

HSBC UK Bank plc

Annual Report and Accounts 2025



Opening up a world of opportunity

Contents

2	Strategic report
10	Financial review
	Report of the Directors
14	Risk review
61	Corporate Governance Report
66	Directors' Report Disclosures table
67	Statement of Directors' Responsibilities in respect of the financial statements
68	Independent auditors' report to the member of HSBC UK Bank plc
74	Financial statements
123	Other information

Presentation of information

This document comprises the Annual Report and Accounts 2025 for HSBC UK Bank plc ('the bank' or 'the Company') and its subsidiaries (together 'HSBC UK' or 'the group'). 'We', 'us' and 'our' refer to HSBC UK Bank plc together with its subsidiaries. It contains the Strategic report, the Report of the Directors, the Statement of Directors' Responsibilities and Financial Statements, together with the Independent Auditors' Report, as required by the UK Companies Act 2006. References to 'HSBC Group' or 'the Group' within this document mean HSBC Holdings plc together with its subsidiaries.

A full list of abbreviations is provided on page 124.

HSBC UK is exempt from publishing information required by The Capital Requirements Country-by-Country Reporting Regulations 2013, as this information is published by its ultimate parent, HSBC Holdings plc. This information is available on the Group's website: www.hsbc.com.

Pillar 3 disclosures for HSBC UK are also available on www.hsbc.com, under Investor Relations.

All narrative disclosures, tables and graphs within the Strategic report and Report of the Directors are unaudited unless otherwise stated.

Our reporting currency is £ sterling. Unless otherwise specified, all £ symbols represent pounds sterling and \$ symbols represent United States of America ('US') dollars. The abbreviations '£m' and '£bn' represent millions and billions (thousands of millions) of pounds sterling.

This Annual Report and Accounts 2025 contains certain forward-looking statements with respect to the group's financial condition, results of operations and business, including the strategic priorities; financial, investment and capital targets; and ability to contribute to the HSBC Group's environmental, social and governance ('ESG') ambitions, targets and commitments described herein.

Statements that are not historical facts, including statements about the group's beliefs and expectations, are forward-looking statements. Words such as 'may', 'will', 'should', 'expects', 'targets', 'anticipates',

'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', or the negative thereof, other variations of these words or similar expressions are intended to identify forward-looking statements. These statements are based on current plans, information, data, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. HSBC UK makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements.

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

Forward-looking statements can be made in writing but may also be made verbally by directors, officers and employees of the group (including during management presentations) in connection with this document.

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors, including ESG-related factors, could cause actual results, performance or other future events to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. This may be due to a variety of risks, uncertainties and other factors including, without limitation, those which relate to general market or economic conditions, regulatory and government policy changes, continued volatility in trade and tariff policies, increased volatility in interest rates and inflation levels and other macroeconomic risks, geopolitical tensions such as the Russia-Ukraine war, further conflict in the Middle East or elsewhere, or the efficacy of the Company's and the HSBC Group's actions in managing and mitigating ESG-related risks, and in progressing towards the HSBC Group's ESG ambitions, targets and commitments.

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

Additional risks and factors which may impact the group's future financial condition and performance are identified in the 'Strategic report – Risk overview' and 'Risk review – Top and emerging risks' on pages 8 to 9 and 16 to 21 of the Annual Report and Accounts 2025.

This Annual Report and Accounts 2025 contains a number of graphics, text boxes and credentials which aim to give a high-level overview of certain elements of our disclosures and to improve accessibility for readers. These graphics, text boxes and credentials are designed to be read within the context of the Annual Report and Accounts 2025 as a whole.

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

Highlights

HSBC UK Bank plc is a public limited company with debt securities traded on the London Stock Exchange. The Company is a ring-fenced bank and wholly owned subsidiary of HSBC Holdings plc. We leverage the rest of the HSBC Group network to support our customers in the UK and to help grow revenue across key trade corridors around the world.

Headquartered in Birmingham, we serve over 15.3 million customers and over 18,000 full-time equivalent staff ('FTE') across the country. We are supported by approximately 5,100 FTE based in HSBC Global Services (UK) Limited, who provide services to HSBC UK and the wider HSBC Group.

Key Financial Indicators

For the year ended 31 December 2025.

Profit before tax

£5.6bn

(2024: £5.6bn)

Revenue

£10.5bn

(2024: £10.0bn)

Expected credit losses and other credit impairment charges

£539m

(2024: £315m)

Operating Expenses

£4.3bn

(2024: £4.0bn)

Loans and advances to customers

£231.2bn

(2024: £217.6bn)

Customer accounts¹

£288.8bn

(2024: £280.4bn)

Risk-weighted assets

£117.5bn

(2024: £110.4bn)

Common equity tier 1 capital ratio

13.2%

(2024: 13.6%)

Return on average tangible equity

19.2%

(2024: 20.2%)

1 Customer accounts include £4.7bn (2024: £6.8bn) of short term Markets Treasury deposits from HSBC Holdings plc.

Financial performance

In 2025, profit before tax ('PBT') was £5,619m, £28m lower than 2024.

Revenue increased by £489m, or 5%, to £10,468m in 2025, driven by higher net interest income ('NII') resulting from balance sheet growth and repricing of the structural hedge driving net interest margin ('NIM') widening from 2.56% in 2024 to 2.63% in 2025, partly offsetting the impacts of Bank of England ('BoE') Base Rate cuts in 2025.

Expected Credit Losses ('ECL') increased by £224m from £315m in 2024 to £539m in 2025, mainly reflecting a normalised level of non-defaulted ECL in 2025 compared to the releases of provision for forward economic outlook against our retail portfolio in 2024.

Operating expenses increased by £293m, or 7% to £4,310m in 2025, notably due to higher restructuring costs, inflationary pressures, and the ongoing planned investment in technology including operational resilience, partly offset by a continued focus on cost discipline along with higher benefit from our defined benefit pension surplus.

Loans and advances increased by 6% in 2025 led by growth in mortgages and commercial lending, with modest market share growth¹. Customer accounts increased by 3% in 2025 with broad-based growth across businesses, while market share remained stable¹.

Our 2025 reported Return on average tangible equity ('RoTE') of 19.2% was 1 percentage point lower than 2024 driven by growth in commercial lending. Supported by a Common equity tier 1 ('CET1') ratio of 13.2% and Liquidity coverage ratio ('LCR') of 175% as at 31 December 2025, our balance sheet remains resilient with sufficient capital and liquidity.

► Our Financial summary, containing further details of our financial performance, can be found on page 11.

1 BoE Data to Dec 2025.

Economic background and outlook

Real GDP growth had a strong start to the year (0.7% growth quarter-on-quarter in 1Q25), but then lost momentum, slowing to 0.3% quarter-on-quarter in 2Q25 and then 0.1% quarter-on-quarter in 3Q25 and 4Q25², with surveys attributing much of the slowdown to uncertainty ahead of the November 2025 Budget. Full-year GDP growth was 1.3% in 2025, while GDP per capita increased by 1.0%.

The UK unemployment rate rose to 5.2% in December 2025², but official labour market data are subject to some uncertainty due to reduced response rates, and a clearer picture is not expected until end-2026 at the earliest. Private sector wage growth has slowed to 3.4% year-on-year in the three months to December 2025², pointing to reduced inflation pressures in the pipeline. The National Living Wage will rise by 4.1% in April 2026, the lowest increase since 2021, but still an above-inflation increase.

Inflation worsened through 2025, with the headline Consumer Price Index ('CPI') rate at 3.8% year-on-year between July 2025 and September 2025². However, it fell to 3.0% in January 2026 and HSBC Economics believes it has peaked.

The Bank of England ('BoE') has cut Bank Rate from 5.25% to 3.75% between August 2024 and December 2025³. The market is c.85% priced for a further 25bps cut in March 2026 and then fully priced for a further cut by the end of the year. HSBC Economics forecasts three cuts by the end of the year, which would take Bank Rate to 3.00%.

Fiscal policy is expected to impact economic growth from 2026, as higher taxes outweigh spending increases. In January 2026, the widely watched Purchasing Managers' Index ('PMI') showed a significant pick up⁴ (with the composite index up by more than 2 points), signalling some post-Budget optimism among firms, however the overall picture remains mixed.

2 Office for National Statistics

3 Bank of England

4 S&P Global

Who we are

Our values

Our values guide us in all our actions - from strategic decisions to day-to-day interactions with customers and each other.

- **We get it done:** moving at pace and making things happen
- **We value difference:** seeking out different perspectives
- **We take responsibility:** holding ourselves accountable and taking the long view
- **We succeed together:** collaborating across boundaries

Our priorities

Our priorities are aligned to the HSBC Group:

- **Drive customer-centricity:** We are intensely focused on our customers – helping to deliver excellent outcomes, drive loyalty, and serve our customers for the long term, through the depth of what we offer as a franchise.
- **Deliver focused sustainable growth:** As a leading international bank, we aim to drive long-term sustainable growth, focused on areas of competitive strength.
- **Be simple and agile:** We aim to make fast, safe decisions – adapting to change by staying relevant, driving simplification and being future ready through technology and digitisation.

Our organisational structure

Since 1 January 2025, the HSBC Group has operated through four new businesses, of which the 'UK business' is one, to simplify its organisational structure and accelerate delivery against its strategic priorities. The 'UK business' comprises the Retail Banking and Wealth ('RBW') and Commercial Banking ('CMB') segments of HSBC UK.

HSBC UK comprises the UK business, in addition to the Private Bank ('PB'), Corporate and Institutional Banking ('CIB') and Corporate Centre segments. Since 1 January 2025, HSBC UK has operated under these five segments and FY25 financial results are presented on this basis. Further detail on each segment is on page 12. All segmental comparative data points have been re-presented on this basis.

In October 2025, it was announced that David Lindberg was appointed as Chief Executive Officer ('CEO') of HSBC UK, which he commenced on 8 December 2025. David joins HSBC UK following a career spanning over 27 years in financial services, most recently as CEO of Retail Banking at NatWest Group. Prior to joining NatWest in 2020, he held senior leadership positions at Westpac, The Commonwealth Bank of Australia and ANZ.

Effective 1 January 2026 HSBC UK created a single UK Global Network Banking ('GNB') team to help augment client support, drive growth, and facilitate swift decision-making. Consequently, a set of customers will transfer from CMB to CIB, with no impact on HSBC UK.

Retail Banking and Wealth

RBW offers a comprehensive set of banking products and services to support our customers to manage their day-to-day finances, as well as helping to protect and grow their wealth. We serve over 14.7 million customers under our three brands: HSBC UK, first direct and Marks and Spencer Financial Services plc ('MSFS').

Private Bank

PB supports high-net worth individuals and families with their personal wealth needs, offering investment and lending opportunities, alongside wealth planning solutions and banking services. We strategically partner with our clients to deliver tailored solutions based on their needs, leveraging the HSBC Group's global capabilities and reach, serving over 3,800 client relationships.

Commercial Banking

CMB is a full-service domestic and international commercial bank, highly connected to the HSBC Group. We serve over 690,000 clients, from start-up stage through to mid-market and up to listed corporates. HSBC Innovation Bank Limited ('HINV') is part of our CMB business.

Corporate and Institutional Banking

CIB offers foreign currency payments and selected products to enable commercial hedging, as permitted under UK ring-fencing legislation. Through close collaboration with the HSBC Group, we also make products that are not offered within HSBC UK available on an arms-length basis.

Corporate Centre

Corporate Centre supports the central operations of the HSBC UK business and includes interests in a joint venture and stewardship costs.

Other statutory information

As part of our strategy to simplify our structure by reducing legal entities and banking licences, HSBC UK plans to transfer the business of MSFS into the bank as a separate branded division. This transfer is expected to occur on 1 June 2026 via a court-approved Part VII Banking Business Transfer Scheme, which is currently pending regulatory and court approval.

Our strategy

Our strategy supports the HSBC Group ambition to be the most trusted bank globally, putting customers at the heart of everything we do.

Drive customer-centricity

We aim to attract more customers, improve their experience and deliver good outcomes. In HSBC UK RBW, our latest strategic Net Promoter Score ('NPS') results in the second half of 2025 showed HSBC UK moving to joint 9th, from joint 11th at FY24, with first direct continuing to be ranked among the top retail providers. In CMB, as measured by the Savanta MarketVue Business Banking Survey¹, we were rated among the top three in our Mid-Market Enterprise ('MME') business. Our Business Banking Portfolio Managed segment (SBB) ranked 4th, improving 3 positions vs. FY24, and our Relationship Managed segment (BB) maintained 5th position.

In December 2025, we reaffirmed our commitment to customers and communities by extending our Branch Promise, guaranteeing that all 327 of our branches will stay open until at least 2027. To support our Business Banking clients, in July 2025 we introduced fee free banking for Small and Medium Enterprises, and in 2025, HSBC UK was voted 'The Best Bank for Corporates in the UK' by Euromoney for the second consecutive year, in addition to being voted the Best Transaction Bank in the UK.

We welcome the Government's efforts to drive growth across the country, and were pleased to announce in November 2025 that we will make available over £11bn of measures to back businesses and households. This includes making an additional £5bn of lending available over the next five years for UK SMEs, increasing cashback to first time buyers, investing over £100m in our branch network, and making available an additional £1bn of financing to the social housing sector in 2026, and a further £4bn by 2030.

Our strength in collaboration across lines of business, brands, and other parts of the Group remains a competitive advantage. We can leverage the scale of our business and seek to unlock value for our customers by supporting their holistic needs. In 2025, we have focused on bringing more of HSBC to our customers, with the volume of referrals from CMB to PB increasing by 8%.

¹ Source: MarketVue Business Banking from Savanta, YE 4Q25. Data weighted by region and turnover to be representative of businesses in Great Britain. MME includes businesses with a turnover of £15m to £350m, and compared against NVG, LBG and Barclays. SBB includes businesses with a turnover of £0 to £3m, and compared against Starling, Santander, NatWest, Lloyds, BoS, RBS and Barclays. BB includes businesses with a turnover of £3 to £15m, and compared against Lloyds, NatWest, BoS, RBS and Barclays.

Deliver focused sustainable growth

Our international network remains one of our key differentiators, and we aim to continue to scale our international propositions and global connectivity. Our international proposition continues to be a material driver of growth, with inbound, outbound and multi-jurisdictional revenue increasing 1.7%, 6.0% and 2.7% year-on-year respectively in CMB. The HSBC Group continues to receive external recognition for our international capabilities, being recognised as the World's Best Trade Finance Bank 2025 (Euromoney).

We aim to support customers to manage and grow their wealth. Following the relaunch of our Premier proposition, we rolled out 'Funds on Mobile' to make it easier for customers to buy, sell and trade funds via our mobile app, and opened two new Wealth Centres. We also launched our new Wealth Academy, which provides access to leading educational resources, best practice and academic accreditations for professionals in the wealth management industry. Across our Retail and Private Bank, wealth balances (which include invested assets and wealth deposits) increased to over £62.1bn (2024: £53.1bn).

We leverage our balance sheet to seek to fulfil our customers' lending needs, with our loans and advances increasing by 6% in 2025. In CMB, we have continued to support key growth sectors in the UK economy and in April 2025 completed the acquisition of National Australia Bank's Social Housing loan book. We took our retail mortgage market share to 8.1%² and to support first-time buyers, we introduced a new Loan to Income multiple of up to 5.5 times salary.

We continue to aim to provide a seamless payments experience. We have introduced the option for credit card customers to choose an instalment plan when paying for eligible online and in-app purchases on Apple Pay, in addition to enabling Corporate Cards to be added to Apple Wallets. MSFS customers now have access to Pay by Bank, allowing them to make payments directly from their bank account without needing to enter account details.

We continue to deliver globally connected specialised banking services and expertise to our clients and their investors, as part of our wider global HSBC Innovation Banking proposition. In the UK, through HINV, we welcomed over 800 new clients in 2025.

² BoE data to December 2025, excludes PB mortgages.

Be simple and agile

We have simplified our business in the UK to benefit from shorter lines of decision making, increasing speed and accountability, empowering our colleagues to get things done. In 2025, we have reduced the number of incidents impacting our customers and improved recovery times when incidents do occur. We have also continued to simplify our product offering, legal entities and technology estate, closing a number of 'back book' products.

Investment in technology has focused on improving the agility, usability, reliability and security of our services, including the use of Artificial Intelligence ('AI'). In January 2025, we launched our redesigned mobile app for personal customers, with increased functionality and an updated user interface, with over 7.1 million customers now active on the new app. In CMB we have continued to digitise and streamline key customer journeys, for example, introducing SmartSweep, a market-leading invoice financing tool that sweeps' payments to the right place automatically. We also continue

to embed technology to help our clients to expand internationally, including capabilities such as Global Wallet, TradePay and AutoHedge.

ESG update

The HSBC Group's approach to ESG is focused on creating long-term value for our customers and wider stakeholders, and is focused on three areas: the transition to net zero, building inclusion and resilience, and acting responsibly. The HSBC Group's ambition is to become a net zero bank by 2050. We believe delivering the transition will make the global economy stronger and more resilient.

The HSBC Group's updated Net Zero Transition Plan, published in November 2025, sets out a commercially-grounded approach to helping customers succeed as the world moves towards net zero amid changing economic and geopolitical conditions. It intensifies the HSBC Group efforts to be customer-focused, commercial and agile. The HSBC Group aim is to support our customers' transition by providing and facilitating between \$750bn and \$1tn of sustainable finance and investment by 2030. The Net Zero Transition Plan also sets out the HSBC Group's interim financed emissions targets, metrics and associated policies.

► For more details, see HSBC Group's Net Zero Transition Plan at <https://www.hsbc.com/who-we-are/our-climate-strategy/our-net-zero-transition-plan>.

In 2025, HSBC UK provided a wide range of support and tools to meet our UK customers' evolving transition needs. We financed and facilitated \$14.8bn in sustainable finance and investment through a range of products. This includes our Sustainability Improvement Loan, which connects finance costs to sustainability ratings, alongside tools to enable businesses of any size to assess and reduce their environmental impact. We have helped to advance solutions across areas including infrastructure, energy, and climate technology, by providing support for projects in sectors such as offshore wind, battery manufacturing, and carbon capture. Our support for retail customers included provision of free tools, guides and information articles on our public website, and our energy efficient home cashback mortgage. HSBC UK won 'Best Green Mortgage Lender' at the Your Mortgage Awards in November 2025.

We seek to foster inclusion and build to help create long-term value for all our stakeholders. We continue to support our customers and communities through our partnerships. Since May 2023, through our partner Shelter, HSBC UK funded initiatives have supported over 65,000 people. We supported the enhancement of Shelter's digital content to educate and build people's financial resilience, which has been accessed over 3.5 million times since July 2024. We recognise the importance of building financial skills at a young age, and we continue to support young people to develop their financial capability, working with Young Enterprise, the Scouts, Girlguiding and the King's Trust to support over 344,000 young people across the UK.

The HSBC Group is investing in building and embedding a high-performance culture and has developed a bank-wide leadership framework, 'How We Lead', which is being rolled out to people leaders globally. We are also focused on creating an inclusive environment and offer resources that support well-being. We are proud to have achieved a 10th place ranking in 'The Times Top 100 Graduate Employers 2025-2026' research and won the 'Outstanding Dedication to Diversity in Student Recruitment' at the Institute of Student Employers Awards. Empowering colleagues to speak up and raise issues remains critical. Multiple channels are available to our employees, including our HSBC Confidential whistleblowing and Human Resources ('HR') Direct platform.

► HSBC UK has addressed the reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 through the Non-Financial and Sustainability Statement disclosure contained in the HSBC Holdings plc Annual Report and Accounts, on page 26.

Stakeholder management

Building strong relationships with our stakeholders helps us to deliver our strategy in line with our long-term values and operate the business in a sustainable way. Our stakeholders are the people who work for us, bank with us, own us, regulate us, and live in the societies we serve. Many of our employees are customers and shareholders of the Group, while our business customers are often suppliers. Guided by our purpose, we aim to create value for our customers and shareholders by doing business responsibly, and thinking for the long term.

This section forms our section 172(1) statement for the year. The purpose of this section is to describe how the Directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 when discharging their duty to promote the long-term success of the bank. The first part, 'Engaging with our key stakeholders', sets out information about the stakeholders we view as critical to the bank and its prospects, including how the Board considered them in its discussions and decision-making throughout the year. The second part, 'Principal Strategic Decisions', provides two examples of principal discussions and decisions taken by the Board in 2025 when discharging their responsibility. These show how the Directors and Board respectively discharged their individual and collective responsibility for promoting the long-term success of the bank and took different stakeholder considerations into account in reaching a decision or forming a view. More detailed information on the activities of the Board during 2025 is set out in the Corporate Governance Report on page 61.

Engaging with our key stakeholders

The Board attended a broad range of events during 2025 to assist them in understanding what really mattered to the bank's stakeholders and to validate that the bank's current strategy continued to support them.

Through our Board Engagement Plan, we continue to provide opportunities, particularly face-to-face, for the Board to hear more of the employee voice within the business and engage directly with customers and clients.

Customers

Customer needs are central to the bank's business. The way in which we have served and supported our customers during 2025 is covered in the 'Our strategy' section on page 3 in the Strategic report. Examples of how the Board has engaged with customers during 2025 include the following:

- CEO reports to the Board provided key customer-related metrics and performance indicators, such as customer survey feedback and net promoter scores. This allowed the Board to monitor the bank's approach to supporting customers and to oversee the impact of associated activities. The Board was also able to provide oversight and challenge in relation to two detailed updates that it received regarding the activity being undertaken (and outcomes achieved) to support the aim of being a truly customer-centric organisation.
- Review and challenge of the bank's Customer Channels strategy to ensure that it would deliver enhanced customer experience and unlock other growth opportunities that would benefit both the customer and the organisation.
- Directors hosted an engagement session with some of its PB customers to understand what their key areas of focus and priorities were, and how HSBC UK could support them.
- Several directors visited HSBC's Global Services Centre in Hyderabad to better understand how colleagues based overseas support our customers.

Employees

The Board recognises that our employees help us fulfil our potential and execute our strategy. We are committed to fostering an inclusive working environment where the health and well-being of our employees enables them to serve our customers better. Examples of how the Board engaged with employees include:

- Directors hosted events with colleagues from across the bank to hear their perspectives of what it is like to work for HSBC UK, whether they felt HSBC UK was making a difference for its customers and what more can be done to improve their own experiences in the workplace.
- CEO reports provided updates on employee-related activities and events, metrics on employee attrition and the results of the internal employee survey. This allowed the Board to understand employee sentiment, health and well-being throughout 2025.
- Directors hosted events with small groups of employees from the talent pool to help foster a culture of excellence and continuous improvement and to deepen the Board's familiarity with those employees.
- Assessing the progress management had made against its People Priorities and ensuring that the People Strategy for 2026 was targeted on activities that could have the greatest impact for colleagues, whilst continuing to drive a customer centric mindset across both customer facing and back-office teams to enable a high-performance ambition.

Shareholder and investors

The bank is a wholly owned subsidiary of HSBC Holdings plc and, therefore, the Board and its executive management consider the impact and implications of their decisions in relation to its shareholder and debt security investors during these engagements. Examples of how the Board did this include:

- The appointment of Brendan Nelson, Chairman of HSBC Holdings plc, to the Board further enhanced the connectivity between the Boards of HSBC Holdings plc and HSBC UK.
- The Board Chairman and Committee Chairs engaged with their Group counterparts and attended Group forums and Group Board Committee meetings, together with Executive Directors, to engage on common issues and strategic priorities.
- The Board considered the quantum of dividends to be paid to the shareholder, while balancing the need to maintain strong capital and liquidity, and invest in the bank.

Suppliers

Suppliers provide critical support to help us operate our business effectively. We work with our suppliers to ensure mutually beneficial relationships. An example of Board engagement during 2025 includes:

- The Chief Operating Officer's regular reports on third-party supplier matters such as the operating model, relationship management, material outsourcing, performance and operational resilience.
- ▶ Further detail on third-party risk management is included in the Risk Section in the Report of the Directors on page 21.

Communities

HSBC UK has an important role in supporting the communities in which it operates and is dependent on those communities for the majority of our workforce. We have established several community partnerships which are detailed in the 'ESG Update' section on page 4.

During the year, the Board was supportive of HSBC UK's societal purpose (to improve the financial health of the UK, by supporting social and community projects which increase people and business' financial inclusion; resilience; capability; and opportunity capabilities). This included:

- Considering the execution of HSBC UK's societal purpose programme and agreeing to maintain funding commitments to ensure a continued focus on financial resilience and education. This included an assessment of the existing societal partnerships and those to be renewed in 2026.
- Reviewing HSBC UK's customer-focused net zero commercialisation strategy and the investment plans developed in the context of the wider HSBC UK climate strategy, which included climate risk management and disclosures/reporting; net zero operations; and supply chain.

Regulators and Government

As a UK bank, the government and regulators in the UK are our key stakeholders with whom we maintain constructive dialogue and relations. Examples of Board engagement with them during 2025 include:

- Robust review and challenge of the Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP').
- Supporting the Group with its engagement with HM Treasury over the potential for regulatory reform in respect of the existing ring-fencing regime.
- Meetings between Directors and regulators, both as part of continuous assessment and on specific issues such as the Prudential Regulation Authority ('PRA's') Periodic Summary Meeting Letter and the Financial Conduct Authority ('FCA's') Firm Evaluation Letter.

Principal Strategic Decisions

An overview of two of the principal decisions made by the Board during 2025 are set out below as examples of how the Directors have exercised their statutory duties under section 172(1) of the Companies Act 2006 in relation to matters of strategic importance during 2025.

Operational Resilience Entity Level Self-Assessment ('ELSA')

Throughout 2025, the bank continued to build on linkage between delivering good customer outcomes under The Consumer Duty and improving operational resilience. To provide the Board with assurance, management had established a Consolidated Action Plan ("CAP") in 2024 to support the ELSA and other regulatory operational resilience requirements by the 31 March 2025 deadline. The Board oversaw the progress being made against the CAP to ensure that HSBC UK continued to enhance its operational resilience for the benefit of providing better service to customers and minimising any impact on the wider financial system should disruption occur. To support the Board in its assessment of HSBC UK's position, external benchmarking had also been provided.

The Board reviewed the work being undertaken to uplift operational resilience, which had included: simplifying operating instructions to ensure clarity on execution across the organisation; a focus on production stability, enhancing the security over platforms and simplifying the technology estate through decommissioning legacy systems; ensuring that the 2025 test plan sought to embed the identification of evolving and emerging risks, particularly with third-parties; ensuring the right culture was embedded to help build a strong focus on operational resilience throughout the organisation; and implementing strategic tooling to allow for more data analysis/automation, thereby minimising errors and increasing consistency in output.

