance and Group Remuneration Committees, as well as the Group Risk and Group Technology and Operations Committees, are available at www.hsbc.com/who-we-are/our-people/board-of-directors/board-committees.

NYSE listing standards require US companies to adopt a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.

In 2025, the Board endorsed the Statement of Business Principles and Code of Conduct, which, pursuant to the requirements of the Sarbanes-Oxley Act, incorporates the Sarbanes-Oxley code of ethics (the 'Sarbanes-Oxley Principles') applicable to the Group CEO, as the principal executive officer, and to the Group Chief Financial Officer and Global Financial Controller. The Statement of Business Principles and Code of Conduct remains in force and applies to the executive directors and employees of the HSBC Group. The Statement of Business Principles and Code of Conduct is available at www.hsbc.com/who-we-are/purpose-values-and-strategy/our-conduct or from the Group Chief People & Governance Officer at 8 Canada Square, London E14 5HQ. During 2025, HSBC Holdings granted no waivers from its code of ethics.

Under NYSE listing rules applicable to US companies, independent directors must comprise a majority of the board of directors. Currently, more than three-quarters of HSBC Holdings' Directors are independent.

Under the UK Corporate Governance Code, the HSBC Holdings Board determines whether a Director is independent in character and judgement and whether there are relationships or circumstances that are likely to affect, or could appear to affect, the Director's judgement.

Under the NYSE rules, a director cannot qualify as independent unless the board affirmatively determines that the director has no material relationship with the listed company; in addition, the NYSE rules prescribe a list of circumstances in which a director cannot be independent. The UK Corporate Governance Code requires a company's board to assess director independence by affirmatively concluding that the director is independent of management and free from any business or other relationship that could materially interfere with the exercise of independent judgement. Lastly, a CEO of a US company listed on the NYSE must annually certify that he or she is not aware of any violation by the company of NYSE corporate governance standards. In accordance with NYSE listing rules applicable to foreign private issuers, HSBC Holdings' Group CEO is not required to provide the NYSE with this annual compliance certification. However, in accordance with rules applicable to both US companies and foreign private issuers, the Group CEO is required promptly to notify the NYSE in writing after any executive officer becomes aware of any material non-compliance with the NYSE corporate governance standards applicable to HSBC Holdings. HSBC Holdings is required to submit annual and interim written affirmations of compliance with applicable NYSE corporate governance standards, similar to the affirmations required of NYSE-listed US companies.

Glossary of accounting terms and US equivalents

Accounting term	US equivalent or brief description
Accounts	Financial Statements
Articles of Association	Articles of incorporation
Called up share capital	Shares issued and fully paid
Creditors	Payables
Debtors	Receivables
Deferred tax	Deferred income tax
Finance lease	Capital lease
Freehold	Ownership with absolute rights in perpetuity
Interests in associates and joint ventures	Interests in entities over which we have significant influence or joint control, which are accounted for using the equity method
Loans and advances	Loans
Loan capital	Long-term debt
Nominal value	Par value
One-off	Non-recurring
Ordinary shares	Common stock
Overdraft	A line of credit, contractually repayable on demand unless a fixed-term has been agreed, established through a customer's current account
Preference shares	Preferred stock
Premises	Property
Provisions	Liabilities of uncertain timing or amount
Share premium account	Additional paid-in capital
Shares in issue	Shares outstanding
Write-offs	Charge-offs

HSBC Holdings plc

8 Canada Square
London E14 5HQ
United Kingdom
www.hsbc.com
Incorporated in England and Wales with limited liability
Registration number 617987