The Board is required to approve HSBC UK's ELSA on an annual basis, together with any changes to HSBC UK's Important Business

Services ('IBS') and associated Impact Tolerances ('ITOLs'). When reviewing the ELSA, the Board was mindful of the following:

- The importance of regular engagement with the regulators to ensure that HSBC UK's operational resilience agenda was aligned with that of the regulators.
- The need for management to ensure that any Group dependencies were well understood and managed, as well as ensuring HSBC UK worked collaboratively with the Group on the overarching Operational Resilience Programme.
- Those employees that were Business Service Owners ('BSOs') were core to the successful embedding of the Operational Resilience programme. To this end, it was critical that they were well supported and that the model for BSO interaction with Group colleagues was sufficiently focused on technology, third-party management, and business continuity & incident management.

Based on the information provided, and taking into account the interests of relevant stakeholders, the Board approved the ELSA (including the IBS and ITOLs). Whilst the Board was pleased to see the positive progress that had been made on operational resilience, to ensure that appropriate focus remained after the 31 March deadline, the Board requested a further update on how the principle of control and resilience by design was being implemented, how this was being overseen and governed, and how the Cultural change within business and technology teams was progressing.

Divisionalisation of MSFS

As part of the bank's commitment to the Group's strategy of being 'simple and agile', a proposal was put to the Boards of both HSBC UK and MSFS to transfer the MSFS business, trading as Marks and Spencer ('M&S') Bank, to HSBC UK (the "Divisionalisation") pursuant to an order of the High Court, made under the provisions of Part VII of the Financial Services and Markets Act (the "Part VII Scheme"). When considering the Divisionalisation, the HSBC UK Board was mindful of the different interests of key stakeholder groups, in particular:

- The need to ensure that the Divisionalisation created a more simple, agile and focused business for the benefit of M&S Bank and HSBC UK's customers. This included ensuring faster decision making, improved customer journeys, a common technology infrastructure increasing operational resilience and the development and delivery of enhanced, more secure, digital services. The HSBC UK Board was keen to ensure that customer impact should be minimised as far as possible, and that a full customer contact strategy was developed, tailored to specific customer cohorts where necessary.
- Ensuring that employees were informed of the transfer before the Part VII Scheme was made public, and that a separate people workstream was established to ensure that impacted employees were supported through the change.
- That the regulators received regular open and transparent communication concerning the Divisionalisation, including an overview of the proposed timelines, customer impact and communications, as well as the organisational change, which included the financial and regulatory reporting impact.
- Engagement with Marks & Spencer plc to ensure that they were aligned with the Divisionalisation plans and that they would continue to support the ambitions set out within the seven-year partnership agreement signed in 2024. This included an agreement to transfer the licence to use the M&S Bank brand from MSFS to HSBC UK; and
- The need to ensure that MSFS continued to meet its regulatory capital requirements throughout the period. This included the consideration of a proposal to call certain Additional Tier 1 instruments on their first callable dates, and replacing those instruments with a broadly equivalent amount of CET1 capital through an equity capital injection in November 2025.

Based on the information provided, and taking into account the interests of relevant stakeholders and ultimate benefits to customers, the HSBC UK Board decided to proceed with the Divisionalisation of MSFS which, subject to court approval, is expected to be effected in June 2026.

Risk overview

We maintain a proactive approach to managing our exposure to economic, financial and geopolitical risks, supported by continuous monitoring and review. Developments in these areas have historically affected, and may in the future materially affect, HSBC UK's customers, operations and financial risk profile.

In 2025, the UK economy continued to grow and showed resilience to unpredictable US trade policies, heightened geopolitical tensions and fiscal uncertainty. Growth was driven by higher government and investment spending. The trade agreement secured with the United States, at relatively preferential tariff rates, provided exporters with greater certainty around trade in the second half of the year.

Risks to the global and UK economy remain elevated due to the uncertainty over trade policies and tariffs. Tariff policies and rates may still be subject to change. There also remains a risk that the UK economy could suffer secondary impacts from a reduction in global trade volumes and supply chain disruptions. If any of these risks were to crystallise, it could materially affect HSBC UK and our customers.

Globally, financial markets have witnessed significant valuation gains, including in the AI and technology sectors. In the UK, the gains have been broader based. Current high market valuations raise the risk of a material fall in markets, particularly if the expected gains to productivity from technology and AI fail to materialise. A disruptive market correction could undermine economic growth, which may in turn have an adverse effect on HSBC's risk profile and earnings by increasing the financial vulnerability of customers and decreasing the value of collateral and other claims.

We remain subject to interest rate risk, which can affect NII, the fair value of our assets and liabilities, and overall financial performance.

The BoE cut interest rates by a cumulative 100bps to 3.75% during 2025, amid concern that the weaker global backdrop may affect UK growth and employment, despite continued domestic inflation risk. Policy interest rates could be reduced further if inflation continues to moderate. However, that trajectory could be disrupted if wage growth or key commodity prices keep inflation higher for longer.

Mortgage customers have been affected by increased monthly repayments. A higher interest rate environment may dampen loan demand across key consumer and business segments, potentially leading to a decline in credit quality and putting downward pressure on real estate and other asset prices. By contrast, lower interest rates could pressure NIM and adversely affect profitability. The economic outlook is detailed in the 'Description of consensus economic scenarios' from page 30.

The UK labour market has weakened, with unemployment rising as employers have become more cautious about hiring in the face of increased costs. This deterioration presents a risk to credit portfolios through its impact on household incomes, consumer spending and borrower affordability.

Fiscal policy risks, including elevated public deficits and government indebtedness, could push long-term interest rates higher and weight on economic growth potential. Uncertainty around future taxation may also dampen business investment and consumer confidence, which would be negative for our retail and corporate operations.

The geopolitical environment remains complex, and tensions could impact HSBC UK's operations and risk profile. We continue to monitor the Russia-Ukraine war, developments in relation to conflict in the Middle East, and the wider implications as a result of the US military action in Venezuela, as well as any indication of other potential military action or conflicts elsewhere. These conflicts remain key sources of uncertainty, and may impact HSBC and our customers, including through increased market volatility and supply chain disruptions. Heightened strategic competition between the US and China, including cross-border investment restrictions, is also affecting the configuration of global supply chains, which may in turn affect HSBC UK operations.

Sanctions and restrictions on trade and investment are continually evolving in response to geopolitical events and may adversely affect HSBC UK, our customers and the markets in which we operate. These factors may result in increased legal, regulatory, reputational and market risks, and a more complex operating environment.

Our balance sheet and liquidity have remained strong which has enabled us to help support our customers. Pressure on business operations has continued to be high as our people, processes and systems have responded seeking to meet the current economic challenges. We remain focused on our operational resilience to help improve the performance of our customer support systems and processes.

We seek to manage the potential implications of all the above developments on our customers and our business. We continue to focus on improving the quality and timeliness of the data used to support informed management decisions, and we are advancing our strategic and regulatory change initiatives to help deliver the right outcomes for our customers, people, investors and communities.

HSBC UK is committed to using AI responsibly. We are working to balance the opportunity AI presents to accelerate delivery of our strategy with the need for appropriate controls to help mitigate the associated risks. To help meet the Group's needs and regulatory expectations for AI, whether developed internally or facilitated through third parties, we continue to embed the Group-wide AI oversight, governance, lifecycle management and risk framework.

Top and emerging risks

We continuously identify, assess, manage and monitor risks. This process, which is informed by the results of the stress testing programme, gives rise to the classification of certain financial and non-financial risks. Changes in the assessment of these risks may result in adjustments to our business strategy and risk appetite.

Our material banking risks are detailed on pages 21 to 22. In addition to these banking risks, our top and emerging risks report identifies forward-looking risks so that they can be considered in determining whether any incremental action is needed to either prevent them from materialising or to limit their effect. Top risks are those that have the potential to have a material adverse impact on

the financial results, reputation or business model of HSBC UK. We actively manage and take actions to mitigate our top risks. Emerging risks are those that, while they could have a material impact on our risk profile were they to occur, are not considered immediate and are not under active management. Our suite of top and emerging risks is subject to regular review by senior governance forums. We continue to monitor closely the identified risks and agree management actions to remediate and/or reduce them to acceptable levels, as required.

The exposure to our risks and risk management of these are explained in more detail in the Risk section of the Report of the Directors on pages 14 to 66.

Risk	Description
Externally driven	
Geopolitical and macroeconomic risk	▲ Our operations and portfolios are exposed to risks arising from political instability, civil unrest and military conflict, which could lead to disruption of our operations, physical risk to our staff and/or physical damage to our assets. We are also subject to macroeconomic risks, which may drive changes to our income growth and asset quality. Heightened geopolitical and macroeconomic risk globally, including uncertainty in international trade policy, is subject to close monitoring and review.
Credit risk	▶ Our lending portfolios continue to be exposed to the potential impacts of ongoing geopolitical and macroeconomic risks, such as volatile tariffs, interruptions in trade flows and decreased demand owing to increased costs. Our credit portfolios remain resilient despite the volatility in the credit risk environment. As the UK labour market weakens, we continue to support customers who may experience financial vulnerability.
Evolving regulatory environment risk	▲ The regulatory risk environment is increasingly complex, with ongoing focus by regulators to improve outcomes for banks' customers, particularly vulnerable ones, as well as the orderly and transparent operation of financial markets. Other regulatory priorities include operational resilience (which includes cyber risk and AI), resolvability, prudential requirements, financial reporting and data, ESG, conduct, as well as sound risk and financial crime risk management practices. We continue to monitor regulatory and wider industry developments closely, engaging with regulators as appropriate.
Financial crime risk	▲ We are exposed to financial crime risk from our customers, staff and third-parties engaging in criminal activity. The financial crime risk environment is heightened due to 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. As a result, we will continue to face the possibility of regulatory enforcement and reputational risk.
Cyber threat and unauthorised access to systems	▲ We face increased risks of service disruption and data loss arising from technology failures and increased malicious activities, including both internal or external cyber threats. We continue to monitor changes to the technology and threat landscape. This includes those arising from ongoing geopolitical and macroeconomic developments, as well as potential vulnerabilities within our technology supply chains. We operate a continuous improvement programme to help support the resilience and stability of technology operations and counter a fast-evolving and heightened cyber threat environment.
Environmental, social and governance risks	▲ We are subject to ESG risks, including in relation to climate change, nature and human rights. These risks have increased due to diverging national and political agendas, a more complex and prescriptive regulatory environment, as well as increasing frequency of severe weather events across the globe. Financial institutions' actions and investment decisions in respect of ESG matters continue to be subject to heightened scrutiny by stakeholders. Failure to meet these evolving expectations may have financial and non-financial impacts, including reputational, legal and regulatory compliance risks.
Digital currencies and disintermediation risk	▶ There remains increased focus on Central Bank Digital Currency ('CBDC') and decentralised finance, as organisations around the world consult, issue design studies and pilots. All economies developing a CBDC are doing so by using the existing banking intermediary networks and infrastructure. The cryptocurrency and stablecoin ecosystems have seen extremely volatile prices with signs of contagion beyond these markets. While we do not expect cryptocurrencies to move from being a speculative asset, stablecoins have, however, seen significant and rapid developments and will continue to evolve globally over the next 12 months. This may circumvent a range of services the bank provides.
Internally driven	
People risk	▲ We are exposed to risks associated with employee retention and talent availability, the evolving skills requirements of our workforce, and compliance with employment laws and regulations. Voluntary attrition rates are stable, but failure to manage these risks may impact the delivery of our strategic objectives or lead to regulatory sanctions or legal claims, and the risks are heightened during the implementation of organisational change.
IT systems infrastructure and service resilience	▶ Enhancing operation resilience across the complex HSBC UK IT estate remains a strategic priority. Efforts to modernise and simplify technology architecture are central to help mitigate resilience vulnerabilities and minimise risk to critical business services. The ongoing adoption of cloud infrastructure helps to further support compliance objectives by seeking to improve scalability and resilience in line with regulatory expectations. Developments in technology, including Generative Artificial Intelligence ('GenAI'), challenge us to continue to innovate with new digital capabilities and evolve our products, to attract, retain and best serve our customers. Along with opportunities, new technology can introduce risks and disruption.

Strategic report

Risk	Description
Internally driven (continued)	
Model risk	▶ Model risk arises whenever business decision making includes reliance on models. We use models in both financial and non-financial contexts, and across various business applications. Evolving regulatory requirements and enhanced expectations continue to drive changes in how model risk is managed throughout the banking industry, with particular focus on capital and credit loss models. New technologies, including GenAI, drive the need for enhanced model risk controls.
Conduct and customer detriment	▶ Whilst Consumer Duty is now integrated into our policies and practices to help support good customer outcomes, inadequate management of our Conduct agenda could result in poor customer outcomes and expose HSBC UK to reputational and compliance risks. We continue to seek to improve our reporting MI across products and customer journeys, particularly for our vulnerable customers.
Data risk	▶ We use data to serve our customers and run our operations, often in real-time within digital experiences and processes. If our data is not accurate and timely, our ability to serve customers, operate with resilience or meet regulatory requirements could be impacted. We seek to ensure that non-public data is kept confidential, and that we comply with the growing number of regulations that govern data privacy and cross-border movement of data.
Third-party risk	▲ We procure goods and services from a range of third parties. In the current macroeconomic and geopolitical climate, the risk of service disruption in our supply chains is elevated, driven by an industry-wide increase in supply chain cyber threats. We continue to seek to strengthen our controls, oversight and risk management policies and processes to select and manage third parties, including our third parties' own supply chains, particularly for key activities that could affect our operational resilience.
Strategic Execution risk	▲ Successful execution of our strategy enables us to help address the swiftly changing needs of our customers and stakeholders. We are committed to enhancing the effectiveness of strategic execution risk controls and monitoring. This will help us minimise disruptions during a period of heightened execution risk, driven by the complexity and scale of ongoing strategic, regulatory and technological change.

▲ Risk heightened during 2025

▶ Risk remained at the same level as 2024

▼ Risk decreased during 2025

The Strategic report comprising pages 2 to 9 was approved by the Board on 24 February 2026 and is signed on its behalf by:

David Lindberg

Director
 HSBC UK Bank plc
 Registered number: 9928412

Financial review

Key financial metrics

	Year ended	
	31 Dec 2025	31 Dec 2024
Reported results		
Revenue (£m) ¹	10,468	9,979
Profit before tax (£m) ²	5,619	5,647
Profit after tax (£m)	4,102	4,139
Profit attributable to the shareholder (£m)	4,097	4,134
Net interest margin (%)	2.63	2.56
Cost efficiency ratio (%) ²	41.2	40.3
Alternative performance measures		
Expected credit losses and other credit impairment charges as % of average gross loans and advances to customers (%)	0.24	0.15
Return on average ordinary shareholder's equity ² (%)	15.8	16.5
Return on average tangible equity ^{2,6} (%)	19.2	20.2
	At	
	31 Dec 2025	31 Dec 2024
Balance sheet		
Total assets (£m)	355,930	340,877
Net loans and advances to customers (£m)	231,223	217,604
Customer accounts (£m)	288,756	280,366
Average interest-earning assets (£m)	328,837	316,007
Loans and advances to customers as % of customer accounts (%)	80.1	77.6
Total shareholders' equity (£m)	28,241	25,911
Tangible ordinary shareholders equity (£m)	21,149	19,351
Capital, leverage and liquidity		
Common equity tier 1 capital ratio (%) ^{2,3,4}	13.2	13.6
Total capital ratio (%) ^{3,4}	18.6	18.6
Risk-weighted assets ^{3,4} (£m)	117,463	110,423
Leverage ratio ^{3,4} (%)	5.6	5.8
High-quality liquid assets (liquidity value) (£m) ⁴	93,670	91,348
Liquidity coverage ratio (%) ^{4,5}	175	190

1 Revenue also refers to net operating income before change in expected credit losses and other credit impairment charges.

2 These metrics are tracked as Key Performance Indicators ('KPIs') of the group.

3 Regulatory capital ratios and requirements are based on the transitional arrangements of the Capital Requirements Regulation in force at the time. Effective 1 January 2025, the IFRS 9 transitional arrangements came to an end.

4 Regulatory numbers and ratios are as presented at the date of reporting. Small changes may exist between these numbers and ratios and those subsequently submitted in regulatory filings. Where differences are significant, we will restate in subsequent periods.

5 The LCR is based on the average month-end value over the preceding 12 months.

6 In the event that the current IAS 19 Pension fund surplus was zero, RoTE would be 21.4% (2024: 22.8%). We refer to this as Pension Adjusted RoTE. Further details are on page 123.

Business performance and KPIs

Management tracks the bank's progress in implementing its strategy with a range of financial and non-financial measures or KPIs. Progress is assessed by comparison with the group's strategic priorities, operating plan targets and historical performance. KPIs are reviewed regularly and Management may adopt new or refined measures to better align with HSBC UK's strategic priorities.

- ▶ For further details on non-financial KPIs, such as customer service and satisfaction, please refer to page 3; for employee engagement and inclusion refer to page 4; for sustainability refer to page 4 and for other non-financial KPIs refer to the Corporate Governance section on pages 61 to 65.

Financial summary

Summary consolidated income statement for the year ended

Audited

	Year ended	
	31 Dec 2025	31 Dec 2024
	£m	£m
Net interest income	8,650	8,084
Net fee income	1,286	1,308
Net income from financial instruments held for trading or managed on a fair value basis	430	454
Other operating income	102	133
Net operating income before change in expected credit losses and other credit impairment charges	10,468	9,979
Change in expected credit losses and other credit impairment charges	(539)	(315)
Net operating income	9,929	9,664
Total operating expenses	(4,310)	(4,017)
Operating profit	5,619	5,647
Profit before tax	5,619	5,647
Tax expense	(1,517)	(1,508)
Profit for the year	4,102	4,139
Profit attributable to shareholder	4,097	4,134
Profit attributable to non-controlling interests	5	5

Reported performance

The 2025 PBT of £5,619m was £28m lower than 2024.

Revenue increased by £489m or 5%, to £10,468m in 2025.

Net interest income ('NII') increased by £566m, or 7%, to £8,650m in 2025. This is mainly driven by the benefits from continued repricing of the structural hedge and balance sheet growth, partly offset by BoE base rate reductions in 2025.

Net fee income decreased by £22m, or 2%, to £1,286m in 2025, due to lower fees in retail, partly offset by higher fees from commercial lending and Private Bank reflecting growth in clients' investment balance.

Net income from financial instruments held for trading or managed on a fair value basis decreased by £24m, or 5%.

Other operating income decreased by £31m, or 23%, mainly due to non-recurring disposal gains in 2024.

ECL increased by £224m from £315m in 2024 to £539m in 2025 mainly reflecting a normalised level of non-defaulted ECL, partly offset by releases of provision for forward economic outlook against our retail portfolio in 2024.

Operating expenses increased by £293m or 7% to £4,310m in 2025, notably due to higher restructuring costs, inflation, and the ongoing planned investment in technology including operational resilience, partly offset by a continued focus on cost discipline along with higher benefit from our defined benefit pension surplus.

Tax expense effective rate is 27.0% (2024: 26.7%). The effective tax rate ('ETR') for 2025 is lower than the statutory tax rate ('STR') mainly due to tax relief on Additional Tier 1 ('AT1') coupon payments, partly offset by the impact of non-deductible bank levy expense. The ETR of 26.7% for 2024 was lower than the STR mainly due to tax relief on AT1 coupon payments, prior year adjustments and tax credits from release of provisions.

Net interest income

	Year ended	
	31 Dec 2025	31 Dec 2024
	£m	£m
Interest income	14,860	14,789
Interest expense	(6,210)	(6,705)
Net interest income	8,650	8,084
Average interest-earning assets (AIEA)	328,837	316,007
	%	%
Gross interest yield ¹	4.52	4.68
Less: Gross interest payable ¹	(2.36)	(2.69)
Net interest spread ²	2.16	1.99
Net interest margin ³	2.63	2.56

- Gross interest yield is the interest income as a percentage of Average interest-earning assets ('AIEA'). Gross interest payable is the interest expense as a percentage of average interest-bearing liabilities.
- Net interest spread is the difference between the gross interest yield and the gross interest payable.
- Net interest margin is net interest income as a percentage of AIEA.

NIM increased from 2.56% in 2024 to 2.63% in 2025. This was mainly driven by the benefits of structural hedge repricing, partly offset by BoE base rate reductions.

Return on average tangible equity

RoTE is measured as reported profit attributable to the ordinary shareholders, excluding impairment of goodwill and other intangible assets for the period, divided by average reported equity adjusted for goodwill and intangibles.

A reconciliation is provided on page 123, which details the adjustments made to the reported results and equity in calculating RoTE. Our 2025 reported RoTE was 19.2% which was 1 percentage point lower than 2024 driven by growth in commercial lending.

Alternative performance measures

To measure our performance, we supplement our IFRS Accounting Standards figures with non-IFRS Accounting Standards measures, which constitute alternative performance measures. All alternative performance measures are reconciled to the closest reported performance measure.

Segmental reporting

Global businesses are our reportable segments under IFRS 8.

The HSBC Group Chief Executive, supported by the rest of the Group Operating Committee, is considered the Chief Operating Decision Maker ('CODM') for the purposes of identifying the HSBC Group's, and therefore HSBC UK's, reportable segments. HSBC UK's CODM is the HSBC UK Chief Executive, supported by the HSBC UK Operating Committee.

Our operations are closely integrated and, accordingly, the presentation of data includes internal allocations of certain items of income and expense. These allocations include the costs of certain support services and global functions to the extent that they can be meaningfully attributed to global businesses. While such allocations have been made on a systematic and consistent basis, they necessarily involve a degree of subjectivity. Costs which are not allocated to global businesses are included in Corporate Centre.

Where relevant, income and expense amounts presented include the results of inter-segment funding along with inter-company and inter-business line transactions.

All such transactions are undertaken on arm's length terms. The intra-group elimination items are presented in the Corporate Centre. A description of the global businesses is provided in the Strategic report, page 3.

Reported profit before tax and balance sheet data for the year ended

	Retail Banking and Wealth	Commercial Banking	Corporate and Institutional Banking	Private Bank	Corporate Centre	Total
	£m	£m	£m	£m	£m	£m
At 31 Dec 2025						
Net operating income/(expense) before change in expected credit losses and other credit impairment charges	4,740	5,315	162	275	(24)	10,468
– external	4,584	4,946	374	186	378	10,468
– inter-segment	156	369	(212)	89	(402)	–
– of which: net interest income	4,263	4,373	5	142	(133)	8,650
Change in expected credit losses and other credit impairment charges	(258)	(269)	–	(12)	–	(539)
Net operating income/(expense)	4,482	5,046	162	263	(24)	9,929
Total operating income/(expenses)	(2,563)	(1,622)	(39)	(161)	75	(4,310)
Operating profit	1,919	3,424	123	102	51	5,619
Profit before tax	1,919	3,424	123	102	51	5,619
	%	%	%	%	%	%
Cost efficiency ratio	54.1	30.5	24.1	58.5	312.5	41.2
Balance sheet information	£m	£m	£m	£m	£m	£m
Loans and advances to customers (net)	150,400	76,239	–	4,785	(201)	231,223
Customer accounts	173,847	106,348	–	9,307	(746)	288,756
At 31 Dec 2024						
Net operating income/(expense) before change in expected credit losses and other credit impairment charges	4,389	5,199	159	252	(20)	9,979
– external	4,083	4,974	389	132	401	9,979
– inter-segment	306	225	(230)	120	(421)	–
– of which: net interest income	3,810	4,250	(2)	141	(115)	8,084
Change in expected credit losses and other credit impairment charges	(44)	(269)	–	(2)	–	(315)
Net operating income/(expense)	4,345	4,930	159	250	(20)	9,664
Total operating expenses	(2,369)	(1,512)	(45)	(167)	76	(4,017)
Operating profit	1,976	3,418	114	83	56	5,647
Profit before tax	1,976	3,418	114	83	56	5,647
	%	%	%	%	%	%
Cost efficiency ratio	54.0	29.1	28.3	66.3	380.0	40.3
Balance sheet information	£m	£m	£m	£m	£m	£m
Loans and advances to customers (net)	143,228	70,025	–	4,528	(177)	217,604
Customer accounts	170,773	101,853	–	8,100	(360)	280,366

Retail Banking and Wealth

PBT of £1,919m in 2025 was £57m, or 3%, lower than 2024, primarily due to higher ECL and an increase in operating expenses, offsetting revenue growth.

Revenue increased by £351m, or 8%, to £4,740m, this reflected the benefits of balance sheet growth and repricing of the structural hedge, partly offset by the impact of base rate cuts in 2025.

ECL increased by £214m from £44m in 2024 to £258m in 2025, reflecting a normalised level of non-defaulted ECL compared to releases of provision for forward economic outlook in 2024.

Operating expenses increased by £194m, or 8%, to £2,563m, driven by increased technology and operational resilience investment costs, wage inflation and a non-recurring provision release in 2024, partly offset by actions taken to optimise operational costs.

Commercial Banking

PBT of £3,424m in 2025 was broadly flat to 2024, with higher revenue offsetting an increase in operating expenses.

Revenue increased by £116m, or 2%, to £5,315m, resulting from the benefits of balance sheet growth and repricing of the structural hedge, partly offset by base rate cuts in 2025.

ECL remained broadly stable at £269m in 2025, with releases due to the forward economic outlook and model enhancements resulting in a reduction in PDs across most sectors offset by higher stage 3 charges.

Operating expenses increased by £110m, or 7%, to £1,622m, largely driven by inflation and increased technology and operational resilience investment costs.

Financial review

Corporate and Institutional Banking

CIB in HSBC UK reflects the transacting of foreign currency exchange for RBW and CMB customers.

The majority of the foreign exchange revenue is transferred to RBW and CMB, with an element retained in CIB.

PBT of £123m was £9m, or 8%, higher than 2024.

Private Bank

PBT of £102m in 2025 was £19m, or 23%, higher than 2024, primarily driven by fee income from investment products.

ECL increased by £10m from £2m in 2024 to £12m in 2025, mainly due to higher Stage 3 charges for a single name client.

Operating expenses decreased by £6m, or 4%, to £161m.

Corporate Centre

PBT of £51m in 2025 was £5m, or 9%, lower than 2024, due to higher restructuring costs, offset by higher accounting benefit from our defined benefit pension surplus.

Dividends

The consolidated reported profit for the year attributable to the shareholders of the bank was £4,097m.

Total interim dividends of £2,814m were paid on the ordinary share capital during the year, of which £595m relates to the previous year and £2,219m relates to the current year. £209m of dividends were paid in respect of our AT1 capital instruments.

On 17 February 2026, the Directors resolved to pay an interim dividend of £1,076m to the ordinary shareholder in respect of the financial year ending 31 December 2025.

► Further information regarding dividends is given in Note 6.

Summary consolidated balance sheet as at

	31 Dec 2025 £m	31 Dec 2024 £m
Total assets	355,930	340,877
– cash and balances at central banks	40,369	52,276
– financial assets mandatory measured at fair value through profit and loss	175	174
– derivatives	167	298
– loans and advances to banks	6,636	7,263
– loans and advances to customers	231,223	217,604
– reverse repurchase agreements – non-trading	21,560	11,776
– financial investments	41,638	37,801
– other assets	14,162	13,685
Total liabilities	327,669	314,906
– deposits by banks	7,709	11,144
– customer accounts	288,756	280,366
– repurchase agreements – non-trading	6,276	420
– derivatives	162	107
– debt securities in issue	3,019	2,044
– other liabilities	21,747	20,825
Total equity	28,261	25,971
– total shareholders' equity ¹	28,241	25,911
– non-controlling interests	20	60

¹ Total shareholders' equity includes share capital, AT1 instruments and reserves.

HSBC UK maintained a strong and liquid balance sheet. The ratio of customer advances to customer accounts increased to 80% compared to 78% at 31 December 2024.

Assets

Cash and balances at central banks decreased by £11.9bn driven by increased customer lending and redeployment into other asset classes to optimise returns, including in our structural hedge, partly offset by an increase in customer accounts and repurchase agreements.

Loans and advances to customers increased by £13.6bn, mainly due to an increase in RBW of £7.2bn, which was predominantly due to mortgage lending and CMB growth of £6.2bn.

Reverse repurchase agreements – non trading increased by £9.8bn due to diversification of the liquid asset buffer and efficient cash deployment.

Financial investments increased by £3.8bn mainly due to Treasury management activities.

Liabilities

Deposits by banks decreased £3.4bn, due to repayment of the BoE's Term Funding Scheme for Small and medium-sized enterprises ('SME').

Customer accounts increased by £8.4bn, mainly from growth in RBW of £3.1bn, PB of £1.2bn and CMB of £4.5bn.

The increase includes a reduction in short term Markets Treasury deposits from HSBC Holdings plc of £2.1bn, allocated to RBW (£1.4bn) and CMB (£0.7bn) in line with our reportable segments policy.

Repurchase agreements – non-trading have increased by £5.9bn as part of activities to manage the cash and collateral efficiently.

Debt securities in issue increased by £1.0bn, mainly due to the issuance of a first EUR denominated covered bond for £0.6bn and a synthetic Collateralised Loan Obligation issuance for £0.5bn.

Equity

Total shareholder's equity, including non-controlling interests, increased by £2.3bn or 8.8% compared with 31 December 2024.

This reflected other equity instruments issued of £0.5bn, profits generated of £4.1bn and other comprehensive income ('OCI') of £0.7bn mainly from cashflow hedge reserves, offset by dividend payments of £3.0bn.

Risk review

Our approach to Risk

We recognise that the primary role of risk management is to help protect our customers, business, colleagues, shareholders and the communities that we serve, while ensuring we are able to support our strategy and provide sustainable growth.

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

The implementation of our business strategy remains a key focus. As we deliver change initiatives, we seek to actively manage the execution risks. We also perform periodic risk assessments, including against strategies, to help ensure retention of key personnel for our continued safe operation.

Our risk management framework

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

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

Our Risk and Compliance function is responsible for embedding the Group RMF. Independent from the business segments, including our sales and trading functions, it provides challenge, oversight and appropriate balance of risk and reward in decision making. Its responsibility includes following global policy (with HSBC UK adjustments as required), monitoring risk profiles, and identifying and managing forward-looking risk.

Our people are responsible for managing both financial and non-financial risk, including regulatory compliance and financial crime risks. They are required to manage the risks of the business and operational activities for which they are responsible. We maintain adequate oversight of our risks through our various specialist risk stewards and the collective accountability held by our Chief Risk and Compliance Officer ('CRCO'). We seek to maintain a sound control environment and regularly test and monitor our controls, which aim to prevent risks from materialising, detect when they do, and recover and learn from issues in a timely manner within our risk appetite.

Our risk appetite

Our risk appetite defines the level and types of risk that we are willing to take to achieve our strategic objectives.

The Board approves HSBC UK's risk appetite, which is aligned with the Group's Risk Appetite Statement ('RAS'), and reviews it annually to help ensure it remains fit for purpose.

Our enterprise-wide risk appetite is expressed holistically through various risk management mechanisms and activities, in both quantitative and qualitative terms and is formally articulated through our RAS.

HSBC UK's risk appetite is established considering:

- alignment with our strategy, purpose, values, external risk environment, reputational and customer needs;
- compliance with applicable laws, regulations and regulatory priorities;

- forward-looking insights into future risk exposure;
- sufficiency of available capital, liquidity and balance sheet leverage to absorb the risks;
- capacity and capabilities of people to manage the risk landscape;
- functionality, capacity and resilience of available systems to manage the risk landscape;
- effectiveness of the applicable control environment to mitigate risk; and
- internally and externally disclosed commitments.

Performance against HSBC UK's RAS is reported to the HSBC UK Risk Management Meeting ('RMM') to support targeted insight and discussion of breaches of risk appetite and any associated mitigating actions. This reporting helps risks to be promptly identified and mitigated, and informs risk-adjusted remuneration to drive a strong risk culture.

Our risk governance

The Board has ultimate supervisory responsibility for the effective management of risk.

The HSBC UK CRCO, in their second line of defence capacity, supported by members of the HSBC UK RMM, holds executive accountability for the ongoing monitoring, assessment and management of the risk environment and the effectiveness of the RMF.

The HSBC UK CRCO is also responsible for the oversight of reputational risk.

Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making.

We use a defined executive risk governance structure to help enable appropriate oversight and accountability of risk, which facilitates reporting and escalation to the HSBC UK RMM.

Our responsibilities

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

Three lines of defence

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

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

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

Stress testing

Stress testing is an important tool for banks and regulators to assess vulnerabilities in individual banks and/or the financial banking sector under hypothetical adverse scenarios. The results of stress testing are used to assess banks' resilience and capital adequacy to a range of adverse shocks.

Internal macroeconomic and event-driven stress scenarios, specific to the UK or the global economy, were assessed and reported to senior management during 2025. These stress scenarios included the impact of a severe and prolonged economic downturn in the UK. HSBC UK also conducted a Reverse Stress Test which required HSBC UK to assess scenarios and circumstances that would render its business model non-viable, thereby identifying potential business vulnerabilities.

Furthermore, HSBC UK is subject to regulatory stress testing. The assessment by the regulators is both on a quantitative and a qualitative basis, the latter focusing on our portfolio quality, data provision, stress testing capability and capital planning processes. During 2025, HSBC UK provided regional input into HSBC Group's submission of the Bank Capital Stress Test which is the PRA regulatory bi-annual stress test replacing the previous Annual Cyclical Stress exercise. The BoE published results of the 2025 Bank Capital Stress Test at a HSBC Group level only. The 2025 stress test exercises confirm that HSBC UK is well positioned to withstand potential shocks.

Internal control

Policies and procedures are designed to help provide effective internal control within the Group but can only provide reasonable assurance against mitigating material misstatement, errors, losses or fraud.

We have:

- Established policies and procedures to define the minimum requirements for the controls required to manage our risks, including our compliance with the Ring-fenced bodies requirements set out by the PRA rulebook. These include an overarching Ring-fenced bodies policy, together with additional policies covering Exceptions, Arm's Length Transactions and Distributions.
- Implemented the HSBC Group RMF and other HSBC Group policies and procedures. These are designed to help safeguard assets against unauthorised use or disposal; maintain proper accounting records; and help to ensure the reliability and usefulness of financial information.

The key risk management and internal control procedures, that have been in place throughout the year ended 31 December 2025 and up to the date of approval of this Annual Report and Accounts 2025, include:

- HSBC Book: The HSBC Book, underpins the HSBC Group's key principles, policies and procedures that are fundamental to the Group's risk management structure. It informs and connects our purpose, ambition, strategy and values, guiding us to make responsible decisions aligned to our risk culture and risk management approach, to seek to do the right thing, and to seek to treat our customers and our colleagues fairly at all times.
- The HSBC Group Risk Management Framework: see 'Our Risk Management Framework' section of the report on page 14.
- Delegations of authority: Subject to certain matters reserved to the Board, the Board has delegated powers and authority to manage the day-to-day running of the Company within certain limits to the CEO. The CEO is permitted to sub-delegate such powers and authorities, within those limits, as he sees fit. A delegation of authority framework is also in place providing a structure within which the bank and its subsidiaries can manage their delegated powers. These delegated authorities can be used for the approval, signing and execution of specific written agreements and documents such as procurement contracts.

- Strategic plans: Strategic plans are prepared within the framework of the Group's overall strategy. The financial resource plan is informed by detailed analysis of risk appetite, describing the types and quantum of risks that HSBC UK is prepared to take in executing its strategy. It sets out the key business initiatives and the likely financial effects of those initiatives. It is approved by the Board, with progress regularly reported to the Operating Committee, the Board and the HSBC Group Operating Committee.

The key risk management and internal control procedures over financial reporting include the following:

- Risk Management Meeting: The RMM supports the HSBC UK CRCO in exercising Board-delegated risk management authority. The RMM oversees the implementation of risk appetite and the RMF, conducts forward-looking assessments of the risk environment, monitors all categories of risk, and determines appropriate mitigating actions. Additionally, the RMM promotes a supportive culture of risk management and conduct across HSBC UK.
- Risk Committee: The Risk Committee, a committee of the Board, is responsible for overseeing risk governance and providing forward-looking insight into risks and their mitigation. It advises the Board on the bank's risk appetite, tolerance, strategy, and systems of risk management and compliance. The Committee also participates in the HSBC UK's Chairman's Nominations and Remuneration Committee meetings to help ensure reward structures are aligned with risk appetite. In fulfilling its responsibilities, the Risk Committee is supported by the Chief Risk Officer, Chief Financial Officer ('CFO'), Head of Internal Audit, Head of Compliance, and other relevant business functions. The Committee monitors principal risks, evaluates the effectiveness of mitigating actions, and reviews management reports on unexpected losses or incidents, including root cause analysis, lessons learned, and proposed remedial actions.
- Audit Committee: The Board's Audit Committee is responsible for the oversight of the effectiveness of all internal controls, drawing on its expertise in overseeing internal financial reporting controls, and will help support the Group's obligation to declare the effectiveness of material controls, which will be required in the Group's 2026 Annual Report and Accounts under the UK and Hong Kong Corporate Governance Codes. The Committee reviews internal financial controls and reporting disclosures to help identify any material errors, misstatements or omissions, ensuring the integrity of financial statements. This oversight is underpinned by robust structures and processes within the Group's Finance and Risk functions, which deliver analytical reviews of financial reporting and maintain accounting records. The Committee also considers material accounting policies and practices prior to their agreement with the External Auditors.

Throughout the year, the Risk Committee and Audit Committee regularly reviewed the effectiveness of the internal control system and reported their findings to the Board. Their reviews were informed by regular reports from business and operational risk assessments and heads of key risk functions, covering all internal controls (financial and non-financial); internal and external audit reports; prudential reviews; and regulatory reports. Further details on the committees' responsibilities and activities are provided in the 'Board Committees' section on page 64.

The key risk management and internal control procedures over financial reporting also includes:

- Financial reporting: The preparation of the Annual Report and Accounts 2025 is governed by documented accounting policies and standardised reporting formats, supported by comprehensive instructions and guidance on reporting requirements issued by the HSBC Group to HSBC UK. These are communicated to all reporting entities within the Group ahead of each reporting period end. The submission of the Company's financial information is certified by the CFO and subject to analytical review procedures at both the reporting entity and Group levels.

Risk review

- Disclosure Committee: The Disclosure Committee, consisting of selected members of executive management, supports the Company in meeting its obligations relating to debt securities listed on the London Stock Exchange. The Committee assesses whether new events or circumstances constitute inside information, reviews all material disclosures, and provides guidance on requests and reports from subsidiaries or affiliates concerning inside information.

What are our principal risks and uncertainties

Key developments in 2025

In 2025, we continued to manage risks related to macroeconomic and geopolitical uncertainties and develop risk management capabilities through the continued enhancement of our risk management framework. We worked to maintain and build stronger relationships with regulators and other external stakeholders to support our business and customer objectives. We retained our focus on risk transformation and financial crime and continued to assess our operational resilience capability whilst prioritising the most significant enterprise risks. More specifically, we sought to enhance our risk management in the following areas:

- We have been advancing our programme aimed at strengthening our regulatory reporting processes and making them more sustainable, including enhancing data, consistency and controls. While this programme continues, there may be further impacts on some of our regulatory ratios as we implement recommended changes and continue to enhance our controls across the process.
- We enhanced our technology and cybersecurity controls to help improve the resilience and security of our technology services in response to the heightened external threat environment.
- We responded to new innovations in the financial system, including growing adoption of digital assets and currencies, as well as the evolving use of AI through reviewing and enhancing

controls across risk areas to help us and our customers safely benefit from innovation.

- We continue to enhance our processes, framework and controls to improve the oversight of our third parties. We have strengthened our due diligence and monitoring capabilities with respect to the financial stability of our third parties to better manage our supply chain and we continue to assess and seek to manage operational resilience.
- HSBC Group have further enhanced the way they identify and manage climate-related risks, which we have embedded in HSBC UK. This has been achieved through risk policy and guidelines updates, including updates to HSBC Group's climate risk approach document, and further development of our risk metrics and assessments to help monitor and manage exposures across our organisation. We have also reviewed a number of climate models and have sought to enhance our internal climate scenario analysis capabilities.
- We deployed advanced technology and analytics capabilities to improve our ability to identify suspicious activities and prevent financial crime. We will continue to evaluate technological solutions to improve our capabilities in the detection and prevention of financial crime.
- We continued to promote our whistleblowing service, HSBC Confidential, ensuring it is fully embedded in our speak-up culture. Continual enhancement is being undertaken to help ensure optimal effectiveness of the service, whilst maintaining adherence to regulation and legislation.
- We enhanced our compliance with the Consumer Duty to help ensure good customer outcomes. We continue to deliver annual mandatory training to reinforce the importance of conduct for all colleagues.
- We continue to provide Regulatory Compliance risk stewardship across a wide range of transformational change and control enhancement initiatives supporting HSBC's strategy and organisational structure. We remain focused on the emerging regulation and technological advances in the market.

Top and emerging risks

We use a top and emerging risks process to provide a forward-looking view of issues with the potential to threaten our operations or the execution of our strategy over the medium to long term.

We proactively assess the internal and external risk environment, and review the themes identified across HSBC UK businesses for any risks that may require escalation. We update our top and emerging risks as necessary.

Our current top and emerging risks are as follows.

Externally driven

Geopolitical and macroeconomic risk

Geopolitical and macroeconomic uncertainty remains elevated.

During 2025, the UK secured a trade agreement with the US, providing UK exporters with greater certainty and securing relatively more advantageous terms compared to other countries. Key uncertainties remain, including the possibility that the trade deal is replaced by alternative US tariffs on different terms, the risk of higher sector-based tariffs, and the risk of secondary impacts to the UK economy from a reduction in global trade volumes and supply chain disruptions. The risk of a broader escalation of tariffs and a trade war remains.

The UK economy has continued to grow, supported by government spending and investment, but faces several domestic challenges, including the need to improve the supply side of the economy to support stronger gross domestic product ('GDP') growth and employment growth.

The labour market remains a source of risk. Employment levels have declined, and unemployment is higher than in recent years. Rising unemployment could affect the performance of our credit portfolios and demand for our products and services.

The monetary policy outlook remains uncertain. The BoE cut interest rates during 2025, but has had to balance inflation that has persisted above the target, against weaker growth and rising unemployment. Our financial performance may be affected by changes to interest rate expectations. Policy interest rates could be reduced further if inflation continues to moderate. However, that trajectory could be disrupted if wage growth, tariffs or key commodity prices keep inflation higher for longer.

Globally, markets continue to finance high public deficits, but debt sustainability remains a risk in the context of uncertain global growth prospects and higher long-term interest rates. In the UK, the 2025 budget provided additional headroom against the government's target of achieving a balanced budget by the end of the current parliament, reducing short-term fiscal risks. However, public debt is forecast to continue to rise over this period and higher long-term bond yields mean that a higher proportion of government spending is allocated to servicing debt. For HSBC UK, the risks of higher funding costs across our key markets relate both to the credit and refunding risks of our customers, market pricing risks of assets held for sale, and risks to NIM.

The UK, like other major economies, saw equity markets rise strongly during 2025. Whereas the technology sector drove significant gains in international markets, in the UK, the performance was led by the financial sector and healthcare stocks. While high asset prices may

Risk review

create a tailwind from positive wealth effects, current high valuations, especially for the technology sector and AI company valuations in particular, also raise the risk of a fall in the markets, if expected gains to productivity and growth fail to materialise. In addition, HSBC UK remains exposed to the market risk and any potential impact on economic growth of an abrupt revaluation of asset prices.

Challenges remain in the UK-EU relationship following the UK's withdrawal from the European Union ('EU'). Over the medium to long term, the UK's withdrawal from the EU may continue to adversely impact the terms of EU market access for our clients. This could increase the country's economic risk, which in turn could impact our profitability. We are monitoring the situation closely, including the potential impacts on our customers.

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 HSBC UK's business, financial condition, results of operations, prospects, liquidity, capital position and credit ratings.

Sanctions and restrictions on trade and investment are continually evolving in response to geopolitical events, and may adversely affect HSBC UK, its customers and the markets in which we operate. These factors may result in increased legal, regulatory, reputation and market risks, and a more complex operating environment. HSBC actively monitors and responds to financial sanctions and restrictions on trade and investment.

Strategic competition between countries is reshaping trading relationships and increasing the focus on long-term economic and supply chain security, including over rare earth minerals and semiconductors, which could adversely affect HSBC UK and its customers.

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. 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.

The above risks could also have an impact on our customers and we continue to closely monitor the potential impacts and offer support to our customers in line with regulatory, government and wider stakeholder expectations.

- ▶ For further details of our Central and other scenarios, see 'Measurement uncertainty and sensitivity analysis of ECL estimates' on page 29.

Mitigating actions

- We closely monitor geopolitical and economic developments. We may undertake scenario analysis, including stress testing portfolios of particular concern to identify sensitivity to loss under a range of scenarios. This helps us to take actions to manage our portfolios where necessary, including through enhanced monitoring, amending our risk appetite and/or reducing limits and exposures.
- We regularly review key portfolios, including our commercial real estate portfolio, to help ensure that individual customer or portfolio risks are understood and that our ability to manage the level of facilities offered through any downturn is appropriate.
- We continue to monitor the UK's relationship with the EU, and assess the potential impact on our people, operations and portfolios.
- We continue to monitor our risk profile closely in the context of the current geopolitical and macroeconomic situation, and given the significant uncertainties, additional mitigating actions may be required.
- We apply management judgment adjustments where modelled ECL does not fully reflect the identified risks and related uncertainty, or to capture significant late-breaking events.

- We continue to seek to manage the impact of sanctions and restrictions on trade and investment through the use of reasonably designed policies, procedures and controls, which are subject to ongoing testing and enhancements.

Credit risk

Credit portfolios are growing and remain resilient despite the elevated credit risk environment, driven by geopolitical and macroeconomic uncertainty. There has been limited impact from risks pertaining to fiscal policy changes, US tariffs and the conflict in the Middle East, with portfolios proactively reviewed on that basis. Asset quality indicators are stable, with room to grow within existing risk appetite to help meet ongoing market demand.

Mitigating actions

- We proactively manage portfolios using Group Risk Frameworks covering Country Risk Appetite, Industry Appetite and Single Name Concentration.
- We intentionally adjust credit appetites to help position for and assist in portfolio growth.
- We focus on early warning indicators and stress testing to help identify riskier portfolios and/or counterparties.
- We regularly review our customer affordability and credit scoring models to reflect changes in the macroeconomic environment.
- We continue to refresh mortgage stress rates to reflect the latest interest rate expectations.
- We conduct regular industry sector analysis with particular focus on the Leisure and Hospitality, Retail and Consumer sectors, as well as Construction, Leveraged Finance, and Commercial Real Estate ('CRE') (Offices).
- We heightened control levels following some idiosyncratic impacts caused by an increase in fraud committed by the account holder.
- We utilise Collateralised Loan Obligations where appropriate, to provide portfolio level credit risk mitigation and reduce the level of risk-weighted capital required to be held.

Evolving regulatory environment risk

Financial service providers continue to face stringent regulatory and supervisory requirements, particularly in the areas of capital and liquidity management, conduct of business, financial crime, internal control frameworks, the use of models, the integrity of financial services delivery and financial and operational resilience.

We aim to keep abreast of the emerging Regulatory Compliance and conduct risk agenda. Current focus areas include, but are not limited to: Operational Resilience; ESG developments; ensuring good customer outcomes and addressing customer vulnerabilities; enhancements to regulatory reporting controls and employee compliance including the use of e-communication channels.

We monitor regulatory developments closely and engage with regulators as appropriate, to help ensure new regulatory requirements are implemented effectively and in a timely way.

The competitive landscape in which HSBC UK operates may be impacted by future regulatory changes and government intervention including changes driven by the UK government adopting an agenda particularly focused on economic growth.

Mitigating actions

- We continue to engage in the development of new and amended regulations in the UK to help ensure that the implications have been considered by regulators and the wider industry.
- We continue to work with the UK authorities and regulatory bodies to discuss any impacts on customers and markets.
- We monitor regulatory developments to ensure that we fully understand the evolving regulatory landscape and we seek to implement any applicable change in a timely way.

Financial crime risk

Financial institutions remain under considerable regulatory scrutiny regarding their ability to detect and prevent financial crime. In 2025, these risks continued to be exacerbated by rising geopolitical tensions and ongoing macroeconomic factors. These challenges require not only the management of conflicting laws and approaches to legal and regulatory regimes, but also the implementation of more complex and far less predictable sanctions and restrictions on trade and investment.

Amid ongoing cost of living pressures, we continue to face increasing regulatory expectations with respect to managing internal and external fraud and protecting customers. The accessibility and increasing sophistication of generative AI can create additional financial crime risks. While there is potential for the technology to support financial crime detection, there is also a risk that criminals use generative AI to perpetrate fraud, particularly scams.

The digitisation of financial services continues to have an impact on the payments ecosystem, with an increasing number of new market entrants and payment mechanisms, not all of which are subject to the same level of regulatory scrutiny or regulations as banks. Developments in digital assets and currencies have continued at pace, with an increasing regulatory and enforcement focus on the financial crimes linked to these types of assets. We also continue to face increasing challenges presented by national data privacy requirements, which may affect our ability to manage financial crime risks across markets.

Mitigating actions

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

Cyber threat and unauthorised access to systems

HSBC operates within a highly interconnected and complex technology environment, facing an increasingly aggressive cyber threat landscape. Key risks include potential unauthorised access - potentially impacting customer data, whether held internally or by third-party suppliers – as well as direct attacks on our infrastructure and that of our third parties. Addressing these threats demands continuous investment in robust business and technical controls to help maintain resilience and help support our customers, colleagues and global financial markets.

While MSFS has separate IT systems to Marks and Spencer plc, during the cybersecurity incident that impacted Marks and Spencer plc's retail operations in April 2025, our timely actions were designed to ensure that the impact on MSFS customers and HSBC UK infrastructure was minimised.

Mitigating actions

- Our cyber intelligence and threat analysis teams continuously assess the risk profile of prevalent cyber-attack vectors and their potential impact. We proactively seek to strengthen controls to reduce the likelihood and severity of incidents such as advanced malware, data leakage, third-party exposure, and security vulnerabilities.

- We are committed to advancing our cybersecurity capabilities, with a focus on Cloud security, identity and access management, metrics and data analytics, and comprehensive third-party security reviews. Investment in these areas also extends to mitigating risks associated with emerging technologies.
- We regularly report and review cyber risk metrics and control effectiveness at both executive and non-executive Board levels. This management information is disseminated across all business units and functions to help ensure visibility and effective governance of risks and mitigation activities.
- We actively engage with industry forums and working groups to share intelligence on cybercrime tactics and collaborate on defence, detection, and prevention strategies for cyber-attacks targeting financial organisations.
- We help to ensure all colleagues are equipped to recognise and report cybersecurity issues and incidents, as a critical element of our defence strategy.
- We respond to attempted compromises in line with our established cybersecurity framework. To date, no cyber-attacks have resulted in a material impact to our business operations.

Environmental, social and governance ('ESG') risks

We are subject to financial and non-financial risks associated with ESG-related matters, such as climate change, nature-related and human rights issues. These matters can impact us both directly and indirectly through our business activities and relationships.

Focus on climate-related risk continued to increase during 2025, owing to the pace and volume of policy and regulatory changes on climate risk management, stress testing and scenario analysis and disclosures. If we fail to meet evolving regulatory expectations or requirements on climate risk management, this could have regulatory compliance and reputational impacts.

Climate change can have an impact across HSBC Group's risk taxonomy through both transition risk, arising from the move to a net-zero economy, such as through policy, regulatory and technological changes, and physical risk impacts due to the increasing severity and/or frequency of severe weather or other climatic events, such as rising sea levels and flooding, and chronic gradual shifts in weather patterns, which could affect our ability to conduct our day-to-day operations.

We may face credit and trading losses, liquidity impacts and/or impacts to our real estate portfolios if climate-related regulatory, legislative or technological developments impact customers' business models or if extreme weather events disrupt or interrupt customers' operations, resulting in financial difficulty for customers and/or stranded assets, and impacting their ability to repay their debts or secure insurance. Our customers may find that their business models fail to align to a net zero economy or face disruption to their operations or deterioration to their assets as a result of extreme weather. Operational risk may also increase if extreme weather events impact critical operations and premises.

There is also the risk that retail customers in our UK mortgage book could face increasing physical climate risks such as flooding.

HSBC UK faces climate risks arising from the exposure of our employees' UK pension plan to climate-sensitive investments, and where we act as portfolio investment manager, or as funds distributor, for UK retail customers.

Net zero alignment risk had previously been identified as a thematic issue and is now replaced and managed under HSBC Group's new risk type Sustainability Execution Risk, to help identify and manage the risks associated with the delivery and execution of HSBC Group's sustainability strategy.

We may face additional risks if we knowingly or unknowingly make inaccurate, unclear, misleading, or unsubstantiated claims regarding sustainability to our stakeholders.

Risk review

We may face regulatory compliance, legal, conduct and reputational risks resulting from the increasing pace, breadth and depth of climate-related regulatory expectations, including on the management of climate risk, and variations in external ESG-related reporting standards and taxonomies, requiring implementation in short timeframes across multiple jurisdictions. Such risks may also 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 HSBC Group's ESG-related ambitions, targets and commitments.

We may encounter financial reporting risks concerning our climate and ESG disclosures due to model limitations and the limited quality and consistency of available data. 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. This could result in HSBC Group having to re-evaluate its progress towards its ESG-related ambitions, targets and commitments in the future, resulting in reputational, regulatory compliance and legal risks.

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's 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.

Mitigating actions

- We continue to develop our climate risk management capabilities across four key pillars: governance and risk appetite, risk management, stress testing and scenario analysis, and disclosures.
- We continue to enhance our approach to managing and mitigation of the risk of greenwashing.
- The Trustee of our employee pension plan, the HBUK section of the HSBC Bank (UK) Pension Scheme, manages climate risk in line with its fiduciary duties and local regulatory requirements, with global corporate policy encouraging consideration of ESG risks when selecting investments. The Taskforce on Climate-Related Financial Disclosures ('TCFD') report issued by the pension plan is available using this link: <https://futurefocus.staff.hsbc.co.uk/-/media/project/futurefocus/tcfd/member-summary-of-tcfd-july-2025.pdf>
- In 2025, HSBC Group continued to focus its approach to human rights risk management relating to the goods and services we buy from third parties and in respect of our business customers.
- The scope of our financial reporting risk framework includes oversight of the accuracy and completeness of climate and ESG-related disclosures. HSBC Group's RAS references climate and ESG-related disclosures. HSBC UK's internal controls incorporate requirements for addressing the risk of misstatement in climate and ESG-related disclosures.
- We continue to engage with our customers, investors and regulators on the management of climate and ESG risks. HSBC Group also engages with initiatives, including the Climate Financial Risk Forum to help with informing developing practice for climate risk management.

- In June 2025 HSBC UK's TCFD report was published, which relates to the discretionary portfolio management business. Further detail can be found at <https://www.hsbc.co.uk/sustainability/>

Digital currencies and disintermediation risk

Digital currencies, including CBDCs, cryptocurrencies and stablecoins, are increasingly shaping the financial landscape and introducing new risks and competition. These currencies present disintermediation risk, as they can create more direct connections between currency providers and payment participants. Most CBDC initiatives are leveraging existing banking networks and infrastructure.

The rise of cryptocurrencies and stablecoins could make it easier for individuals to transfer funds directly across borders. This trend may lessen reliance on traditional foreign exchange and payment intermediary services, both of which are key offerings of HSBC UK. However, these markets continue to experience significant price volatility and, to date, have had limited impact on broader financial markets outside digital assets.

Mitigating actions

- We will continue to monitor progress and industry developments in digital assets and other aspects of decentralised finance to assess potential opportunities, risks and impacts on business models, markets and customers.
- We will continue to take a holistic view of the potential impacts across product and client segments, including important considerations such as vulnerability and financial inclusion.

People risk

Our success in delivering our strategic priorities and good customer outcomes, whilst proactively seeking to manage the regulatory and legislative environment, depends on the attraction, development and retention of our leadership and high-performing employees. The competitive UK employment market will continue to test our ability to attract and retain talent, however we continue our focus on driving a high-performance culture and employee engagement. Failure to manage people risks could also result in poor customer outcomes or a breach of employment laws and regulations, which may lead to regulatory sanctions or legal claims.

Mitigating actions

- We seek to promote an inclusive workforce and provide health and wellbeing support. We continue to build our speak-up culture through active campaigns.
- We monitor hiring activities and levels of employee attrition, with each business and function putting in place plans to help ensure effective workforce forecasting to meet business demands.
- We monitor people risks that could arise due to organisational restructuring, seeking to ensure that we manage redundancies and support impacted employees. We encourage our people leaders to focus on talent retention at all levels, with an empathetic mindset and approach, whilst ensuring that the whole proposition of working at HSBC UK is well understood. Our Future Skills curriculum aims to provide skills that enable employees and HSBC UK to be successful in the future.
- Succession plans are developed for all OpCo roles and any other key positions within HSBC UK.
- We closely monitor legislative and regulatory changes to help minimise any impact on our employment practices or the attraction and retention of talent.
- We have introduced 'How We Lead', a new Group-wide leadership framework designed to shape the way we operate. This initiative brings with it a new set of Leadership Principles, and we expect it to drive meaningful changes in our ways of working across the organisation.

IT systems infrastructure and operational resilience

HSBC UK continues to streamline its IT infrastructure and architecture, prioritising robust change management to help mitigate risk during IT transitions. Our multi-year investment programme is helping to strengthen service resilience and deliver our commitment to reducing customer disruptions. Key initiatives include decommissioning non-strategic platforms, streamlining processes for colleagues and customers, and reinforcing change management controls. This approach has helped minimise service disruption and aims to ensure continued support and service for all our customers.

As technology evolves, including the rise of GenAI, we are challenged to innovate with new digital capabilities and evolve our products to attract, retain, and best serve our customers. While these advancements present opportunities, they can also introduce risks and potential disruptions. We seek to manage technology developments, including GenAI, with appropriate controls and oversight to help ensure ongoing service and resilience.

Mitigating actions

- We help to achieve a streamlined, modern and resilient architecture by the Group Chief Information Officer and HSBC UK Chief Information Officer seeking to deliver a multi-year IT transformation, directed by the Board. Throughout this process, risks are actively monitored and managed.
- We have reinforced resilience and controls for critical business services under the Operational Resilience programme, upgrading monitoring and alerting capabilities; modernising core banking platforms; retiring non-strategic applications and accelerating cloud adoption.

Model risk

Model risk arises whenever business decision making includes reliance on models. We use models in both financial and non-financial contexts, as well as in a range of business applications such as customer selection, product pricing, financial crime transaction monitoring, creditworthiness evaluation and financial reporting.

Model risk remains a key area of focus given the regulatory scrutiny in this area, including the PRA's supervisory statement SS1/23, being implemented.

We continued to prioritise the redevelopment of Internal ratings-based ('IRB') models as part of the IRB repair and Basel 3.1 programmes. We have a key focus on enhancing the quality of data used as model inputs and help ensure that models adhere to both the letter and spirit of the regulation. We are a year into a major project to redevelop our Wholesale IRB models, which are expected to be submitted for regulatory approval over the next three years. Should the agreed timelines not be met, there is a potential risk of requirements to hold additional capital or fines being applied by regulators.

Focus remains on AI and machine learning models given the rapid pace of technological advances, including the development of GenAI and agentic AI (autonomous systems powered by AI agents). AI is driving significant changes in modelling techniques.

Mitigating actions

- We are investing in the redevelopment of our IRB models within the wholesale business to strengthen our modelling capabilities and help ensure full compliance with Basel 3.1 regulatory standards. To enhance transparency and sharpen our focus on UK-specific model developments, we have established distinct governance for UK models. This approach enables us to proactively identify and address risks and issues, supporting robust oversight and regulatory alignment.
- We updated our Model Risk Management ('MRM') framework in 2024 to meet the requirements of the PRA's SS1/23, with further updates in 2025, and a programme of work is in progress to implement these changes across our model landscape.

- We completed the identification of tools that meet the definition of Deterministic Quantitative Methods ('DQM'), which are complex and material calculators. Although not technically models, they present similar risks. We have now commenced a programme for uplifting the controls for these DQMs.
- Model Risk Governance committees at HSBC UK, business and functional levels continue to provide oversight of model risk.
- MRM works closely with businesses to support the development of IRB/Internal Models Method/Internal Models Approach/IFRS9/ stress testing models by providing independent validation, review and challenge to help meet risk management, pricing, capital management, and credit risk measurement needs.
- Additional assurance work is performed by the model risk governance teams, which act as second lines of defence. The teams test whether controls implemented by model users comply with model risk policy and if model risk procedures are adequate.
- Models using AI or generative AI techniques are validated and monitored to help ensure that risks that are determined by the algorithms have adequate oversight and review. A framework has been developed to manage the range of risks that are generated by these advanced techniques and to recognise the multidisciplinary nature of these risks.
- We have enhanced our inventory control, applying enhanced scrutiny of agentic AI use cases before it is deployed.

Conduct and customer detriment

Failure to manage our Conduct agenda appropriately may lead to poor customer outcomes and potential reputational or compliance risks for HSBC UK. Our conduct management approach focuses on the impact we have for our customers and the financial markets in which we operate. Good customer outcomes are at the heart of how we operate, and we aim to act responsibly and with integrity. As part of this we have carried out a number of activities during 2025.

Mitigating actions

- We sought to understand and address our customers' ongoing needs and continued to champion a strong conduct and customer-focused culture.
- We continued to focus on enhancing our compliance with the Consumer Duty, which is closely linked to our conduct agenda, in seeking to ensure good outcomes across all impacted products and customer journeys.
- We continued to promote the visibility and conduct management of our vulnerable customer base and enhanced MI relating to vulnerable customers.
- We continued to deliver annual mandatory training to reinforce the importance of conduct for all colleagues and delivered bespoke and focused conduct training and guidance to our risk steward colleagues.

Data risk

We use multiple systems and an increasing volume of data to support our customers. Risk arises if data is incorrect, unavailable, misused, or unprotected. Like other banks and financial institutions, we must comply with external regulatory obligations and laws governing data, such as the Basel's 239 principles and the UK/EU General Data Protection Regulation.

Mitigating actions

- We actively monitor the quality, availability and security of data that supports our customers and internal processes, seeking to address any identified issues.
- We continue to make regular improvements to our data policies and control framework, including trusted sources, data flows and data quality, to help enhance management of data risk.
- We seek to protect customer data through our data privacy processes and controls, which set practices, design principles and guidelines to help ensure compliance with data privacy laws and regulations.

Risk review

- We continuously modernise our data and analytics infrastructure through investments in Cloud technology, data visualisation, machine learning and AI.
- We continue to educate our employees on data risk and data management. We have delivered regular mandatory training on how to protect and manage data appropriately.
- We continue to enhance reporting capabilities to help improve the visibility of risk and enable more robust management of our material third parties.
- We continue to implement changes required by new regulations.

Third-party risk

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

Mitigating actions

- We continue to monitor the effectiveness of the controls operated by our third-party providers and request control effectiveness reporting where required.
- We continue to develop the management of our intra-group arrangements using equivalent control requirements as we apply to external third-party arrangements.
- We have sought to strengthen our due diligence and monitoring capabilities in respect of the financial stability of our third parties.
- We continue to build an understanding of the emissions footprint of third-party providers in our supply chain.
- We continue to strengthen third-party risk oversight across all non-financial risks to help enhance our processes and framework.

Strategic execution risk

Effective management of strategic execution risk is essential to delivering our strategy, fulfilling shareholder expectations, and sustaining stakeholder confidence. To achieve HSBC Group's and our strategic commitments, it is essential to engage in effective financial resource planning that helps to ensure safe and sustainable delivery of strategic outcomes.

Strategic execution risk remains elevated due to the complexity and scale of ongoing strategic, regulatory and technological change. It is critical to uphold and enhance strategic execution risk controls and monitoring.

Mitigating actions

- We are strengthening our strategic execution risk control environment.
- We have clarified strategic execution risk management requirements and oversight accountabilities.
- The HSBC UK Operating Committee oversees the prioritisation and funding, strategic alignment, and management of strategic execution risk for transformative initiatives.
- We have updated our strategic execution risk metrics and reporting to help support improved monitoring and oversight of performance.

Our material banking risks

The material risk types associated with our banking operations are described in the following tables.

Description of risks – banking operations

Risks	Arising from	Measurement, monitoring and management of risk
Credit risk (see page 23) Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract.	Credit risk arises principally from direct lending, trade finance and leasing business, but also from certain other products such as guarantees and derivatives.	Credit risk is: <ul style="list-style-type: none"> – measured as the amount that could be lost if a customer or counterparty fails to make repayments; – monitored using various internal risk management measures and within limits approved by individuals within a framework of delegated authorities; and – managed through a risk control framework that seeks to outline clear and consistent policies, principles and guidance for risk managers; and by setting limits and appetite across our businesses, portfolios or sectors.
Treasury risk (see page 53) Treasury Risk is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements, including the risk of adverse impact on earnings or capital due to structural and transactional foreign exchange exposures and changes in market interest rates, and including the financial risks arising from historic and current provision of pensions and other post-employment benefits to staff and their dependants.	Treasury risk arises from changes to the respective resources and risk profiles driven by customer behaviour, management decisions or the external environment.	Treasury risk is: <ul style="list-style-type: none"> – measured through risk appetite and more granular limits, set to provide an early warning of increasing risk, minimum ratios of relevant regulatory metrics, and metrics to monitor the key risk drivers impacting treasury resources; – monitored and projected against appetites and by using operating plans based on strategic objectives together with stress and scenario testing; and – managed through control of resources in conjunction with risk profiles, strategic objectives and cashflows.
Market risk (see page 58) Market risk is the risk of an adverse financial impact on trading activities arising from changes in market parameters such as interest rates, foreign exchange rates, asset prices, volatilities, correlations and credit spreads.	Market risk arises from both trading portfolios and non-trading portfolios. Market risk for trading portfolios is discussed in the Market risk section on page 58. Market risk for non-trading portfolios is discussed in the Treasury risk section on page 54.	Market risk is: <ul style="list-style-type: none"> – measured using sensitivities, value at risk ('VaR') and stress testing, giving a detailed picture of potential gains and losses for a range of market movements and scenarios, as well as tail risks over specified time horizons; – monitored using VaR, stress testing and other measures; and – managed using risk limits approved by the RMM.

Risk review

Description of risks – banking operations (continued)

Risks	Arising from	Measurement, monitoring and management of risk
<p>Climate risk (see page 59)</p> <p>Climate risk relates to the financial and non-financial impacts that may arise as a result of climate change and the move to a net zero economy.</p>	<p>Climate risk can materialise through:</p> <ul style="list-style-type: none"> – physical risk, which arises from the increased frequency and severity of extreme weather events, such as hurricanes and floods, or chronic gradual shifts in weather patterns or rises in the sea level; – transition risk, which arises from the process of moving to a net zero economy, including changes in government policy and legislation, technology, market demand, and reputational implications triggered by a change in stakeholder expectations, action or inaction; and – the risk of greenwashing, which arises from the act of knowingly or unknowingly making inaccurate, unclear, misleading, or unsubstantiated claims regarding sustainability to stakeholders. 	<p>Climate risk is:</p> <ul style="list-style-type: none"> – measured using risk metrics and scenario testing; – monitored using risk appetite statements; – managed through adherence to risk appetite thresholds, through specific policies, and through enhancements to processes and development of tools; and – this includes the development of product controls to manage the risk of greenwashing and the development of portfolio steering capabilities to manage our net zero ambitions.
<p>Resilience risk (see page 59)</p> <p>Resilience risk is the risk of sustained and significant business disruption, causing the inability to provide critical services to our customers, affiliates, and counterparties.</p>	<p>Resilience risk arises from failures or inadequacies in processes, people, systems or external events.</p>	<p>Resilience risk is:</p> <ul style="list-style-type: none"> – measured using a range of metrics and against our agreed risk appetite; – monitored through oversight of enterprise processes, risks, controls and strategic change programmes; and – managed by continuous monitoring and thematic reviews.
<p>Regulatory compliance risk (see page 60)</p> <p>Regulatory compliance risk is the risk associated with breaching our duty to clients and other counterparties, inappropriate market conduct (including unauthorised trading) and breaching related financial services regulatory standards.</p>	<p>Regulatory compliance risk arises from the failure to observe relevant laws, codes, rules and regulations, potentially resulting in adverse market or customer outcomes, fines, penalties and reputational harm.</p>	<p>Regulatory compliance risk is:</p> <ul style="list-style-type: none"> – assessed and measured with reference to risk appetite, identified metrics, incident assessments, regulatory feedback and the judgement of our Regulatory Compliance teams; – monitored against the first line of defence risk and control assessments and testing, alongside the outcome of the second line of defence monitoring and control assurance activities, as well as internal and external audits and regulatory inspections; – managed by establishing and communicating appropriate policies and procedures, training employees accordingly and monitoring activities to help ensure compliance; and – proactive risk and control remediation efforts are undertaken when necessary.
<p>Financial crime risk (see page 60)</p> <p>Financial crime risk is the risk that HSBC UK's products and services will be exploited for criminal activity. This 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.</p>	<p>Financial crime risk arises from day-to-day banking operations involving customers, third parties and employees.</p>	<p>Financial crime risk is:</p> <ul style="list-style-type: none"> – measured by reference to risk appetite, identified metrics, incident assessments, regulatory feedback and the judgement of, and assessment by, our financial crime teams; – monitored against the first line of defence risk and control assessments, and the results of the monitoring and control assurance activities of the second line of defence functions and the results of internal and external audits and regulatory inspections; and – managed by seeking to establish and communicate appropriate policies and procedures, training employees and monitoring activity to help embed them. Proactive risk control and/or remediation work is undertaken where required.
<p>Model risk (see page 61)</p> <p>Model risk is the risk of the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions.</p>	<p>Model risk arises in both financial and non-financial contexts whenever business decision making includes reliance on models.</p>	<p>Model risk is:</p> <ul style="list-style-type: none"> – measured by reference to model performance tracking and the output of detailed technical reviews and regulatory feedback, with key metrics including model review statuses and findings; – monitored against model risk appetite statements, insight from the independent validations completed by the MRM team; and – managed by creating and communicating appropriate policies, procedures and guidance, training colleagues in their application, and supervising their adoption to help ensure operational effectiveness.

Risk review

Credit risk

See page 21 for our definition of Credit risk.

Credit risk management

(Audited)

The principal objectives of our credit risk management are:

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

Within HSBC UK, the Credit Risk function is headed by the CRCO who reports to the CEO, with a functional reporting line to the Group CRCO.

Its responsibilities are:

- to formulate credit policy. Compliance, subject to approved dispensations, is mandatory for all operating companies which must develop local credit policies consistent with group policies that closely reflect HSBC Group policy;
- to guide operating companies on the group's appetite for credit risk exposure to specified market sectors, activities and banking products and controlling exposures to certain higher-risk sectors;
- to undertake an independent review and objective assessment of risk. Credit risk assesses all credit facilities and exposures over designated limits, prior to the facilities being committed to customers or transactions being undertaken;
- to monitor the performance and management of portfolios across the group;
- to control exposure to sovereign entities, banks and other financial institutions, as well as debt securities which are not held solely for the purpose of trading;
- to set policy on large credit exposures, to help ensure that concentrations of exposure by counterparty, sector or geography do not become excessive in relation to the group's capital base, and remain within internal and regulatory limits;
- to maintain and develop the risk rating framework, systems and models through appropriate governance; and
- to report on retail portfolio performance, high risk portfolios, risk concentrations, large impaired accounts, impairment allowances and stress testing results and recommendations to HSBC UK's RMM, Risk Committee and Board; and to act on behalf of the group as the primary interface, for credit-related issues, with the

BoE, the PRA, the FCA, rating agencies, analysts and counterparts in major banks and non-bank financial institutions.

Concentration of credit risk exposure

(Audited)

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or are engaged in similar activities, or operate in the same geographical areas/industry sectors, so that their collective ability to meet contractual obligations is similarly affected by changes in economic, political or other conditions.

A number of controls and measures are used to minimise undue concentration of exposure in the portfolios across industry, country and customer groups. These include portfolio and counterparty limits, approval and review controls, and stress testing.

Credit quality of financial instruments

(Audited)

Our risk rating system facilitates the internal ratings-based approach under the Basel framework adopted by the group to support the calculation of our minimum credit regulatory capital requirement.

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

For debt securities and certain other financial instruments, external ratings have been aligned to the five quality classifications based upon the mapping of related customer risk rating ('CRR') to external credit rating.

Wholesale lending

The CRR 10-grade scale summarises a more granular underlying 23-grade scale of obligor PD. All corporate customers are rated using the 10- or 23-grade scale, depending on the degree of sophistication of the Basel approach adopted for the exposure. Each CRR band is associated with an external rating grade by reference to long-run default rates for that grade, represented by the average of issuer-weighted historical default rates. This mapping between internal and external ratings is indicative and may vary over time.

Retail lending

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

Credit quality classification

Quality classification	Debt securities and other bills	Wholesale lending		Retail lending	
	External credit rating	Internal credit rating ¹	12-month Regulatory probability of default %	Internal credit rating	12-month probability-weighted PD % ²
Strong	A- and above	CRR1 to CRR2	0 – 0.169	Band 1 and 2	0 – <=0.5
Good	BBB+ to BBB-	CRR3	0.170–0.740	Band 3	>0.5 – <=1.5
Satisfactory	BB+ to B and unrated	CRR4 to CRR5	0.741–4.914	Band 4 and 5	>1.5 – <=20
Sub-standard	B- to C	CRR6 to CRR8	4.915–99.999	Band 6	>20 – <100
Credit-impaired	Default	CRR9 to CRR10	100	Band 7	100

1 Customer risk rating.

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

Quality classification definitions

- 'Strong' exposures demonstrate a strong capacity to meet financial commitments, with negligible or low PD.
- 'Good' exposures demonstrate a good capacity to meet financial commitments, with low default risk.
- 'Satisfactory' exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.
- 'Sub-standard' exposures require varying degrees of special attention and default risk is of greater concern.
- 'Credit-impaired' exposures have been assessed as described on Note 1.2(h) on the financial statements.

Forborne loans and advances

(Audited)

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

We continue to classify loans as forborne when we modify the contractual payment terms due to having significant concerns about the borrowers' ability to meet contractual payments when they were due. Our definition of forborne captures non-payment-related concessions, such as covenant waivers.

- ▶ For details of our policy on forbearance, see Note 1.2(h) on the financial statements.

Credit quality of forborne loans

For wholesale lending, where payment related forbearance measures result in a diminished financial obligation or if there are other indicators of impairment, the loan will be classified as credit impaired if it is not already so classified. All facilities with a customer, including loans that have not been modified, are considered credit impaired following the identification of a payment related forborne loan. For retail lending, where a material concession has been granted, the loan will be classified as credit impaired if it is not already so classified. In isolation, non-payment related forbearance measures may not result in the loan being classified as credit impaired unless combined with other indicators of credit impairment. These are classified as performing forborne loans for both wholesale and retail lending.

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

Forborne loans and recognition of expected credit losses

(Audited)

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

Refinance risk

Personal lending

Interest only mortgages incorporate bullet payments at the point of final maturity. To reduce refinance risk, an initial on-boarding assessment of customers' affordability is made on a capital repayment basis and every customer has a credible defined repayment strategy. Additionally, the customer is contacted during the mortgage term to check the status of the repayment strategy. In situations where it is identified that a borrower is expected not to be able to repay a bullet/balloon payment, the customer is offered advice and options to help them repay the loan in accordance with their loan agreement. In the event that this is not possible, the customer will either default on the repayment or it is likely that the bank may need to apply forbearance to the loan. In either circumstance, this gives rise to a credit impaired event.

Wholesale lending

Many types of wholesale lending incorporate bullet/balloon payments at the point of final maturity; often, the intention or assumption is that the borrower will take out a new loan to settle the existing debt.

Where this is true the term refinance risk refers generally to the possibility that, at the point that such a repayment is due, a borrower cannot refinance by borrowing to repay existing debt. In situations where it is identified that a borrower is expected not to be able either to repay a bullet/balloon payment or to be capable of refinancing their existing debt on commercial terms then the customer will either default on the repayment or it is likely that the bank may need to refinance the loan on terms it would not normally offer in the ordinary course of business. In either circumstance this gives rise to a loss event and the loan will be considered credit impaired.

Impairment assessment

(Audited)

- ▶ For details of our impairment policies on loans and advances and financial investments, see Note 1.2(h) on the Financial Statements.

Write-off of loans and advances

(Audited)

- ▶ For details of our policy on the write-off of loans and advances, see Note 1.2(h) on the Financial Statements.

Personal lending

Property collateral for residential mortgages is repossessed and sold on behalf of the borrower only when the debt recovery procedures have been unsuccessful. Any portion of the balance not covered following the realisation of security is written-off. Unsecured personal lending products are normally written off when there is no realistic prospect of full recovery.

Wholesale lending

Wholesale loans and advances are written off where normal collection procedures have been unsuccessful to the extent that there appears no realistic prospect of repayment. These procedures may include a referral of the business relationship to a debt recovery company. Debt reorganisation will be considered at all times and may involve, in exceptional circumstances and in the absence of any viable alternative, a partial write-off in exchange for a commitment to repay the remaining balance.

In the event of bankruptcy or similar proceedings, write-off for both personal and wholesale lending may occur earlier than at the periods stated above. Collections procedures may continue after write-off.

Credit risk in 2025

Mortgage Stage 2 balances have reduced at 31 December 2025 when compared with 31 December 2024 due to an ECL model update to align PD to the most recent observed performance of the portfolio, with a limited impact on Stage 2 total ECL movement. Corporate and Commercial Stage 2 balances and ECL also reduced as a result of model enhancements resulting in a reduction in PDs across most sectors. Detailed analysis of ECL can be found on pages 25 to 53.

A summary of our current policies and practices regarding credit risk is set out on pages 23 to 24.

Climate risk

Our climate scenarios

In 2025, HSBC Group designed a suite of diverse climate scenarios that explore plausible pathways which can support a holistic view that supplements the Group's current and future strategic thinking. These scenarios have been applied to assess HSBC UK's climate related vulnerabilities. The climate scenarios are underpinned by well-established industry bodies, such as the Network for Greening the Financial System ('NGFS') Phase V, the Intergovernmental Panel on Climate Change ('IPCC') and International Energy Agency ('IEA'), which are further enriched for additional granularity, to ensure consistency with industry-recognised approaches, to reflect the latest climate policy, economic outlook and our portfolio vulnerabilities. The scenarios include;

Risk review

The scenarios include:

- There are three long-term scenarios. The Below 2 Degrees scenario is the Groups' Paris Agreement-aligned scenario. The Current Commitments scenario supports financial planning, as this is deemed to be the most likely scenario to occur over the five-year planning horizon. The Downside Physical Risk scenario is a less probable scenario with higher global warming and more significant physical risk impacts. To support how the Group assess the climate-related impacts observed within the climate scenarios, the Group have also artificially constructed a counterfactual scenario (which is a climate agnostic scenario). This entailed taking the Current Commitments scenario and removing the climate impacts, using climate-related GDP deviations as a proxy.
- A Severe Climate Stress scenario is a highly improbable short- and medium-term stress scenario, aligned to NGFS's Short-Term Scenario Framework. The scenario envisages that extreme physical risk events, such as 1-in-100 year flooding, heatwaves, and droughts which then pivots the public consensus on climate change, which accelerates the transition to net zero. It has the effect of compressing both physical risks and transition risks into a short timeframe. Although the scenario is extreme and highly unlikely, it assists the Group in understanding the Groups' current exposures.

The Current Commitments scenario shows muted impacts over the Group's five-year planning horizon, with the projected climate-related impacts on ECL remaining within the Group's current risk appetite.

Assessing the effect of climate credit risk on IFRS 9 ECL

We continue to integrate climate considerations into our business and risk management processes to ensure climate-related risks are appropriately managed. As part of our ECL assessment for 31 December 2025, we conducted a climate-related ECL sensitivity

analysis. Additionally, where climate events have previously influenced or recently affected our economies, these impacts were implicitly reflected within our IFRS 9 scenarios.

We used available information to determine areas of potential risk in the credit portfolios to perform a Climate ECL sensitivity analysis for both our wholesale and retail portfolios. In our wholesale portfolio, the exercise covers both physical and transition risk. For retail, the exercise covers physical risk for our mortgage portfolio. Properties with elevated climate risk and insurance vulnerability are identified, and the associated potential losses are estimated by assessing the impact on customer affordability and collateral valuations under physical stress conditions.

The overall estimated sensitivity of ECL under IFRS 9 as at 31 December 2025 was considered to be immaterial.

The ECL sensitivity is dependent on the timing and severity of climate change, within the period over which HSBC UK measures ECL. As there is limited historical climate loss data available and uncertainty on how insurance will change over time, our assessment is considered indicative and will evolve as our lending profile, assessment approach, data, and modelling methodologies continue to mature.

Summary of credit risk

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

The following table provides an overview of the group and bank's credit risk exposure. As the majority of the group's financial instruments are held by the bank, the remaining IFRS 7 credit disclosures are provided on a group only basis.

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

(Audited)

	At 31 Dec 2025		At 31 Dec 2024	
	Gross carrying/ nominal amount £m	Allowance for ECL ¹ £m	Gross carrying/ nominal amount £m	Allowance for ECL ¹ £m
The group				
Loans and advances to customers at amortised cost	232,736	(1,513)	219,092	(1,488)
Loans and advances to banks at amortised cost	6,636	–	7,265	(2)
Other financial assets measured at amortised cost	84,064	(8)	83,327	(8)
– cash and balances at central banks	40,369	–	52,276	–
– reverse repurchase agreements – non-trading	21,560	–	11,776	–
– financial investments	19,112	(1)	16,323	(1)
– prepayments, accrued income and other assets ²	3,023	(7)	2,952	(7)
Total gross carrying amount on-balance sheet	323,436	(1,521)	309,684	(1,498)
Loans and other credit related commitments	79,771	(69)	74,475	(99)
Financial guarantees	1,197	(11)	1,046	(3)
Total nominal amount off-balance sheet³	80,968	(80)	75,521	(102)
	404,404	(1,601)	385,205	(1,600)
		Memorandum allowance for ECL⁴		Memorandum allowance for ECL⁴
	Fair value £m	£m	Fair value £m	£m
Debt instruments measured at 'FVOCI'	22,526	–	21,478	(1)

- 1 The total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.
- 2 Includes only those financial instruments that are subject to the impairment requirements of IFRS 9. 'Prepayments, accrued income and other assets' as presented within the consolidated balance sheet on page 77 includes both financial and non-financial assets, including cash collateral, settlement accounts and items in the course of collection from other banks.
- 3 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.
- 4 Debt instruments measured at fair value through other comprehensive income ('FVOCI') continue to be measured at fair value with the allowance for ECL as a memorandum item. Change in ECL is recognised in 'Change in expected credit losses and other credit impairment charges' in the income statement.

Risk review

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

(Audited)

	At 31 Dec 2025		At 31 Dec 2024	
	Gross carrying/ nominal amount £m	Allowance for ECL ¹ £m	Gross carrying/ nominal amount £m	Allowance for ECL ¹ £m
The bank				
Loans and advances to customers at amortised cost	220,405	(1,335)	207,469	(1,282)
Loans and advances to banks at amortised cost	13,325	—	13,072	(2)
Other financial assets measured at amortised cost	83,822	(5)	83,236	(6)
– cash and balances at central banks	40,368	—	52,275	—
– reverse repurchase agreements – non-trading	21,560	—	11,776	—
– financial investments	18,923	(1)	16,119	(1)
– prepayments, accrued income and other assets ²	2,971	(4)	3,066	(5)
Total gross carrying amount on-balance sheet	317,552	(1,340)	303,777	(1,290)
Loans and other credit related commitments	62,842	(62)	57,254	(94)
Financial guarantees	1,194	(12)	1,038	(3)
Total nominal amount off-balance sheet³	64,036	(74)	58,292	(97)
	381,588	(1,414)	362,069	(1,387)
	Fair value £m	Memorandum allowance for ECL ⁴ £m	Fair value £m	Memorandum allowance for ECL ⁴ £m
Debt instruments measured at 'FVOCI'	22,526	—	21,478	(1)

1 The total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.

2 Includes only those financial instruments that are subject to the impairment requirements of IFRS 9. 'Prepayments, accrued income and other assets' as presented within the bank's balance sheet on page 80 includes both financial and non-financial assets, including cash collateral, settlement accounts and items in the course of collection from other banks.

3 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.

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

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

- Stage 1: These financial assets are unimpaired and without a significant increase in credit risk ('SICR') on which a 12-month allowance for ECL is recognised.
- Stage 2: a SICR has been experienced on these financial assets since initial recognition for which a lifetime ECL is recognised.

- Stage 3: There is objective evidence of impairment, and the financial assets are therefore considered to be in default or otherwise credit-impaired on which a lifetime ECL is recognised.
- Purchased or originated credit impaired ('POCI'): Financial assets that are purchased or originated credit impaired at a deep discount are seen to reflect the incurred credit losses on which a lifetime ECL is recognised.

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

(Audited)

	Gross carrying/nominal amount ¹				Allowance for ECL				ECL coverage %			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 %	Stage 2 %	Stage 3 %	Total %
Loans and advances to customers at amortised cost	210,641	18,642	3,453	232,736	(284)	(477)	(752)	(1,513)	0.1	2.6	21.8	0.7
– personal	142,951	10,823	895	154,669	(149)	(235)	(191)	(575)	0.1	2.2	21.3	0.4
– corporate and commercial	59,346	7,633	2,500	69,479	(127)	(240)	(508)	(875)	0.2	3.1	20.3	1.3
– non-bank financial institutions	8,344	186	58	8,588	(8)	(2)	(53)	(63)	0.1	1.1	91.4	0.7
Loans and advances to banks at amortised cost	6,636	—	—	6,636	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost	83,957	78	29	84,064	(1)	(3)	(4)	(8)	—	3.8	13.8	—
Loan and other credit-related commitments	77,089	2,480	202	79,771	(33)	(16)	(20)	(69)	—	0.6	9.9	0.1
– personal	41,165	600	32	41,797	(11)	(4)	—	(15)	—	0.7	—	—
– corporate and commercial	31,687	1,763	170	33,620	(20)	(12)	(20)	(52)	0.1	0.7	11.8	0.2
– financial	4,237	117	—	4,354	(2)	—	—	(2)	—	—	—	—
Financial guarantee and similar contracts	1,127	33	37	1,197	—	—	(11)	(11)	—	—	29.7	0.9
– personal	303	—	—	303	—	—	—	—	—	—	—	—
– corporate and commercial	563	33	37	633	—	—	(11)	(11)	—	—	29.7	1.7
– financial	261	—	—	261	—	—	—	—	—	—	—	—
31 Dec 2025	379,450	21,233	3,721	404,404	(318)	(496)	(787)	(1,601)	0.1	2.3	21.2	0.4

1 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.

Risk review

Unless identified at an earlier stage, all financial assets are deemed to have suffered a SICR when they are 30 days past due ('DPD') and are transferred from Stage 1 to Stage 2. The following disclosure presents the ageing of Stage 2 financial assets by those less than

30 DPD and greater than 30 DPD and therefore presents those financial assets classified as stage 2 due to ageing (30 DPD) and those identified at an earlier stage (less than 30 DPD).

Stage 2 days past due analysis at 31 December 2025

(Audited)

	Gross carrying amount				Allowance for ECL				ECL coverage %			
	of which:	of which:	of which:		of which:	of which:	of which:		of which:	of which:	of which:	
	Stage 2	Up-to-date	1 to 29 DPD ¹	30 and > DPD ¹	Stage 2	Up-to-date	1 to 29 DPD ¹	30 and > DPD ¹	Stage 2	Up-to-date	1 to 29 DPD ¹	30 and > DPD ¹
	£m	£m	£m	£m	£m	£m	£m	£m	%	%	%	%
Loans and advances to customers at amortised cost:	18,642	18,208	274	160	(477)	(412)	(35)	(30)	2.6	2.3	12.8	18.8
– personal	10,823	10,534	176	113	(235)	(181)	(28)	(26)	2.2	1.7	15.9	23.0
– corporate and commercial	7,633	7,488	98	47	(240)	(229)	(7)	(4)	3.1	3.1	7.1	8.5
– non-bank financial institutions	186	186	—	—	(2)	(2)	—	—	1.1	1.1	—	—
Other financial assets measured at amortised cost	78	78	—	—	(3)	(3)	—	—	3.8	3.8	—	—

1 DPD amounts presented above are on a contractual basis.

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

(Audited)

	Gross carrying/nominal amount ¹				Allowance for ECL				ECL coverage %			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m	%	%	%	%
Loans and advances to customers at amortised cost	180,408	35,152	3,532	219,092	(275)	(565)	(648)	(1,488)	0.2	1.6	18.3	0.7
– personal	121,438	24,971	857	147,266	(117)	(245)	(169)	(531)	0.1	1.0	19.7	0.4
– corporate and commercial	51,144	9,858	2,638	63,640	(150)	(315)	(448)	(913)	0.3	3.2	17.0	1.4
– non-bank financial institutions	7,826	323	37	8,186	(8)	(5)	(31)	(44)	0.1	1.5	83.8	0.5
Loans and advances to banks at amortised cost	7,263	—	2	7,265	—	—	(2)	(2)	—	—	100.0	—
Other financial assets measured at amortised cost	83,160	136	31	83,327	(4)	(2)	(2)	(8)	—	1.5	6.5	—
Loan and other credit-related commitments	70,280	3,810	385	74,475	(26)	(28)	(45)	(99)	—	0.7	11.7	0.1
– personal	40,412	345	38	40,795	(5)	—	(2)	(7)	—	—	5.3	—
– corporate and commercial	24,866	3,249	334	28,449	(20)	(28)	(42)	(90)	0.1	0.9	12.6	0.3
– financial	5,002	216	13	5,231	(1)	—	(1)	(2)	—	—	7.7	—
Financial guarantee and similar contracts	877	161	8	1,046	—	—	(3)	(3)	—	—	37.5	0.3
– personal	306	7	—	313	—	—	—	—	—	—	—	—
– corporate and commercial	380	121	8	509	—	—	(3)	(3)	—	—	37.5	0.6
– financial	191	33	—	224	—	—	—	—	—	—	—	—
At 31 Dec 2024	341,988	39,259	3,958	385,205	(305)	(595)	(700)	(1,600)	0.1	1.5	17.7	0.4

1 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.

Stage 2 days past due analysis at 31 December 2024

(Audited)

	Gross carrying amount				Allowance for ECL				ECL coverage %			
	of which:	of which:	of which:		of which:	of which:	of which:		of which:	of which:	of which:	
	Stage 2	Up-to-date	1 to 29 DPD ¹	30 and > DPD ¹	Stage 2	Up-to-date	1 to 29 DPD ¹	30 and > DPD ¹	Stage 2	Up-to-date	1 to 29 DPD ¹	30 and > DPD ¹
	£m	£m	£m	£m	£m	£m	£m	£m	%	%	%	%
Loans and advances to customers at amortised cost:	35,152	34,612	363	177	(565)	(509)	(30)	(26)	1.6	1.5	8.3	14.7
– personal	24,971	24,640	214	117	(245)	(201)	(23)	(21)	1.0	0.8	10.7	17.9
– corporate and commercial	9,858	9,649	149	60	(315)	(303)	(7)	(5)	3.2	3.1	4.7	8.3
– non-bank financial institutions	323	323	—	—	(5)	(5)	—	—	1.5	1.5	—	—
Other financial assets measured at amortised cost	136	136	—	—	(2)	(2)	—	—	1.5	1.5	—	—

1 DPD amounts presented above are on a contractual basis.

Risk review

Stage 2 decomposition

The following disclosure presents the stage 2 decomposition of gross carrying amount and associated allowances for ECL for loans and advances to customers and banks. It also sets out the reasons that caused the exposures to be classified as stage 2 and therefore presented as a SICR at 31 December 2025.

The quantitative classification shows gross carrying amount and allowances for ECL for which the applicable reporting date

PD measure exceeds defined quantitative thresholds for retail and wholesale exposures.

The qualitative classification primarily accounts for CRR deterioration, watch-and-worry and retail management judgemental adjustments.

► A summary of our current policies and practices for the significant increase in credit risk is set out in 'Summary of material accounting policies' on page 86.

Loans and advances to customers and banks¹

	At 31 Dec 2025							
	Loans and advances to customers						Loans and advances to banks at amortised cost	Total stage 2
	of which:				Corporate and commercial	Non-bank financial institutions		
Personal	first lien mortgage	credit cards	other personal lending	£m			£m	£m
	£m	£m	£m	£m	£m	£m	£m	£m
Quantitative	10,672	9,240	898	534	3,405	137	—	14,214
Qualitative	143	28	82	33	4,181	49	—	4,373
of which: forbearance	73	28	15	30	275	—	—	348
30 DPD backstop	8	4	2	2	47	—	—	55
Total gross carrying amount	10,823	9,272	982	569	7,633	186	—	18,642
Quantitative	(224)	(25)	(137)	(62)	(152)	(1)	—	(377)
Qualitative	(9)	—	(8)	(1)	(87)	—	—	(96)
of which: forbearance	(1)	—	—	(1)	(6)	—	—	(7)
30 DPD backstop	(2)	—	(1)	(1)	(1)	(1)	—	(4)
Total allowance for ECL	(235)	(25)	(146)	(64)	(240)	(2)	—	(477)
ECL coverage %	2.2	0.3	14.9	11.2	3.1	1.1	—	2.6
	At 31 Dec 2024							
Quantitative	23,222	21,991	615	616	7,320	304	—	30,846
Qualitative	1,748	1,690	29	29	2,479	19	—	4,246
of which: forbearance	65	10	28	27	184	3	—	252
30 DPD backstop	1	—	1	—	59	—	—	60
Total gross carrying amount	24,971	23,681	645	645	9,858	323	—	35,152
Quantitative	(239)	(38)	(136)	(65)	(240)	(5)	—	(484)
Qualitative	(6)	(4)	(1)	(1)	(71)	—	—	(77)
of which: forbearance	(1)	—	—	(1)	(4)	—	—	(5)
30 DPD backstop	—	—	—	—	(4)	—	—	(4)
Total allowance for ECL	(245)	(42)	(137)	(66)	(315)	(5)	—	(565)
ECL coverage %	1.0	0.2	21.2	10.2	3.2	1.5	—	1.6

1 Where balances satisfy more than one of the above three criteria for determining a SICR, the corresponding gross carrying amount and ECL have been assigned in order of categories presented.

2 The decrease in Corporate and commercial balance includes the impact of new Wholesale PD models.

Risk review

Credit exposure

Maximum exposure to credit risk

(Audited)

'Maximum exposure to credit risk' table

The following table presents our maximum exposure before taking account of any collateral held or other credit enhancements (unless such enhancements meet accounting offsetting requirements). The table excludes financial instruments whose carrying amount best represents the net exposure to credit risk; and it excludes equity securities as they are not subject to credit risk. For the financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount and is net of the allowance for ECL; for financial guarantees and similar contracts granted, it is the maximum amount that we would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments, it is generally the full amount of the committed facilities.

The offset in the table relates to amounts where there is a legally enforceable right of offset in the event of counterparty default and where, as a result, there is a net exposure for credit risk purposes. However, as there is no intention to settle these balances on a net basis under normal circumstances, they do not qualify for net presentation for accounting purposes. No offset has been applied to off-balance sheet collateral. In the case of derivatives, the offset column also includes collateral received in cash and other financial assets.

The following table provides information on balance sheet items, offsets, and loan and other credit-related commitments.

The offset on derivatives remains in line with the movements in maximum exposure amounts.

Other credit risk mitigants

While not disclosed as an offset in the following 'Maximum exposure to credit risk' table, other arrangements are in place which reduce our maximum exposure to credit risk. These include a charge over collateral on borrowers' specific assets such as residential properties and collateral held in the form of financial instruments that are not held on balance sheet. See Note 22 for further details of collateral in respect of certain loans and advances and derivatives.

Maximum exposure to credit risk

(Audited)

The group	At 31 Dec 2025			At 31 Dec 2024		
	Maximum exposure £m	Offset £m	Net £m	Maximum exposure £m	Offset £m	Net £m
Loans and advances to customers held at amortised cost	231,223	(4,505)	226,718	217,604	(3,310)	214,294
– personal	154,094	–	154,094	146,735	–	146,735
– corporate and commercial	68,604	(4,425)	64,179	62,727	(3,231)	59,496
– non-bank financial institutions	8,525	(80)	8,445	8,142	(79)	8,063
Loans and advances to banks at amortised cost	6,636	–	6,636	7,263	–	7,263
Other financial assets held at amortised cost	84,205	–	84,205	83,458	–	83,458
– cash and balances at central banks	40,369	–	40,369	52,276	–	52,276
– reverse repurchase agreements – non-trading	21,560	–	21,560	11,776	–	11,776
– financial investments	19,111	–	19,111	16,322	–	16,322
– other assets	3,165	–	3,165	3,084	–	3,084
Derivatives	167	(124)	43	298	(295)	3
Total on-balance sheet exposure to credit risk	322,231	(4,629)	317,602	308,623	(3,605)	305,018
Total off-balance sheet	86,117	–	86,117	80,900	–	80,900
– financial guarantees and similar contracts	3,980	–	3,980	3,440	–	3,440
– loan and other credit-related commitments	82,137	–	82,137	77,460	–	77,460
Total	408,348	(4,629)	403,719	389,523	(3,605)	385,918

Concentration of exposures

(Audited)

The diversification of our lending portfolio and our broad range of businesses and products ensured that we did not overly depend on any one business segment to generate growth in 2025.

Loans and advances to customers and banks held at amortised cost

The table on page 26 analyses loans and advances by industry sector to show any concentration of credit risk exposures.

Other financial assets held at amortised cost

Financial investments

Our holdings of government and government agency debt securities, corporate debt securities, asset-backed securities and other securities were spread across a range of issuers in 2025 with 95% (2024: 94%) invested in government or government agency debt securities.

Measurement uncertainty and sensitivity analysis of ECL estimates

(Audited)

The recognition and measurement of ECL involves the use of significant judgement and estimation. We form multiple economic scenarios based on economic forecasts, apply these to credit risk models to estimate future credit losses, and probability weight the results to determine an unbiased ECL estimate.

Management assessed the current economic environment, reviewed the latest economic forecasts and discussed key risks before selecting the appropriate economic scenarios and their weightings.

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.

Methodology

At 31 December 2025, four economic scenarios are used to capture the current economic environment and to articulate management's view of the range of risks and potential outcomes. Scenarios are created using the latest economic forecasts and distributional estimates every quarter.

Three of the scenarios, the Upside, Central and Downside, are drawn from external consensus forecasts, market data and distributional estimates of the entire range of economic outcomes. These estimates are used as conditioning assumptions in a modelled expansion of other variables, to ensure scenarios that are economically coherent and internally consistent.

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

HSBC's Central Scenario, constructed from a consensus of external forecasts, assumes that the effects of announced climate measures,

Risk review

carbon pricing and green levies are incorporated into economic forecasts where their short-term effects are known from enacted legislation, or may be reasonably projected from current trends and statutory targets.

Variable paths and projections aligned with long-term climate outcomes, but which are dependent on additional policy adjustments, carry greater uncertainty. Further details about our climate scenarios have been disclosed on page 24.

The Downside 2 scenario explores more extreme economic outcomes than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations. They may instead explore alternative states of equilibrium, where economic variables move permanently away from past trends. It is calibrated to a 5% probability.

In most circumstances, the alignment of weightings with the calibrated probability of estimates is deemed appropriate for the unbiased estimation of ECL. However, management may depart from this probability-based scenario weighting approach when the economic outlook is determined to be particularly uncertain and risks are elevated.

Description of consensus economic scenarios

The economic assumptions presented in this section have been formed by the HSBC Group with reference to external forecasts and estimates, specifically for the purpose of calculating ECL.

Forecasts may change and remain subject to uncertainty. Outer scenarios are designed to encompass the potential crystallisation of key macro-financial risks and alternative paths for economic variables.

The scenarios used to calculate ECL in the Annual Report and Accounts 2025 are described below.

The consensus Central scenario

HSBC UK's Central scenario is consistent with a US tariff rate, measured as an effective trade-weighted average, of 15% at the start of 2026. This rate has fallen in recent months as it reflects the lowering of US tariff rates on imports from mainland China, the conclusion of a trade agreement with Switzerland and targeted tariff exemptions on key products.

UK GDP growth expectations remain relatively subdued in the scenario as unemployment has risen and business confidence has weakened.

UK GDP is expected to grow by 1.1% in 2026 and the average rate of UK GDP growth is 1.4% over the five-year forecast period.

The key features of our Central scenario are:

- GDP growth is expected to be slower in 2026 relative to 2025, amid weak business confidence, higher unemployment and an increased fiscal drag.
- Unemployment is forecast to rise moderately inline with slower economic activity and subdued hiring. It is expected to remain relatively low by historical standards.
- Inflation is forecast to fall over 2026 but stay above the BoE's target rate, reflecting the effects of services prices.
- Policy interest rates are forecast to continue their gradual decline in 2026. In the longer term, they are expected to remain at a higher level than in recent years.
- House price growth is forecast to remain subdued in 2026 amid weaker labour market conditions, although lower interest rates and continued low housing supply are expected to maintain positive price growth.
- Challenging conditions are also forecast to continue in certain segments of the commercial property sector. Structural changes to demand in the office segment in particular have driven lower valuations.
- The Brent crude oil price is forecast to average around \$65 per barrel over the projection period.

The Central scenario was created with forecasts available in late November, and subsequently kept under review until the end of December 2025.

The following table describes key macroeconomic variables in the consensus Central scenario.

Central scenario

	Average 2026–2030 ¹	Average 2025–2029 ¹
	UK%	UK%
GDP growth rate (annual average growth rate, %)	1.4	1.5
Unemployment rate (%)	4.7	4.5
House price index (annual average growth rate, %)	2.5	3.2
Inflation rate (annual average growth rate, %)	2.2	2.1
Central bank policy rate (annual average, %)	3.6	3.9

1 The five-year average is calculated over a projected period of 20 quarters from 1Q26 to 4Q30 for the 4Q25 scenario and 1Q25 to 4Q29 for the 4Q24 scenario.

The consensus Upside scenario

Compared with the consensus Central scenario, the consensus Upside scenario features stronger recovery in economic activity in the near term, before converging to long-run trend expectations. It also incorporates lower unemployment and higher asset prices than incorporated in the Central scenario. Inflation accelerates modestly, driven by increased investment and higher consumption spending.

The scenario is consistent with a number of key upside risk themes. These include a partial rollback of tariff measures, deregulation, an improvement in the US-China relationship, and a de-escalation in geopolitical tensions.

The following table describes key macroeconomic variables in the consensus Upside scenario.

Consensus Upside scenario best outcome

	2026 Q1- 2030 Q4	2025 Q1- 2029 Q4
GDP growth rate (% , start-to-peak) ¹	11.0 (4Q30)	11.3 (4Q29)
Unemployment rate (% , min) ²	3.2 (4Q27)	3.5 (3Q26)
House price index (% , start-to-peak) ¹	20.0 (4Q30)	24.2 (4Q29)
Inflation rate (YoY % change) ³	3.5 (1Q26)	1.4 (1Q26)
Central bank policy rate (%) ³	3.9 (1Q26)	3.6 (4Q25)

- 1 Cumulative change to the highest level of the series during the 20-quarter projection.
- 2 Lowest projected unemployment rate in the scenario.
- 3 Highest (for 4Q25 scenarios)/ lowest (for 4Q24 scenarios) projected policy rate and YoY percentage change in inflation in the scenario.

Downside scenarios

Downside scenarios explore the intensification and crystallisation of key risk themes and are modelled so that economic shocks drive consumption and investment lower and commodity prices fall. For most markets, inflation and interest rates are lower compared with the Central scenario. That narrative is disrupted in the US and Mexico as higher tariff rates and other countermeasures are assumed to drive a broad increase in import prices.

Key downside risks include:

- an increase in protectionist policies that lowers investment, complicates international supply chains, and impedes trade flows;
- abrupt asset repricing given elevated valuations particularly in the technology sector, eroding wealth effects and ultimately increasing credit risks;
- broader and more prolonged conflicts in the Middle East and between Russia and Ukraine, which undermines confidence and investment; and
- continued differences between the US and China, which affects economic confidence and global goods trade and supply chains for critical technologies.

Risk review

The consensus Downside scenario

In the consensus Downside scenario, the effects of tariffs on the global economy are worse than expected, leading to weaker economic activity compared with the Central scenario. The scenario is consistent with the tariff rate, measured as an effective trade-weighted average, rising to 19% in 2026, and remaining at that level in 2027. The key driver of that increase is the application of sector-specific tariff rates.

In this scenario, GDP declines and unemployment rates rise while asset prices and commodity prices fall. The scenario features an escalation in geopolitical tensions and an increase in tariffs over and above those assumed in the Central scenario. Existing and recently approved trade agreements are assumed to hold. Inflation declines relative to the Central scenario, as tariffs are assumed to drive a drop in export demand from the US.

In the scenario, oil prices trough at \$40 per barrel.

The following table describes key macroeconomic variables in the Consensus Downside scenario.

Consensus Downside scenario

	2026 Q1- 2030 Q4	2025 Q1- 2029 Q4
GDP growth rate (% , start-to-trough) ¹	(0.2) (2Q27)	(1.0) (4Q26)
Unemployment rate (% , max) ²	6.2 (4Q26)	6.1 (4Q25)
House price index (% , start-to-trough) ¹	(4.1) (1Q27)	(4.5) (1Q26)
Inflation rate (YoY % change) ³	1.3 (3Q26)	3.4 (4Q25)
Central bank policy rate (%) ³	2.2 (3Q28)	5.0 (1Q25)

- Cumulative change to the lowest level of the series during the 20-quarter projection.
- The highest projected unemployment rate in the scenario.
- The table shows the lowest (for 4Q25 projections) and highest (for 4Q24 projections) YoY percentage change in inflation and projected policy rates in the scenario.

Downside 2 scenario

The Downside 2 scenario features a deep global recession and reflects management's view of the tail of the economic distribution. It incorporates the simultaneous crystallisation of a number of risks that lead to a deep global recession. The subsequent drop in demand leads to a steep fall in commodity prices, and a rapid increase in unemployment.

The narrative features an escalation in tariff actions, resulting in a global trade war, and further intensification of geopolitical crises. Asset prices fall steeply, with technology-related stocks expected to experience the most significant price adjustments. The scenario is consistent with the US tariff rate, measured as an effective trade-weighted average, rising to 25% in 2026, and remaining at that level in 2027.

In the scenario, oil prices trough at \$30 per barrel.

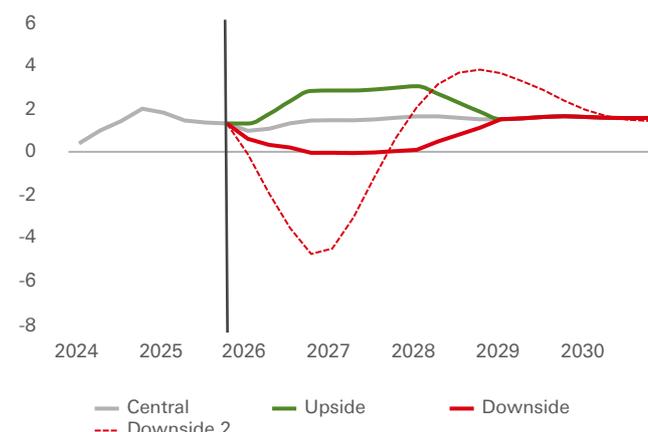
The table below describes key macroeconomic variables in the Downside 2 scenario.

Downside 2 scenario worst outcome

	2026 Q1- 2030 Q4	2025 Q1- 2029 Q4
GDP growth rate (% , start-to-trough) ¹	(5.3) (2Q27)	(9.1) (2Q26)
Unemployment rate (% , max) ²	8.9 (2Q27)	8.4 (2Q26)
House price index (% , start-to-trough) ¹	(24.2) (4Q27)	(27.2) (4Q26)
Inflation rate (YoY % change) ³	(1.9) (4Q26)	10.1 (2Q25)
Central bank policy rate (%) ³	1.4 (1Q27)	5.5 (1Q25)

- Cumulative change to the lowest level of the series during the 20-quarter projection.
- The highest projected unemployment or policy interest rate in the scenario.
- The table shows the lowest (for 4Q25 projections) and highest (for 4Q24 projections) YoY percentage change in inflation and projected policy rates in the scenario.

Following graph shows the historical and forecasted GDP growth rate for the various economic scenarios.



Scenario weighting

Scenarios are calibrated to probabilities that are determined with reference to consensus probability distributions. Management may choose to vary weights, where they assess that the calibration lags more recent events, or does not reflect their view of the distribution of economic and geopolitical risk. Management's view of the scenarios and the probability distribution takes into consideration the relationship of the consensus scenarios to both internal and external assessments of risks.

For the fourth quarter of 2025, forecast and distributional estimates were assessed to have incorporated available information around tariffs and policy uncertainties and no major events had occurred since scenario production that changed the outlook materially. Forecast dispersion, financial market volatility and other measures of uncertainty remained close to their long-term average.

Consequently, there was no variation in scenario weights and they were aligned to the calibrated probabilities of the scenarios. The consensus Central scenario was assigned a 75% probability weighting. The consensus Upside scenario was assigned a 10% weighting, and the consensus Downside scenario was given 10%. The Downside 2 was assigned a 5% weighting.

In light of the US intervention in the political leadership and energy assets of Venezuela during early January 2026, management assessed the potential implications, including to oil prices, and concluded that expected spillovers remain within the scope of existing scenarios, including potentially significantly lower oil prices. Subsequent tariff developments in relation to Greenland were also assessed on the same basis, and no additional action was deemed necessary for economic scenarios or weights.

Scenario weights %

	4Q25	4Q24
Upside	10.0	10.0
Central	75.0	75.0
Downside	10.0	10.0
Downside 2	5.0	5.0

Critical estimates and judgements

The calculation of ECL under IFRS 9 involves significant judgements, assumptions and estimates at 31 December 2025. These included:

- the selection and configuration of economic scenarios, given the constant change in economic conditions and distribution of economic risks; and
- estimating the economic effects of those scenarios on ECL, where similar observable historical conditions cannot be captured by the credit risk models.

Risk review

How economic scenarios are reflected in ECL calculations

Models are used to reflect economic scenarios in ECL estimates. HSBC Group have developed globally consistent methodologies for the application of forward economic guidance into the calculation of ECL for wholesale and retail credit risk.

For wholesale portfolios, a global methodology is used for the estimation of the term structure of PD and Loss given default ('LGD'). PDs use the correlation of forward economic guidance with default rates for a particular industry within a country, and LGDs use the correlation of forward economic guidance with collateral values and realisation rates for a particular country and industry. PDs and LGDs are estimated for the entire term structure of each instrument.

For impaired loans, ECL estimates are derived based on discounted cash flow ('DCF') calculations for internal forward-looking scenarios specific to individual borrower circumstances. Probability-weighted outcomes are applied, and depending on materiality and status of the borrower, the number of scenarios considered will change. Where relevant for the case being assessed, forward economic guidance is incorporated as part of these scenarios. LGD-driven ECL estimates are used for certain less material cases.

For retail portfolios, the models are predominantly based on historical observations and correlations with default rates and collateral values.

For PD, the impact of economic scenarios is modelled for each portfolio, leveraging historical relationships between default rates and macroeconomic variables. These are included within IFRS 9 ECL estimates using either economic response models or models which contain internal, external and macroeconomic variables. The macroeconomic impact on PD is modelled over the period equal to the remaining maturity of the assets.

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

For unsecured portfolios historically observed recovery rates are leveraged to measure loss. For both mortgages and unsecured, certain portfolios utilise a macroeconomic dependent stressed LGD applied to the Downside 2 scenario.

Management judgemental adjustments

In the context of IFRS 9, management judgemental adjustments are short-term increases or decreases to the modelled ECL at either a customer, segment or portfolio level where management believes ECL results do not sufficiently reflect the ECL at the reporting date. These relate to risks or uncertainties which are not reflected in the models and/or to any late-breaking events with significant uncertainty, subject to management review and challenge.

The effect of management judgemental adjustments are considered for both, gross balances and ECL when determining whether or not a SICR has occurred and are attributed or allocated to a stage as appropriate. This is in accordance with the internal adjustments framework.

Management judgemental adjustments are reviewed under the governance process for IFRS 9 (as detailed in the section 'Credit risk management' on page 23). Review and challenge focuses on the rationale and quantum of the adjustments with a further review carried out by the second line of defence where significant. For some management judgemental adjustments, internal frameworks establish the conditions under which these adjustments should no longer be required and as such are considered as part of the governance process. This internal governance process allows management judgemental adjustments to be reviewed regularly and, where possible, to reduce the reliance on these through model recalibration or redevelopment, as appropriate.

The drivers of management judgemental adjustments continue to evolve with the economic environment, and as new risks emerge. In addition to management judgemental adjustments, there are also 'Other adjustments', which are made to address process limitations and data/model deficiencies and can also include, where appropriate, the impact of new models where governance has sufficiently progressed to allow an accurate estimate of ECL allowance to be incorporated into the total reported ECL.

'Management judgemental adjustments' and 'Other adjustments' constitute the total value of adjustments to modelled ECL.

For the wholesale portfolio, defaulted exposures are assessed individually and management judgemental adjustments are made only to the performing portfolio.

Management judgemental adjustments made in estimating the scenario-weighted reported ECL at 31 December 2025 are set out in the following table.

Management judgemental adjustments to ECL at 31 December 2025¹

	Retail £m	Wholesale ² £m	Total £m
Modelled ECL (A)³	585	385	970
Corporate lending adjustments	—	9	9
Inflation related adjustments	—	—	—
Other credit judgements	23	—	23
Total management judgemental adjustments (B)⁴	23	9	32
Other adjustments (C)⁵	(16)	29	13
Final ECL (A + B + C)⁶	592	423	1,015

Management judgemental adjustments to ECL at 31 December 2024¹

	Retail £m	Wholesale ² £m	Total £m
Modelled ECL (A)³	582	512	1,094
Corporate lending adjustments	—	—	—
Inflation related adjustments	3	—	3
Other credit judgements	7	—	7
Total management judgemental adjustments (B)⁴	10	—	10
Other adjustments (C)⁵	(43)	14	(29)
Final ECL (A + B + C)⁶	549	526	1,075

- Management judgemental adjustments presented in the table reflect increases or (decreases) to allowance for ECL, respectively.
- The wholesale portfolio corresponds to adjustments to the performing portfolio (stage 1 and stage 2).
- (A) refers to probability-weighted allowance for ECL before any adjustments are applied.
- (B) refers to adjustments that are applied where management believes allowance for ECL does not sufficiently reflect the credit risk/ECL of any given portfolio at the reporting date. These can relate to risks or uncertainties that are not reflected in the model and/or to any late-breaking events.
- (C) refers to adjustments to allowance for ECL made to address process limitations and data/model deficiencies and can also include where appropriate, the impact of new models where governance has sufficiently progressed to allow an accurate estimate of ECL allowance to be incorporated into the total reported ECL.
- As presented within our internal credit risk governance.

At 31 December 2025, total adjustments of the Wholesale portfolio to the modelled output were an ECL increase of £38m, comprising £33m relating to corporate portfolios and £5m relating to retail small and medium-sized enterprise portfolios (31 December 2024: £14m increase including £8m from retail SME). The adjustments reflected identified model limitations, data related adjustments, and management judgmental adjustments to reflect portfolio movements not captured in modelled results.

Risk review

At 31 December 2025, total adjustments of the Retail portfolio to the modelled output were an ECL increase of £7m (31 December 2024: £(33)m).

- Management judgemental adjustments relating to Other credit judgements increased ECL by £23m (31 December 2024: £7m). The increase was primarily driven by an adjustment to reflect lending and delinquency growth not captured in the modelled ECL, and an adjustment to align LGD for unresolved cases with the most recent observed performance of the portfolio.
- Management judgemental adjustments relating to Other judgements reduced ECL by £16m (31 December 2024: £(43)m). The reduction was primarily due to an ECL model update to align PD to the most recent observed performance of the Mortgages portfolio.

Economic scenarios sensitivity analysis of ECL estimates

Management considered the sensitivity of the ECL outcome against the economic forecasts as part of the ECL governance process by recalculating the ECL under each scenario described above for selected portfolios, applying a 100% weighting to each scenario in turn. The weighting is reflected in both the determination of a SICR and the measurement of the resulting ECL.

The ECL calculated for the Upside and Downside scenarios should not be taken to represent the upper and lower limits of possible ECL outcomes. The impact of defaults that might occur in the future under different economic scenarios is captured by recalculating ECL for loans at the balance sheet date.

There is a particularly high degree of estimation uncertainty in numbers representing more severe risk scenarios when assigned a 100% weighting.

For wholesale credit risk exposures, the sensitivity analysis excludes ECL and financial instruments related to defaulted (stage 3) obligors. The measurement of stage 3 ECL is relatively more sensitive to credit factors specific to the obligor than future economic scenarios, and therefore the effect of macroeconomic factors are not necessarily the key consideration when performing individual assessments of ECL for obligors in default. Loans to defaulted obligors are a small portion of the overall wholesale lending exposure, even if representing the majority of ECL. Due to the range and specificity of the credit factors to which the ECL is sensitive, it is not possible to provide a meaningful alternative sensitivity analysis for a consistent set of risks across all defaulted obligors.

For retail mortgage exposures, the sensitivity analysis includes ECL for loans and advances to customers related to defaulted obligors. This is because the retail ECL for secured mortgage portfolios, including loans in all stages, is sensitive to macroeconomic variables.

Wholesale and retail sensitivity analysis

The wholesale and retail sensitivity tables present the 100% weighted results for each of our scenarios. The results tables exclude small portfolios, and as such cannot be directly compared to personal and wholesale lending presented in other credit risk tables. Additionally, in both the wholesale and retail analysis, the comparative period results for Downside 2 scenarios are also not directly comparable to the current period, because they reflect different risks relative to the Consensus scenarios for the period end.

The wholesale and retail sensitivity analysis is stated inclusive of management judgemental adjustments, as appropriate to each scenario.

For both retail and wholesale portfolios, the gross carrying amount of financial instruments are the same under each scenario. For exposures with similar risk profile and product characteristics, the sensitivity impact is therefore largely the result of changes in macroeconomic assumptions.

Wholesale analysis

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

	2025 £m	2024 £m
ECL of financial instruments subject to significant measurement uncertainty at 31 Dec		
Reported ECL	423	526
Consensus scenarios		
Central scenario	404	491
Upside scenario	365	390
Downside scenario	478	620
Downside 2 scenario	770	1,599

- 1 ECL sensitivity includes off-balance sheet financial instruments that are subject to significant measurement uncertainty.
- 2 Includes low credit-risk financial instruments such as debt instruments at FVOCI, which have high carrying amounts but low ECL under all the above scenarios.
- 3 Excludes defaulted obligors. For a detailed breakdown of performing and non-performing wholesale portfolio exposures, see page 40.

Compared with 31 December 2024, the total ECL sensitivity across all scenarios has decreased due to the effects of enhanced credit risk models and updates to our forward economic scenarios.

In the wholesale portfolio, off-balance sheet financial instruments have a lower likelihood to be fully converted to a funded exposure at the point of default, and consequently the sensitivity of ECL is lower in relation to its nominal amount, when compared with an on-balance sheet exposure with a similar risk profile.

Retail analysis

IFRS 9 ECL sensitivity to future economic conditions¹

	2025 £m	2024 £m
ECL of loans and advances to customers at 31 Dec		
Reported ECL	561	516
Consensus scenarios		
Central scenario	551	498
Upside scenario	517	470
Downside scenario	573	520
Downside 2 scenario	793	866

- 1 ECL sensitivities exclude portfolios utilising less complex modelling approaches.

Mortgages reflected the lowest level of ECL sensitivity given the significant levels of collateral relative to exposure values. Credit cards and other unsecured lending across stage 1 and stage 2 are more sensitive to economic forecasts and therefore reflected the highest level of ECL sensitivity during 2025.

Total ECL sensitivity increased across all scenarios, inline with higher reported ECL resulting from portfolio growth and model updates, with the exception of the Downside 2 scenario. The Downside 2 scenario has decreased due to less severe forward economic projections compared to 31 December 2024.

There is limited sensitivity in credit cards and other unsecured lending in stage 3 as levels of loss on defaulted exposures remain consistent through various economic conditions. The Downside 2 scenario is from the tail of the economic distribution where ECL is more sensitive based on historical experience and includes a stressed LGD for a limited number of portfolios.

The following disclosure provides a reconciliation by stage of the HSBC UK's gross carrying/nominal amount and allowances for loans and advances to banks and customers, including loan commitments and financial guarantees, reconciliation by stage of the HSBC UK's gross carrying amount and allowances for loans and advances to banks and customers and Reconciliation by stage of the HSBC UK's nominal amount and allowances for loan commitments and financial guarantees.

Risk review

Movements are calculated on a quarterly basis and therefore fully capture stage movements between quarters. If movements were calculated on a year-to-date basis they would only reflect the opening and closing position of the financial instrument.

The transfers of financial instruments represent the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL. The net remeasurement of ECL arising from stage transfers represents the increase or decrease due to these transfers, for example, moving from a 12-month (Stage 1) to a lifetime (Stage 2) ECL measurement basis. Net remeasurement excludes the

underlying CRR/PD movements of the financial instruments transferring stage. This is captured, along with other credit quality movements in the 'changes in risk parameters – credit quality' line item.

Changes in Net new and further lending/repayments includes 'New financial assets originated or purchased', 'Assets derecognised (including final repayments)' and 'Changes to risk parameters – further lending/repayment' represent the impact from volume movements within the HSBC UK's lending portfolio.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees¹

(Audited)

	Non-credit impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3			
	Gross carrying/nominal amount	Allowance for ECL						
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2025	256,122	(301)	39,027	(593)	3,927	(698)	299,076	(1,592)
Transfers of financial instruments	8,276	(276)	(10,013)	353	1,737	(77)	—	—
– transfers from Stage 1 to Stage 2	(29,764)	92	29,764	(92)	—	—	—	—
– transfers from Stage 2 to Stage 1	38,340	(348)	(38,340)	348	—	—	—	—
– transfers to Stage 3	(502)	8	(1,801)	144	2,303	(152)	—	—
– transfers from Stage 3	202	(28)	364	(47)	(566)	75	—	—
Net remeasurement of ECL arising from transfer of stage	—	241	—	(169)	—	(6)	—	66
Net new and further lending/repayments	29,827	(34)	(7,886)	145	(1,371)	317	20,570	428
Changes to risk parameters – credit quality	—	50	—	(300)	—	(908)	—	(1,158)
Changes to models used for ECL calculation	—	2	—	71	—	(12)	—	61
Assets written off	—	—	—	—	(601)	601	(601)	601
Foreign exchange	—	1	—	—	—	—	—	1
Others	—	—	—	—	—	—	—	—
At 31 Dec 2025	294,225	(317)	21,128	(493)	3,692	(783)	319,045	(1,593)
ECL income statement change for the period		259		(253)		(609)		(603)
Recoveries								78
Others								(5)
Total ECL income statement change for the period								(530)
At 1 Jan 2024	240,631	(317)	47,362	(780)	4,252	(710)	292,245	(1,807)
Transfers of financial instruments:	(3,927)	(290)	2,298	344	1,629	(54)	—	—
– transfers from Stage 1 to Stage 2	(37,934)	156	37,934	(156)	—	—	—	—
– transfers from Stage 2 to Stage 1	34,287	(417)	(34,287)	417	—	—	—	—
– transfers to Stage 3	(585)	5	(1,833)	145	2,418	(150)	—	—
– transfers from Stage 3	305	(34)	484	(62)	(789)	96	—	—
Net remeasurement of ECL arising from transfer of stage	—	254	—	(158)	—	(8)	—	88
Net new and further lending/repayments	19,372	(67)	(10,633)	231	(1,349)	298	7,390	462
Changes to risk parameters – credit quality	—	99	—	(235)	—	(811)	—	(947)
Changes to models used for ECL calculation	—	21	—	5	—	(18)	—	8
Assets written off	—	—	—	—	(605)	605	(605)	605
Foreign exchange	—	(1)	—	—	—	—	—	(1)
Others	46	—	—	—	—	—	46	—
At 31 Dec 2024	256,122	(301)	39,027	(593)	3,927	(698)	299,076	(1,592)
ECL income statement change for the period		307		(157)		(539)		(389)
Recoveries								74
Others								(4)
Total ECL income statement change for the period								(319)

1 The Reconciliation excludes loans and advances to other HSBC Group companies. As at 31 December 2025, these amounted to £0.7bn (2024: £1.2bn) and were classified as Stage 1 with no ECL.

Risk review

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/nominal amount £m	Allowance for ECL £m						
At 1 Jan 2025	186,510	(275)	35,152	(565)	3,534	(650)	225,196	(1,490)
Transfers of financial instruments:	8,153	(257)	(9,776)	333	1,623	(76)	—	—
– transfers from stage 1 to stage 2	(26,152)	89	26,152	(89)	—	—	—	—
– transfers from stage 2 to stage 1	34,564	(327)	(34,564)	327	—	—	—	—
– transfers to stage 3	(427)	8	(1,685)	142	2,112	(150)	—	—
– transfers from stage 3	168	(27)	321	(47)	(489)	74	—	—
Net remeasurement of ECL arising from transfer of stage	—	227	—	(161)	—	(6)	—	60
Net new and further lending/repayments	21,891	(36)	(6,733)	135	(1,104)	299	14,054	398
Changes to risk parameters – credit quality	—	55	—	(291)	—	(907)	—	(1,143)
Changes to models used for ECL calculation	—	2	—	71	—	(12)	—	61
Assets written off	—	—	—	—	(601)	601	(601)	601
Foreign exchange	—	1	—	—	—	—	—	1
Others	—	—	—	—	—	—	—	—
At 31 Dec 2025	216,554	(283)	18,643	(478)	3,452	(751)	238,649	(1,512)
ECL income statement change for the period		248		(246)		(626)		(624)
Recoveries								78
Others								(4)
Total ECL income statement change for the period								(550)
At 1 Jan 2024	174,984	(286)	42,286	(755)	3,911	(665)	221,181	(1,706)
Transfers of financial instruments:	(3,944)	(280)	2,488	328	1,456	(48)	—	—
– transfers from stage 1 to stage 2	(33,463)	150	33,463	(150)	—	—	—	—
– transfers from stage 2 to stage 1	29,766	(401)	(29,766)	401	—	—	—	—
– transfers to stage 3	(482)	5	(1,647)	139	2,129	(144)	—	—
– transfers from stage 3	235	(34)	438	(62)	(673)	96	—	—
Net remeasurement of ECL arising from transfer of stage	—	245	—	(148)	—	(8)	—	89
Net new and further lending/repayments	15,424	(70)	(9,622)	221	(1,228)	249	4,574	400
Changes to risk parameters – credit quality	—	96	—	(216)	—	(765)	—	(885)
Changes to models used for ECL calculation	—	21	—	5	—	(18)	—	8
Assets written off	—	—	—	—	(605)	605	(605)	605
Foreign exchange	—	(1)	—	—	—	—	—	(1)
Others	46	—	—	—	—	—	46	—
At 31 Dec 2024	186,510	(275)	35,152	(565)	3,534	(650)	225,196	(1,490)
ECL income statement change for the period		292		(138)		(542)		(388)
Recoveries								74
Others								(5)
Total ECL income statement change for the period								(319)

Risk review

Reconciliation of changes in gross carrying/nominal amount and allowances for loan commitments and financial guarantees

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/nominal amount	Allowance for ECL						
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2025	69,612	(26)	3,875	(28)	393	(48)	73,880	(102)
Transfers of financial instruments	123	(19)	(237)	20	114	(1)	—	—
– transfers from stage 1 to stage 2	(3,612)	3	3,612	(3)	—	—	—	—
– transfers from stage 2 to stage 1	3,776	(21)	(3,776)	21	—	—	—	—
– transfers to stage 3	(75)	—	(116)	2	191	(2)	—	—
– transfers from stage 3	34	(1)	43	—	(77)	1	—	—
Net remeasurement of ECL arising from transfer of stage	—	14	—	(8)	—	—	—	6
Net new and further lending/repayments	7,936	2	(1,153)	10	(267)	18	6,516	30
Changes to risk parameters – credit quality	—	(5)	—	(9)	—	(1)	—	(15)
At 31 Dec 2025	77,671	(34)	2,485	(15)	240	(32)	80,396	(81)
ECL income statement change for the period		11		(7)		17		21
Recoveries								—
Others								(1)
Total ECL income statement change for the period								20
At 1 Jan 2024	65,647	(31)	5,076	(25)	341	(45)	71,064	(101)
Transfers of financial instruments:	17	(10)	(190)	16	173	(6)	—	—
– transfers from stage 1 to stage 2	(4,471)	6	4,471	(6)	—	—	—	—
– transfers from stage 2 to stage 1	4,521	(16)	(4,521)	16	—	—	—	—
– transfers to stage 3	(103)	—	(186)	6	289	(6)	—	—
– transfers from stage 3	70	—	46	—	(116)	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	9	—	(10)	—	—	—	(1)
Net new and further lending/repayments	3,948	3	(1,011)	10	(121)	49	2,816	62
Changes to risk parameters – credit quality	—	3	—	(19)	—	(46)	—	(62)
At 31 Dec 2024	69,612	(26)	3,875	(28)	393	(48)	73,880	(102)
ECL income statement change for the period		15		(19)		3		(1)
Recoveries								—
Others								1
Total ECL income statement change for the period								—

Credit quality of financial instruments

(Audited)

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

The five credit quality classifications defined above each encompass a range of granular internal credit rating grades assigned to wholesale and personal lending businesses and the external ratings attributed by external agencies to debt securities, as shown in the table on page 23.

Risk review

Distribution of financial instruments by credit quality

(Audited)

	Gross carrying/notional amount						Allowance for ECL	Net
	Strong £m	Good £m	Satisfactory £m	Sub- standard £m	Credit impaired £m	Total £m		
In-scope for IFRS 9								
Loans and advances to customers held at amortised cost	135,440	50,642	38,564	4,637	3,453	232,736	(1,513)	231,223
– personal	124,478	20,919	7,924	453	895	154,669	(575)	154,094
– corporate and commercial	8,464	26,244	28,119	4,152	2,500	69,479	(875)	68,604
– non-bank financial institutions	2,498	3,479	2,521	32	58	8,588	(63)	8,525
Loans and advances to banks held at amortised cost	6,636	–	–	–	–	6,636	–	6,636
Cash and balances at central banks	40,369	–	–	–	–	40,369	–	40,369
Reverse repurchase agreements – non-trading	21,097	463	–	–	–	21,560	–	21,560
Financial investments	19,112	–	–	–	–	19,112	(1)	19,111
Other assets	2,478	263	231	22	29	3,023	(7)	3,016
– endorsements and acceptances	4	28	12	1	–	45	–	45
– accrued income and other	2,474	235	219	21	29	2,978	(7)	2,971
Debt instruments measured at FVOCI ¹	22,965	–	–	–	–	22,965	–	22,965
Out-of-scope for IFRS 9 ECL								
Derivatives	158	6	3	–	–	167	–	167
Total gross carrying amount on balance sheet	248,255	51,374	38,798	4,659	3,482	346,568	(1,521)	345,047
Percentage of total credit quality	71.7	14.8	11.2	1.3	1.0	100.0		
Loan and other credit related commitments	46,043	19,079	13,600	847	202	79,771	(69)	79,702
Financial guarantees	567	180	402	11	37	1,197	(11)	1,186
In-scope: Irrevocable loan commitments and financial guarantees	46,610	19,259	14,002	858	239	80,968	(80)	80,888
Loan and other credit related commitments	229	933	1,152	103	18	2,435	–	2,435
Performance and other guarantees	460	1,096	1,070	123	73	2,822	(28)	2,794
Out-of-scope: Revocable loan commitments and Non-financial guarantees	689	2,029	2,222	226	91	5,257	(28)	5,229

In-scope for IFRS 9								
Loans and advances to customers held at amortised cost	128,253	44,989	37,009	5,309	3,532	219,092	(1,488)	217,604
– personal	117,179	20,821	7,953	456	857	147,266	(531)	146,735
– corporate and commercial	8,719	21,727	25,780	4,776	2,638	63,640	(913)	62,727
– non-bank financial institutions	2,355	2,441	3,276	77	37	8,186	(44)	8,142
Loans and advances to banks held at amortised cost	7,263	–	–	–	2	7,265	(2)	7,263
Cash and balances at central banks	52,276	–	–	–	–	52,276	–	52,276
Reverse repurchase agreements – non-trading	11,776	–	–	–	–	11,776	–	11,776
Financial investments	16,323	–	–	–	–	16,323	(1)	16,322
Other assets	2,451	203	261	6	31	2,952	(7)	2,945
– endorsements and acceptances	3	28	6	4	–	41	(3)	38
– accrued income and other	2,448	175	255	2	31	2,911	(4)	2,907
Debt instruments measured at FVOCI ¹	22,263	–	–	–	–	22,263	(1)	22,262
Out-of-scope for IFRS 9								
Derivatives	284	6	5	–	–	295	–	295
Total gross carrying amount on balance sheet	240,889	45,198	37,275	5,315	3,565	332,242	(1,499)	330,743
Percentage of total credit quality	72.5	13.6	11.2	1.6	1.1	100.0		
Loan and other credit related commitments	45,768	14,077	13,135	1,110	385	74,475	(99)	74,376
Financial guarantees	490	228	240	80	8	1,046	(3)	1,043
In-scope: Irrevocable loan commitments and financial guarantees	46,258	14,305	13,375	1,190	393	75,521	(102)	75,419
Loan and other credit related commitments	753	830	1,177	228	96	3,084	–	3,084
Performance and other guarantees	309	923	983	181	20	2,416	(19)	2,397
Out-of-scope: Revocable loan commitments and Non-financial guarantees	1,062	1,753	2,160	409	116	5,500	(19)	5,481

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

Risk review

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

(Audited)

	Gross carrying/notional amount						Allowance for ECL	Net
	Strong	Good	Satisfactory	Sub-standard	Credit impaired	Total		
	£m	£m	£m	£m	£m	£m	£m	£m
Loans and advances to customers at amortised cost	135,440	50,642	38,564	4,637	3,453	232,736	(1,513)	231,223
– Stage 1	133,860	44,134	31,393	1,254	–	210,641	(284)	210,357
– Stage 2	1,580	6,508	7,171	3,383	–	18,642	(477)	18,165
– Stage 3	–	–	–	–	3,453	3,453	(752)	2,701
Loans and advances to banks at amortised cost	6,636	–	–	–	–	6,636	–	6,636
– Stage 1	6,636	–	–	–	–	6,636	–	6,636
– Stage 2	–	–	–	–	–	–	–	–
– Stage 3	–	–	–	–	–	–	–	–
Other financial assets measured at amortised cost	83,056	726	231	22	29	84,064	(8)	84,056
– Stage 1	83,049	705	198	5	–	83,957	(1)	83,956
– Stage 2	7	21	33	17	–	78	(3)	75
– Stage 3	–	–	–	–	29	29	(4)	25
Loan and other credit-related commitments	46,043	19,079	13,600	847	202	79,771	(69)	79,702
– Stage 1	45,873	18,978	12,031	207	–	77,089	(33)	77,056
– Stage 2	170	101	1,569	640	–	2,480	(16)	2,464
– Stage 3	–	–	–	–	202	202	(20)	182
Financial guarantees	567	180	402	11	37	1,197	(11)	1,186
– Stage 1	567	179	379	2	–	1,127	–	1,127
– Stage 2	–	1	23	9	–	33	–	33
– Stage 3	–	–	–	–	37	37	(11)	26
At 31 Dec 2025	271,742	70,627	52,797	5,517	3,721	404,404	(1,601)	402,803
Debt instruments at FVOCI¹	22,965	–	–	–	–	22,965	–	22,965
– Stage 1	22,965	–	–	–	–	22,965	–	22,965
– Stage 2	–	–	–	–	–	–	–	–
– Stage 3	–	–	–	–	–	–	–	–
At 31 Dec 2025	22,965	–	–	–	–	22,965	–	22,965

Loans and advances to customers at amortised cost	128,253	44,989	37,009	5,309	3,532	219,092	(1,488)	217,604
– stage 1	117,139	32,452	29,282	1,535	–	180,408	(275)	180,133
– stage 2	11,114	12,537	7,727	3,774	–	35,152	(565)	34,587
– stage 3	–	–	–	–	3,532	3,532	(648)	2,884
Loans and advances to banks at amortised cost	7,263	–	–	–	2	7,265	(2)	7,263
– stage 1	7,263	–	–	–	–	7,263	–	7,263
– stage 2	–	–	–	–	–	–	–	–
– stage 3	–	–	–	–	2	2	(2)	–
Other financial assets measured at amortised cost	82,826	203	261	6	31	83,327	(8)	83,319
– stage 1	82,791	167	200	2	–	83,160	(4)	83,156
– stage 2	35	36	61	4	–	136	(2)	134
– stage 3	–	–	–	–	31	31	(2)	29
Loan and other credit-related commitments	45,768	14,077	13,135	1,110	385	74,475	(99)	74,376
– stage 1	45,482	12,877	11,527	394	–	70,280	(26)	70,254
– stage 2	286	1,200	1,608	716	–	3,810	(28)	3,782
– stage 3	–	–	–	–	385	385	(45)	340
Financial guarantees	490	228	240	80	8	1,046	(3)	1,043
– stage 1	490	217	167	3	–	877	–	877
– stage 2	–	11	73	77	–	161	–	161
– stage 3	–	–	–	–	8	8	(3)	5
At 31 Dec 2024	264,600	59,497	50,645	6,505	3,958	385,205	(1,600)	383,605
Debt instruments at FVOCI¹	22,263	–	–	–	–	22,263	(1)	22,262
– stage 1	22,263	–	–	–	–	22,263	(1)	22,262
– stage 2	–	–	–	–	–	–	–	–
– stage 3	–	–	–	–	–	–	–	–
At 31 Dec 2024	22,263	–	–	–	–	22,263	(1)	22,262

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

Credit-impaired loans

(Audited)

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

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay, such as a concession has been granted to the borrower for

economic or legal reasons relating to the borrower's financial condition; and

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

Risk review

The following table shows the gross carrying amounts of HSBC UK's holdings of forborne loans and advances to customers by industry sector and by stages. Mandatory and general offer loan modifications

that are not borrower-specific, for example market-wide customer relief programmes, have not been classified as forborne loans.

► A summary of our current policies and practices for forbearance is set out in 'Credit risk management' on page 23.

Forborne loans and advances to customers at amortised costs by stage allocation

	Performing – Forborne Stage 2 £m	Non-Performing – Forborne Stage 3 £m	Total Forborne Total £m
Gross carrying amount			
Personal	145	362	507
– first lien residential mortgages	47	255	302
– credit cards	51	42	93
Other personal lending	47	65	112
– other personal lending which is secured	–	8	8
– other personal lending which is unsecured	47	57	104
Wholesale	824	1,152	1,976
– corporate and commercial	823	1,152	1,975
– non-bank financial institutions	1	–	1
At 31 Dec 2025	969	1,514	2,483
Allowance for ECL			
Personal	(10)	(88)	(98)
– first lien residential mortgages	–	(30)	(30)
– credit cards	(6)	(28)	(34)
Other personal lending	(4)	(30)	(34)
– other personal lending which is secured	–	–	–
– other personal lending which is unsecured	(4)	(30)	(34)
Wholesale	(59)	(195)	(254)
– corporate and commercial	(59)	(195)	(254)
– non-bank financial institutions	–	–	–
At 31 Dec 2025	(69)	(283)	(352)
Gross carrying amount			
Personal	133	372	505
– first lien residential mortgages	21	234	255
– credit cards	52	52	104
Other personal lending	60	86	146
– other personal lending which is secured	–	–	–
– other personal lending which is unsecured	60	86	146
Wholesale	864	1,408	2,272
– corporate and commercial	861	1,405	2,266
– non-bank financial institutions	3	3	6
At 31 Dec 2024	997	1,780	2,777
Allowance for ECL			
Personal	(12)	(93)	(105)
– first lien residential mortgages	–	(24)	(24)
– credit cards	(6)	(25)	(31)
Other personal lending	(6)	(44)	(50)
– other personal lending which is secured	–	–	–
– other personal lending which is unsecured	(6)	(44)	(50)
Wholesale	(68)	(221)	(289)
– corporate and commercial	(68)	(219)	(287)
– non-bank financial institutions	–	(2)	(2)
At 31 Dec 2024	(80)	(314)	(394)

Risk review

Wholesale lending

This section provides further detail on the products in wholesale loans and advances to customers and banks. Product granularity is also provided by stage. Additionally, this section provides a

reconciliation of the opening 1 January 2025 to 31 December 2025 closing gross carrying/nominal amounts and the associated allowance for ECL.

Total wholesale lending for loans and advances to banks and customers by stage distribution

	Gross carrying amount				Allowance for ECL			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Corporate and commercial	59,346	7,633	2,500	69,479	(127)	(240)	(508)	(875)
– agriculture, forestry and fishing	3,697	555	194	4,446	(7)	(17)	(27)	(51)
– mining and quarrying	378	26	83	487	–	(1)	(43)	(44)
– manufacturing	7,555	809	506	8,870	(9)	(22)	(68)	(99)
– electricity, gas, steam and air-conditioning supply	1,424	304	6	1,734	(2)	(7)	(1)	(10)
– water supply, sewerage, waste management and remediation	856	34	32	922	(2)	(1)	(9)	(12)
– real estate and construction	13,032	1,551	412	14,995	(29)	(69)	(91)	(189)
– of which: CRE	11,083	1,458	264	12,805	(26)	(60)	(62)	(148)
– wholesale and retail trade, repair of motor vehicles and motorcycles	9,249	1,334	463	11,046	(13)	(28)	(124)	(165)
– transportation and storage	2,268	196	41	2,505	(2)	(5)	(4)	(11)
– accommodation and food	4,617	927	282	5,826	(16)	(33)	(21)	(70)
– publishing, audiovisual and broadcasting	3,178	381	200	3,759	(20)	(13)	(61)	(94)
– professional, scientific and technical activities	4,336	315	79	4,730	(11)	(14)	(22)	(47)
– administrative and support services	4,611	555	59	5,225	(6)	(10)	(17)	(33)
– education	980	118	26	1,124	(2)	(7)	(7)	(16)
– health and care	1,520	184	40	1,744	(3)	(5)	(5)	(13)
– arts, entertainment and recreation	892	66	28	986	(2)	(3)	(5)	(10)
– other services	752	277	49	1,078	(3)	(5)	(3)	(11)
– activities of households	–	–	–	–	–	–	–	–
– government	1	1	–	2	–	–	–	–
Non-bank financial institutions	8,344	186	58	8,588	(8)	(2)	(53)	(63)
Loans and advances to banks	6,636	–	–	6,636	–	–	–	–
At 31 Dec 2025	74,326	7,819	2,558	84,703	(135)	(242)	(561)	(938)

Total wholesale credit-related commitments and financial guarantees by stage distribution

	Nominal amount				Allowance for ECL			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Corporate and commercial	32,250	1,796	207	34,253	(20)	(12)	(31)	(63)
Financial	4,498	117	–	4,615	(2)	–	–	(2)
At 31 Dec 2025	36,748	1,913	207	38,868	(22)	(12)	(31)	(65)

Total wholesale lending for loans and advances to banks and customers by stage distribution

	Gross carrying amount				Allowance for ECL			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Corporate and commercial	51,144	9,858	2,638	63,640	(150)	(315)	(448)	(913)
– agriculture, forestry and fishing	3,416	709	192	4,317	(9)	(22)	(24)	(55)
– mining and quarrying	423	178	1	602	(1)	(4)	–	(5)
– manufacturing	6,483	1,127	341	7,951	(13)	(33)	(65)	(111)
– electricity, gas, steam and air-conditioning supply	1,305	43	5	1,353	(2)	–	–	(2)
– water supply, sewerage, waste management and remediation	847	85	14	946	(1)	(2)	(2)	(5)
– real estate and construction	9,094	3,723	514	13,331	(29)	(95)	(83)	(207)
– of which: CRE	7,489	3,230	392	11,111	(24)	(81)	(57)	(162)
– wholesale and retail trade, repair of motor vehicles and motorcycles	8,222	1,383	508	10,113	(17)	(43)	(98)	(158)
– transportation and storage	1,794	294	67	2,155	(3)	(6)	(10)	(19)
– accommodation and food	4,659	664	390	5,713	(15)	(30)	(35)	(80)
– publishing, audiovisual and broadcasting	2,688	409	138	3,235	(22)	(27)	(29)	(78)
– professional, scientific and technical activities	3,867	330	129	4,326	(13)	(17)	(51)	(81)
– administrative and support services	4,588	383	58	5,029	(11)	(12)	(13)	(36)
– education	599	96	31	726	(2)	(5)	(12)	(19)
– health and care	1,405	297	99	1,801	(4)	(12)	(15)	(31)
– arts, entertainment and recreation	834	56	36	926	(2)	(3)	(3)	(8)
– other services	916	81	115	1,112	(6)	(4)	(8)	(18)
– activities of households	1	–	–	1	–	–	–	–
– government	3	–	–	3	–	–	–	–
Non-bank financial institutions	7,826	323	37	8,186	(8)	(5)	(31)	(44)
Loans and advances to banks	7,263	–	2	7,265	–	–	(2)	(2)
At 31 Dec 2024	66,233	10,181	2,677	79,091	(158)	(320)	(481)	(959)

Risk review

Total wholesale credit-related commitments and financial guarantees by stage distribution (continued)

	Nominal amount				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Corporate and commercial	25,246	3,370	342	28,958	(20)	(28)	(45)	(93)
Financial	5,193	249	13	5,455	(1)	—	(1)	(2)
At 31 Dec 2024	30,439	3,619	355	34,413	(21)	(28)	(46)	(95)

Wholesale lending – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees¹

(Audited)

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/nominal amount	Allowance for ECL						
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2025	93,966	(179)	13,704	(348)	3,032	(527)	110,702	(1,054)
Transfers of financial instruments	(5)	(100)	(1,370)	154	1,375	(54)	—	—
– transfers from stage 1 to stage 2	(9,158)	41	9,158	(41)	—	—	—	—
– transfers from stage 2 to stage 1	9,366	(131)	(9,366)	131	—	—	—	—
– transfers to stage 3	(284)	1	(1,384)	83	1,668	(84)	—	—
– transfers from stage 3	71	(11)	222	(19)	(293)	30	—	—
Net remeasurement of ECL arising from transfer of stage	—	103	—	(66)	—	(2)	—	35
Net new and further lending/repayments	15,845	(12)	(2,629)	100	(1,332)	270	11,884	358
Changes to risk parameters – credit quality	—	8	—	(166)	—	(589)	—	(747)
Changes to models used for ECL calculation	—	22	—	72	—	—	—	94
Assets written off	—	—	—	—	(310)	310	(310)	310
Foreign exchange	—	1	—	—	—	—	—	1
Others	—	—	—	—	—	—	—	—
At 31 Dec 2025	109,806	(157)	9,705	(254)	2,765	(592)	122,276	(1,003)
ECL income statement change for the period		121		(60)		(321)		(260)
Recoveries								9
Others								(5)
Total ECL income statement change for the period								(256)

At 1 Jan 2024	85,019	(190)	19,191	(396)	3,228	(508)	107,438	(1,094)
Transfers of financial instruments	(1,209)	(85)	(153)	145	1,362	(60)	—	—
– transfers from stage 1 to stage 2	(14,756)	91	14,756	(91)	—	—	—	—
– transfers from stage 2 to stage 1	13,823	(171)	(13,823)	171	—	—	—	—
– transfers to stage 3	(351)	2	(1,358)	72	1,709	(74)	—	—
– transfers from stage 3	75	(7)	272	(7)	(347)	14	—	—
Net remeasurement of ECL arising from transfer of stage	—	101	—	(97)	—	(2)	—	2
Net new and further lending/repayments	10,110	(41)	(5,334)	120	(1,228)	252	3,548	331
Change to risk parameters – credit quality	—	11	—	(175)	—	(539)	—	(703)
Changes to models used for ECL calculation	—	26	—	55	—	—	—	81
Assets written off	—	—	—	—	(330)	330	(330)	330
Foreign exchange	—	(1)	—	—	—	—	—	(1)
Other	46	—	—	—	—	—	46	—
At 31 Dec 2024	93,966	(179)	13,704	(348)	3,032	(527)	110,702	(1,054)
ECL income statement change for the period		97		(97)		(289)		(289)
Recoveries								13
Others								(4)
Total ECL income statement change for the period								(280)

1 The reconciliation excludes loans and advances to other HSBC Group companies. As at 31 December 2025, these amounted to £0.7bn (2024: £1.2bn) and were classified as Stage 1 with no ECL.

Risk review

Wholesale lending – credit risk profile by obligor grade for loans and advances at amortised cost

	Basel one-year PD range %	Gross carrying amount				Allowance for ECL				ECL coverage %	Mapped external rating
		Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m		
Corporate and commercial		59,346	7,633	2,500	69,479	(127)	(240)	(508)	(875)	1.3	
- CRR 1	0.000 to 0.053	956	—	—	956	—	—	—	—	—	AA- and above
- CRR 2	0.054 to 0.169	7,487	21	—	7,508	(3)	—	—	(3)	—	A+ to A-
- CRR 3	0.170 to 0.740	25,770	474	—	26,244	(29)	(5)	—	(34)	0.1	BBB+ to BBB-
- CRR 4	0.741 to 1.927	15,655	1,661	—	17,316	(39)	(13)	—	(52)	0.3	BB+ to BB-
- CRR 5	1.928 to 4.914	8,447	2,356	—	10,803	(51)	(45)	—	(96)	0.9	BB- to B
- CRR 6	4.915 to 8.860	612	1,412	—	2,024	(4)	(43)	—	(47)	2.3	B-
- CRR 7	8.861 to 15.000	246	866	—	1,112	(1)	(43)	—	(44)	4.0	CCC+
- CRR 8	15.001 to 99.999	173	843	—	1,016	—	(91)	—	(91)	9.0	CCC to C
- CRR 9/10	100.000	—	—	2,500	2,500	—	—	(508)	(508)	20.3	D
Non-bank financial institutions		8,344	186	58	8,588	(8)	(2)	(53)	(63)	0.7	
- CRR 1	0.000 to 0.053	247	—	—	247	—	—	—	—	—	AA- and above
- CRR 2	0.054 to 0.169	2,251	—	—	2,251	—	—	—	—	—	A+ to A-
- CRR 3	0.170 to 0.740	3,479	—	—	3,479	(2)	—	—	(2)	0.1	BBB+ to BBB-
- CRR 4	0.741 to 1.927	1,761	38	—	1,799	(3)	(1)	—	(4)	0.2	BB+ to BB-
- CRR 5	1.928 to 4.914	591	131	—	722	(2)	(1)	—	(3)	0.4	BB- to B
- CRR 6	4.915 to 8.860	10	11	—	21	(1)	—	—	(1)	4.8	B-
- CRR 7	8.861 to 15.000	4	6	—	10	—	—	—	—	—	CCC+
- CRR 8	15.001 to 99.999	1	—	—	1	—	—	—	—	—	CCC to C
- CRR 9/10	100.000	—	—	58	58	—	—	(53)	(53)	91.4	D
Banks		6,636	—	—	6,636	—	—	—	—	—	
- CRR 1	0.000 to 0.053	6,591	—	—	6,591	—	—	—	—	—	AA- and above
- CRR 2	0.054 to 0.169	45	—	—	45	—	—	—	—	—	A+ to A-
- CRR 3	0.170 to 0.740	—	—	—	—	—	—	—	—	—	BBB+ to BBB-
- CRR 4	0.741 to 1.927	—	—	—	—	—	—	—	—	—	BB+ to BB-
- CRR 5	1.928 to 4.914	—	—	—	—	—	—	—	—	—	BB- to B
- CRR 6	4.915 to 8.860	—	—	—	—	—	—	—	—	—	B-
- CRR 7	8.861 to 15.000	—	—	—	—	—	—	—	—	—	CCC+
- CRR 8	15.001 to 99.999	—	—	—	—	—	—	—	—	—	CCC to C
- CRR 9/10	100.000	—	—	—	—	—	—	—	—	—	D
At 31 Dec 2025		74,326	7,819	2,558	84,703	(135)	(242)	(561)	(938)	1.1	
Corporate and commercial ¹		51,144	9,858	2,638	63,640	(150)	(315)	(448)	(913)	1.4	
- CRR 1	0.000 to 0.053	520	—	—	520	—	(1)	—	(1)	0.2	AA- and above
- CRR 2	0.054 to 0.169	7,449	750	—	8,199	(6)	(8)	—	(14)	0.2	A+ to A-
- CRR 3	0.170 to 0.740	19,978	1,749	—	21,727	(26)	(29)	—	(55)	0.3	BBB+ to BBB-
- CRR 4	0.741 to 1.927	13,479	2,262	—	15,741	(45)	(34)	—	(79)	0.5	BB+ to BB-
- CRR 5	1.928 to 4.914	8,292	1,747	—	10,039	(62)	(45)	—	(107)	1.1	BB- to B
- CRR 6	4.915 to 8.860	644	1,158	—	1,802	(8)	(52)	—	(60)	3.3	B-
- CRR 7	8.861 to 15.000	590	1,420	—	2,010	(3)	(62)	—	(65)	3.2	CCC+
- CRR 8	15.001 to 99.999	192	772	—	964	—	(84)	—	(84)	8.7	CCC to C
- CRR 9/10	100.000	—	—	2,638	2,638	—	—	(448)	(448)	17.0	D
Non-bank financial institutions		7,826	323	37	8,186	(8)	(5)	(31)	(44)	0.5	
- CRR 1	0.000 to 0.053	298	—	—	298	—	—	—	—	—	AA- and above
- CRR 2	0.054 to 0.169	2,057	—	—	2,057	(1)	—	—	(1)	—	A+ to A-
- CRR 3	0.170 to 0.740	2,384	57	—	2,441	(1)	(2)	—	(3)	0.1	BBB+ to BBB-
- CRR 4	0.741 to 1.927	2,715	100	—	2,815	(3)	—	—	(3)	0.1	BB+ to BB-
- CRR 5	1.928 to 4.914	355	106	—	461	(3)	(3)	—	(6)	1.3	BB- to B
- CRR 6	4.915 to 8.860	6	57	—	63	—	—	—	—	—	B-
- CRR 7	8.861 to 15.000	10	3	—	13	—	—	—	—	—	CCC+
- CRR 8	15.001 to 99.999	1	—	—	1	—	—	—	—	—	CCC to C
- CRR 9/10	100.000	—	—	37	37	—	—	(31)	(31)	83.8	D
Banks		7,263	—	2	7,265	—	—	(2)	(2)	—	
- CRR 1	0.000 to 0.053	7,181	—	—	7,181	—	—	—	—	—	AA- and above
- CRR 2	0.054 to 0.169	82	—	—	82	—	—	—	—	—	A+ to A-
- CRR 3	0.170 to 0.740	—	—	—	—	—	—	—	—	—	BBB+ to BBB-
- CRR 4	0.741 to 1.927	—	—	—	—	—	—	—	—	—	BB+ to BB-
- CRR 5	1.928 to 4.914	—	—	—	—	—	—	—	—	—	BB- to B
- CRR 6	4.915 to 8.860	—	—	—	—	—	—	—	—	—	B-
- CRR 7	8.861 to 15.000	—	—	—	—	—	—	—	—	—	CCC+
- CRR 8	15.001 to 99.999	—	—	—	—	—	—	—	—	—	CCC to C
- CRR 9/10	100.000	—	—	2	2	—	—	(2)	(2)	100.0	D
At 31 Dec 2024		66,233	10,181	2,677	79,091	(158)	(320)	(481)	(959)	1.2	

Risk review

Wholesale lending – credit risk profile by obligor grade for loan and other credit-related commitments and financial guarantees

	Basel one-year PD range %	Gross carrying amount				Allowance for ECL				ECL coverage %	Mapped external rating
		Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m		
Loan and other credit-related commitments		35,924	1,880	170	37,974	(22)	(12)	(20)	(54)	0.1	
– CRR 1	0.000 to 0.053	2,382	84	–	2,466	–	–	–	–	–	AA- and above
– CRR 2	0.054 to 0.169	8,577	6	–	8,583	(1)	–	–	(1)	–	A+ to A-
– CRR 3	0.170 to 0.740	14,713	52	–	14,765	(5)	–	–	(5)	–	BBB+ to BBB-
– CRR 4	0.741 to 1.927	6,030	499	–	6,529	(4)	(2)	–	(6)	0.1	BB+ to BB-
– CRR 5	1.928 to 4.914	4,018	631	–	4,649	(11)	(2)	–	(13)	0.3	BB- to B
– CRR 6	4.915 to 8.860	181	392	–	573	(1)	(3)	–	(4)	0.7	B-
– CRR 7	8.861 to 15.000	21	167	–	188	–	(1)	–	(1)	0.5	CCC+
– CRR 8	15.001 to 99.999	2	49	–	51	–	(4)	–	(4)	7.8	CCC to C
– CRR 9/10	100.000	–	–	170	170	–	–	(20)	(20)	11.8	D
Financial guarantees		824	33	37	894	–	–	(11)	(11)	1.2	
– CRR 1	0.000 to 0.053	2	–	–	2	–	–	–	–	–	AA- and above
– CRR 2	0.054 to 0.169	262	–	–	262	–	–	–	–	–	A+ to A-
– CRR 3	0.170 to 0.740	179	1	–	180	–	–	–	–	–	BBB+ to BBB-
– CRR 4	0.741 to 1.927	200	6	–	206	–	–	–	–	–	BB+ to BB-
– CRR 5	1.928 to 4.914	179	17	–	196	–	–	–	–	–	BB- to B
– CRR 6	4.915 to 8.860	2	3	–	5	–	–	–	–	–	B-
– CRR 7	8.861 to 15.000	–	3	–	3	–	–	–	–	–	CCC+
– CRR 8	15.001 to 99.999	–	3	–	3	–	–	–	–	–	CCC to C
– CRR 9/10	100.000	–	–	37	37	–	–	(11)	(11)	29.7	D
At 31 Dec 2025		36,748	1,913	207	38,868	(22)	(12)	(31)	(65)	0.2	
Loan and other credit-related commitments		29,868	3,465	347	33,680	(21)	(28)	(43)	(92)	0.3	
– CRR 1	0.000 to 0.053	2,545	–	–	2,545	–	–	–	–	–	AA- and above
– CRR 2	0.054 to 0.169	7,048	241	–	7,289	(2)	(1)	–	(3)	–	A+ to A-
– CRR 3	0.170 to 0.740	10,667	1,196	–	11,863	(4)	(5)	–	(9)	0.1	BBB+ to BBB-
– CRR 4	0.741 to 1.927	6,180	594	–	6,774	(5)	(2)	–	(7)	0.1	BB+ to BB-
– CRR 5	1.928 to 4.914	3,080	756	–	3,836	(9)	(6)	–	(15)	0.4	BB- to B
– CRR 6	4.915 to 8.860	234	337	–	571	(1)	(3)	–	(4)	0.7	B-
– CRR 7	8.861 to 15.000	110	164	–	274	–	(3)	–	(3)	1.1	CCC+
– CRR 8	15.001 to 99.999	4	177	–	181	–	(8)	–	(8)	4.4	CCC to C
– CRR 9/10	100.000	–	–	347	347	–	–	(43)	(43)	12.4	D
Financial guarantees		571	154	8	733	–	–	(3)	(3)		
– CRR 1	0.000 to 0.053	3	–	–	3	–	–	–	–	–	AA- and above
– CRR 2	0.054 to 0.169	198	–	–	198	–	–	–	–	–	A+ to A-
– CRR 3	0.170 to 0.740	203	11	–	214	–	–	–	–	–	BBB+ to BBB-
– CRR 4	0.741 to 1.927	97	41	–	138	–	–	–	–	–	BB+ to BB-
– CRR 5	1.928 to 4.914	67	24	–	91	–	–	–	–	–	BB- to B
– CRR 6	4.915 to 8.860	1	32	–	33	–	–	–	–	–	B-
– CRR 7	8.861 to 15.000	2	33	–	35	–	–	–	–	–	CCC+
– CRR 8	15.001 to 99.999	–	13	–	13	–	–	–	–	–	CCC to C
– CRR 9/10	100.000	–	–	8	8	–	–	(3)	(3)	37.5	D
At 31 Dec 2024		30,439	3,619	355	34,413	(21)	(28)	(46)	(95)	0.3	

Risk review

Commercial real estate

CRE lending includes the financing of corporate, institutional and high net worth customers who are investing primarily in income-producing assets and, to a lesser extent, in their construction and development. Our exposure mainly comprises the financing of investment assets, the redevelopment of existing stock and the augmentation of both commercial and residential markets to support economic growth.

Commercial real estate lending

	2025 £m	2024 £m
Gross loans and advances		
Stage 1	11,083	7,489
Stage 2	1,458	3,230
Stage 3	264	392
POCI	—	—
At 31 Dec	12,805	11,111
– of which: forbore loans	306	400
Allowance for ECL	(148)	(162)

Refinance risk in commercial real estate

CRE lending tends to require the repayment of a significant proportion of the principal at maturity. Typically, a customer will arrange repayment through the acquisition of a new loan to settle the existing debt. Refinance risk is the risk that a customer, being unable to repay the debt on maturity, fails to refinance it at commercial rates. We monitor our CRE portfolio closely, assessing indicators for signs of potential issues with refinancing.

Commercial real estate gross loans and advances maturity analysis

	2025 £m	2024 £m
< 1 year	2,902	2,780
1-2 years	2,833	2,633
2-5 years	6,543	5,289
> 5 years	527	409
At 31 Dec	12,805	11,111

Collateral and other credit enhancement held

(Audited)

Although collateral can be an important mitigant of credit risk, it is HSBC UK's practice to typically lend on the basis of the customer's ability to meet their obligations out of their cash flow resources rather than placing primarily reliance on the collateral and other credit risk enhancements. Depending on the customer's standing and the type of product, facilities may be provided unsecured.

For other lending, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of a default, HSBC UK may utilise the collateral as a source of repayment.

Depending on its form, collateral can have a significant financial effect in mitigating exposure to credit risk. Where there is sufficient collateral, an expected credit loss is not recognised. This is the case for reverse repurchase agreements and for certain loans and advances to customers where the LTV is very low.

Mitigants may include a charge on borrowers' specific assets, such as real estate or financial instruments. Risk may also be managed by employing other types of collateral and credit risk enhancements, such as second charges, other liens and unsupported guarantees.

Collateral on loans and advances

Collateral held is analysed separately for CRE and for other corporate and commercial and financial (non-bank) lending. The following tables include off-balance sheet loan commitments, primarily undrawn credit lines.

The collateral measured in the following tables consists of fixed first charges on real estate, and charges over cash and marketable financial instruments. The values in the tables represent the expected market value on an open market basis, actual values realised are a function of market conditions. No adjustment has been made to the collateral for any expected costs of recovery. Marketable securities are measured at their fair value.

Other types of collateral such as unsupported guarantees and floating charges over the assets of a customer's business are not measured in the following tables. While such mitigants have value, often providing rights in insolvency, their assignable value is not sufficiently certain and they are therefore assigned no value for disclosure purposes.

The LTV ratios presented are calculated by directly associating loans and advances with the collateral that individually and uniquely supports each facility. When collateral assets are shared by multiple loans and advances, whether specifically or, more generally, by way of an all monies charge, the collateral value is pro-rated across the loans and advances protected by the collateral.

For credit-impaired loans, the collateral values cannot be directly compared with impairment allowances recognised. The LTV figures use open market values with no adjustments, actual values realised are a function of market conditions. Impairment allowances are calculated on a different basis, by considering other cash flows and adjusting collateral values for costs of realising collateral as explained further on page 86.

Commercial real estate loans and advances

The value of CRE collateral is determined by using a combination of external and internal valuations and physical inspections.

Facilities of a working capital nature are generally not secured by a first fixed charge, and are therefore disclosed as not collateralised.

Risk review

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

(Audited)

	Gross carrying/nominal amount				ECL coverage			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 %	Stage 2 %	Stage 3 %	Total %
Non Collateralised	6,130	275	42	6,447	0.2	8.7	19.0	0.7
Fully collateralised by LTV ratio	8,826	1,237	265	10,328	0.1	2.6	21.9	1.0
– less than 50%	3,402	320	27	3,749	0.2	1.3	37.0	0.5
– 51% to 75%	3,993	681	156	4,830	0.2	3.8	25.0	1.5
– 76% to 90%	1,084	229	80	1,393	0.1	0.9	10.0	0.8
– 91% to 100%	347	7	2	356	–	–	50.0	0.3
Partially collateralised (A): LTV > 100%	1,574	86	50	1,710	0.1	1.2	18.0	0.7
– collateral value on A	1,030	81	32	1,143				
Total at 31 Dec 2025	16,530	1,598	357	18,485	0.2	3.6	21.0	0.9
Non Collateralised	3,410	1,462	102	4,974	0.4	3.7	27.7	2.0
Fully collateralised by LTV ratio	7,016	2,524	243	9,783	0.2	1.1	8.1	0.6
– less than 50%	2,167	585	127	2,879	0.2	1.5	8.0	0.8
– 51% to 75%	3,273	1,350	56	4,679	0.2	1.2	11.5	0.6
– 76% to 90%	935	583	19	1,537	0.1	0.3	10.3	0.3
– 91% to 100%	641	6	41	688	0.1	7.8	2.7	0.3
Partially collateralised (A): LTV > 100%	387	449	95	931	0.3	2.9	21.1	3.7
– collateral value on A	223	278	55	556				
Total at 31 Dec 2024	10,813	4,435	440	15,688	0.2	2.1	15.4	1.2

Other corporate, commercial and financial (non-bank) loans and advances

Other corporate, commercial and financial (non-bank) loans are analysed separately in the following table. For financing activities in other corporate and commercial lending that are not predominantly CRE-oriented, collateral value is not strongly correlated to principal repayment performance.

Collateral values are generally refreshed when an obligor's general credit performance deteriorates and HSBC UK have to assess the likely performance of secondary sources of repayment should it prove necessary to rely on them.

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

(Audited)

	Gross carrying/nominal amount				ECL coverage			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 %	Stage 2 %	Stage 3 %	Total %
Non Collateralised	66,789	5,334	1,425	73,548	0.1	2.6	28.2	0.9
Fully collateralised by LTV ratio	16,680	2,027	701	19,408	0.1	2.2	9.0	0.7
– less than 50%	6,559	714	320	7,593	0.2	2.1	9.1	0.7
– 51% to 75%	5,995	925	235	7,155	0.1	2.4	7.7	0.7
– 76% to 90%	1,900	215	105	2,220	0.1	2.3	10.5	0.8
– 91% to 100%	2,226	173	41	2,440	0.1	1.2	12.2	0.4
Partially collateralised (A): LTV > 100%	5,950	838	246	7,034	0.1	1.3	16.7	0.8
– collateral value on A	3,447	457	167	4,071				
Total at 31 Dec 2025	89,419	8,199	2,372	99,990	0.1	2.4	21.3	0.8
Non Collateralised	59,272	6,313	1,577	67,162	0.2	2.9	24.0	1.0
Fully collateralised by LTV ratio	14,734	2,258	769	17,761	0.1	2.5	5.6	0.7
– less than 50%	5,800	947	377	7,124	0.1	2.3	2.7	0.6
– 51% to 75%	5,119	881	194	6,194	0.2	3.0	7.2	0.8
– 76% to 90%	1,843	292	103	2,238	0.2	2.4	15.3	1.2
– 91% to 100%	1,972	138	95	2,205	0.2	2.1	3.5	0.4
Partially collateralised (A): LTV > 100%	5,481	839	310	6,630	0.2	1.3	10.6	0.8
– collateral value on A	2,979	463	200	3,642				
Total at 31 Dec 2024	79,487	9,410	2,656	91,553	0.2	2.7	17.1	0.9

Other credit risk exposures

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

- Some securities issued by governments, banks and other financial institutions benefit from additional credit enhancement provided by government guarantees that cover the assets;
- Debt securities issued by banks and financial institutions include asset-backed securities and similar instruments which are supported by underlying pools of financial assets; and
- HSBC UK's maximum exposure to credit risk includes financial guarantees and similar contracts granted, as well as loan and other credit-related commitments. Depending on the terms of the arrangement, we may use additional credit mitigation if a guarantee is called upon or a loan commitment is drawn and subsequently defaults.

Risk review

Personal lending

We provide a broad range of secured and unsecured personal lending products to meet customer needs. Personal lending includes advances to customers for asset purchases such as residential property where the loans are secured by the assets being acquired. We also offer unsecured lending products such as overdrafts, credit

cards and personal loans. Mortgages Stage 2 balances and ECL have reduced at 31 December 2025 when compared with 31 December 2024 due to an ECL model update to align PD to the most recent observed performance of the portfolio.

The following table shows the levels of personal lending products in the various portfolios.

Total personal lending for loans and advances to customers at amortised costs by stage distribution

	Gross carrying amount				Allowance for ECL			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
By portfolio								
First lien residential mortgages	129,401	9,272	587	139,260	(16)	(25)	(59)	(100)
Credit Cards	5,603	982	120	6,705	(65)	(146)	(45)	(256)
Other personal lending	7,947	569	188	8,704	(68)	(64)	(87)	(219)
– other personal lending which is secured	1,118	41	12	1,171	–	–	(1)	(1)
– other personal lending which is unsecured	6,829	528	176	7,533	(68)	(64)	(86)	(218)
At 31 Dec 2025	142,951	10,823	895	154,669	(149)	(235)	(191)	(575)

Total personal credit-related commitments and financial guarantees by stage distribution

	Nominal amount				Allowance for ECL			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
At 31 Dec 2025	41,468	600	32	42,100	(11)	(4)	–	(15)

Total personal lending for loans and advances to customers at amortised costs by stage distribution

	Gross carrying amount				Allowance for ECL			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
By portfolio								
First lien residential mortgages	108,649	23,681	564	132,894	(15)	(42)	(48)	(105)
Credit Cards	5,574	645	105	6,324	(42)	(137)	(46)	(225)
Other personal lending	7,215	645	188	8,048	(60)	(66)	(75)	(201)
– other personal lending which is secured	954	47	15	1,016	–	–	(1)	(1)
– other personal lending which is unsecured	6,261	598	173	7,032	(60)	(66)	(74)	(200)
At 31 Dec 2024	121,438	24,971	857	147,266	(117)	(245)	(169)	(531)

Total personal credit-related commitments and financial guarantees by stage distribution

	Nominal amount				Allowance for ECL			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
At 31 Dec 2024	40,718	352	38	41,108	(5)	–	(2)	(7)

Mortgage lending

We offer a wide range of mortgage products designed to meet customer needs, including capital repayment, interest-only and offset mortgages. Internal credit policies prescribe the range of acceptable residential property LTV thresholds with the maximum upper limit for new loans set between 50% and 95%, depending on the product type and loan amount.

We have continued to see net growth in our Mortgage business of £6.4bn in 2025. We have maintained strong presence in the market through 2025 while, where appropriate, strengthening our affordability controls and credit policy to reflect the more uncertain economic outlook.

The quality of our mortgage book remained strong, with low levels of impairment allowances. The average LTV ratio on new lending was 69%, compared with an estimated 55% for the overall mortgage portfolio.

Exposure to interest-only mortgage loans

The following information is presented for the bank's HSBC branded interest-only mortgage loans. This excludes offset mortgages in first direct and PB mortgages. At the end of 2025, the average LTV ratio of the interest-only mortgage loans was 45%, and 98% had a LTV ratio of 75% or less.

Of the interest-only mortgage loans that expired in 2023, 85% were repaid within 12 months of expiry with a total of 92% being repaid within 24 months of expiry. For those expired during 2024, 88% were repaid within 12 months of expiry.

Risk review

The exposure of interest-only mortgage loans at the end of 2025 is £13bn and the maturity profile is as follows:

HSBC interest-only mortgage loans

	£m
Expired interest-only mortgage loans ¹	79
Interest-only mortgage loans by maturity	
– 2026	128
– 2027	245
– 2028	346
– 2029	298
– 2030–2034	2,085
– post 2034	9,430
At 31 Dec 2025	12,611

1 Includes interest-only mortgages which have reached their contractual maturity date, but were unsettled at the end of 2025.

Exposure to offset mortgage in first direct

The offset mortgage in first direct is no longer on sale and is only available for existing offset mortgage customers. It works by grouping together the customer's mortgage, savings and current

accounts to offset their credit and debit balances against their mortgage balance which at the end of 2025 was £2.8bn with an average LTV ratio of 28%.

Personal lending – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees

(Audited)

	Non-credit impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/nominal amount £m	Allowance for ECL £m						
At 1 Jan 2025	162,156	(122)	25,323	(245)	895	(171)	188,374	(538)
Transfers of financial instruments	8,281	(176)	(8,643)	199	362	(23)	–	–
– transfers from stage 1 to stage 2	(20,606)	51	20,606	(51)	–	–	–	–
– transfers from stage 2 to stage 1	28,974	(217)	(28,974)	217	–	–	–	–
– transfers to stage 3	(218)	7	(417)	61	635	(68)	–	–
– transfers from stage 3	131	(17)	142	(28)	(273)	45	–	–
Net remeasurement of ECL arising from transfer of stage	–	138	–	(103)	–	(4)	–	31
Net new and further lending/repayments	13,982	(22)	(5,257)	45	(39)	47	8,686	70
Changes to risk parameters – credit quality	–	42	–	(134)	–	(319)	–	(411)
Changes to models used for ECL calculation	–	(20)	–	(1)	–	(12)	–	(33)
Assets written off	–	–	–	–	(291)	291	(291)	291
At 31 Dec 2025	184,419	(160)	11,423	(239)	927	(191)	196,769	(590)
ECL income statement change for the period		138		(193)		(288)		(343)
Recoveries								69
Others								–
Total ECL income statement change for the period								(274)
At 1 Jan 2024	155,612	(127)	28,171	(384)	1,024	(202)	184,807	(713)
Transfers of financial instruments	(2,718)	(205)	2,451	199	267	6	–	–
– transfers from stage 1 to stage 2	(23,178)	65	23,178	(65)	–	–	–	–
– transfers from stage 2 to stage 1	20,464	(246)	(20,464)	246	–	–	–	–
– transfers to stage 3	(234)	3	(475)	73	709	(76)	–	–
– transfers from stage 3	230	(27)	212	(55)	(442)	82	–	–
Net remeasurement of ECL arising from transfer of stage	–	153	–	(61)	–	(6)	–	86
Net new and further lending/repayments	9,262	(26)	(5,299)	111	(121)	46	3,842	131
Change to risk parameters – credit quality	–	88	–	(60)	–	(272)	–	(244)
Changes to models used for ECL calculation	–	(5)	–	(50)	–	(18)	–	(73)
Assets written off	–	–	–	–	(275)	275	(275)	275
At 31 Dec 2024	162,156	(122)	25,323	(245)	895	(171)	188,374	(538)
ECL income statement change for the period		210		(60)		(250)		(100)
Recoveries								61
Others								–
Total ECL income statement change for the period								(39)

Risk review

First lien residential mortgages – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/nominal amount £m	Allowance for ECL £m						
At 1 Jan 2025	117,991	(17)	23,801	(42)	571	(47)	142,363	(106)
Transfers of financial instruments	9,596	(37)	(9,778)	35	182	2	—	—
– transfers from stage 1 to stage 2	(17,329)	4	17,329	(4)	—	—	—	—
– transfers from stage 2 to stage 1	26,954	(37)	(26,954)	37	—	—	—	—
– transfers to stage 3	(89)	—	(222)	6	311	(6)	—	—
– transfers from stage 3	60	(4)	69	(4)	(129)	8	—	—
Net remeasurement of ECL arising from transfer of stage	—	19	—	(12)	—	—	—	7
Net new and further lending/repayments	11,518	(1)	(4,700)	5	(149)	5	6,669	9
Change to risk parameters – credit quality	—	14	—	(8)	—	(30)	—	(24)
Changes to models used for ECL calculation	—	4	—	(3)	—	—	—	1
Assets written off	—	—	—	—	(11)	11	(11)	11
At 31 Dec 2025	139,105	(18)	9,323	(25)	593	(59)	149,021	(102)
ECL income statement change for the period		36		(18)		(25)		(7)
Recoveries								—
Others								—
Total ECL income statement change for the period								(7)
At 1 Jan 2024	113,303	(19)	25,510	(82)	605	(60)	139,418	(161)
Transfers of financial instruments	(3,073)	(44)	2,946	43	127	1	—	—
– transfers from stage 1 to stage 2	(21,016)	7	21,016	(7)	—	—	—	—
– transfers from stage 2 to stage 1	17,954	(47)	(17,954)	47	—	—	—	—
– transfers to stage 3	(61)	—	(170)	7	231	(7)	—	—
– transfers from stage 3	50	(4)	54	(4)	(104)	8	—	—
Net remeasurement of ECL arising from transfer of stage	—	16	—	(13)	—	—	—	3
Net new and further lending/repayments	7,761	(4)	(4,655)	7	(157)	7	2,949	10
Change to risk parameters – credit quality	—	34	—	(1)	—	1	—	34
Changes to models used for ECL calculation	—	—	—	4	—	—	—	4
Assets written off	—	—	—	—	(4)	4	(4)	4
At 31 Dec 2024	117,991	(17)	23,801	(42)	571	(47)	142,363	(106)
ECL income statement change for the period		46		(3)		8		51
Recoveries								—
Others								—
Total ECL income statement change for the period								51

Risk review

Credit cards – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees

	Non-credit impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/nominal amount £m	Allowance for ECL £m						
At 1 Jan 2025	30,183	(47)	808	(136)	125	(46)	31,116	(229)
Transfers of financial instruments	(874)	(101)	786	117	88	(16)	—	—
– transfers from stage 1 to stage 2	(2,071)	24	2,071	(24)	—	—	—	—
– transfers from stage 2 to stage 1	1,215	(123)	(1,215)	123	—	—	—	—
– transfers to stage 3	(55)	2	(102)	28	157	(30)	—	—
– transfers from stage 3	37	(4)	32	(10)	(69)	14	—	—
Net remeasurement of ECL arising from transfer of stage	—	82	—	(72)	—	(2)	—	8
Net new and further lending/repayments	1,151	2	(142)	11	60	23	1,069	36
Change to risk parameters – credit quality	—	14	—	(70)	—	(128)	—	(184)
Changes to models used for ECL calculation	—	(25)	—	2	—	(13)	—	(36)
Assets written off	—	—	—	—	(135)	135	(135)	135
At 31 Dec 2025	30,460	(75)	1,452	(148)	138	(47)	32,050	(270)
ECL income statement change for the period		73		(129)		(120)		(176)
Recoveries								39
Others								—
Total ECL income statement change for the period								(137)
At 1 Jan 2024	29,045	(49)	1,448	(166)	170	(55)	30,663	(270)
Transfers of financial instruments	265	(89)	(323)	94	58	(5)	—	—
– transfers from stage 1 to stage 2	(949)	31	949	(31)	—	—	—	—
– transfers from stage 2 to stage 1	1,211	(112)	(1,211)	112	—	—	—	—
– transfers to stage 3	(106)	1	(131)	31	237	(32)	—	—
– transfers from stage 3	109	(9)	70	(18)	(179)	27	—	—
Net remeasurement of ECL arising from transfer of stage	—	75	—	(36)	—	(5)	—	34
Net new and further lending/repayments	873	(12)	(317)	62	22	23	578	73
Change to risk parameters – credit quality	—	22	—	(41)	—	(129)	—	(148)
Changes to models used for ECL calculation	—	6	—	(49)	—	—	—	(43)
Assets written off	—	—	—	—	(125)	125	(125)	125
At 31 Dec 2024	30,183	(47)	808	(136)	125	(46)	31,116	(229)
ECL income statement change for the period		91		(64)		(111)		(84)
Recoveries								32
Others								—
Total ECL income statement change for the period								(52)

Risk review

Other personal lending – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/nominal amount	Allowance for ECL						
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2025	13,982	(58)	714	(67)	199	(78)	14,895	(203)
Transfers of financial instruments	(441)	(38)	349	47	92	(9)	—	—
– transfers from stage 1 to stage 2	(1,206)	23	1,206	(23)	—	—	—	—
– transfers from stage 2 to stage 1	805	(57)	(805)	57	—	—	—	—
– transfers to stage 3	(74)	5	(93)	27	167	(32)	—	—
– transfers from stage 3	34	(9)	41	(14)	(75)	23	—	—
Net remeasurement of ECL arising from transfer of stage	—	37	—	(19)	—	(2)	—	16
Net new and further lending/repayments	1,313	(23)	(415)	29	50	19	948	25
Change to risk parameters – credit quality	—	14	—	(56)	—	(161)	—	(203)
Changes to models used for ECL calculation	—	1	—	—	—	1	—	2
Assets written off	—	—	—	—	(145)	145	(145)	145
At 31 Dec 2025	14,854	(67)	648	(66)	196	(85)	15,698	(218)
ECL income statement change for the period		29		(46)		(143)		(160)
Recoveries								30
Others								—
Total ECL income statement change for the period								(130)

At 1 Jan 2024	13,264	(59)	1,213	(136)	249	(87)	14,726	(282)
Transfers of financial instruments	90	(72)	(172)	62	82	10	—	—
– transfers from stage 1 to stage 2	(1,213)	27	1,213	(27)	—	—	—	—
– transfers from stage 2 to stage 1	1,299	(87)	(1,299)	87	—	—	—	—
– transfers to stage 3	(67)	2	(174)	35	241	(37)	—	—
– transfers from stage 3	71	(14)	88	(33)	(159)	47	—	—
Net remeasurement of ECL arising from transfer of stage	—	62	—	(12)	—	(1)	—	49
Net new and further lending/repayments	628	(10)	(327)	42	14	16	315	48
Change to risk parameters – credit quality	—	32	—	(18)	—	(144)	—	(130)
Changes to models used for ECL calculation	—	(11)	—	(5)	—	(18)	—	(34)
Assets written off	—	—	—	—	(146)	146	(146)	146
At 31 Dec 2024	13,982	(58)	714	(67)	199	(78)	14,895	(203)
ECL income statement change for the period		73		7		(147)		(67)
Recoveries								29
Others								—
Total ECL income statement change for the period								(38)

Risk review

Personal lending – credit risk profile by internal PD band for loans and advances to customers at amortised cost

	Gross carrying amount					Allowance for ECL				ECL coverage %
	PD range ^{1,2} %	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	
First lien residential mortgages		129,401	9,272	587	139,260	(16)	(25)	(59)	(100)	0.1
– Band 1	0.000 to 0.250	72,744	555	–	73,299	(5)	(3)	–	(8)	–
– Band 2	0.251 to 0.500	44,658	1,003	–	45,661	(6)	(3)	–	(9)	–
– Band 3	0.501 to 1.500	10,775	5,990	–	16,765	(3)	(9)	–	(12)	0.1
– Band 4	1.501 to 5.000	890	1,402	–	2,292	(1)	(5)	–	(6)	0.3
– Band 5	5.001 to 20.000	144	216	–	360	–	(2)	–	(2)	0.6
– Band 6	20.001 to 99.999	190	106	–	296	(1)	(3)	–	(4)	1.4
– Band 7	100.00	–	–	587	587	–	–	(59)	(59)	10.1
Credit cards		5,603	982	120	6,705	(65)	(146)	(45)	(256)	3.8
– Band 1	0.000 to 0.250	2,360	–	–	2,360	(3)	–	–	(3)	0.1
– Band 2	0.251 to 0.500	657	–	–	657	(4)	–	–	(4)	0.6
– Band 3	0.501 to 1.500	1,205	43	–	1,248	(13)	(2)	–	(15)	1.2
– Band 4	1.501 to 5.000	1,058	465	–	1,523	(27)	(36)	–	(63)	4.1
– Band 5	5.001 to 20.000	311	392	–	703	(16)	(73)	–	(89)	12.7
– Band 6	20.001 to 99.999	12	82	–	94	(2)	(35)	–	(37)	39.4
– Band 7	100.00	–	–	120	120	–	–	(45)	(45)	37.5
Other personal lending (excluding credit cards)		7,947	569	188	8,704	(68)	(64)	(87)	(219)	2.5
– Band 1	0.000 to 0.250	1,803	1	–	1,804	(2)	–	–	(2)	0.1
– Band 2	0.251 to 0.500	697	–	–	697	(1)	–	–	(1)	0.1
– Band 3	0.501 to 1.500	2,905	1	–	2,906	(16)	–	–	(16)	0.6
– Band 4	1.501 to 5.000	2,250	130	–	2,380	(34)	(4)	–	(38)	1.6
– Band 5	5.001 to 20.000	286	380	–	666	(14)	(38)	–	(52)	7.8
– Band 6	20.001 to 99.999	6	57	–	63	(1)	(22)	–	(23)	36.5
– Band 7	100.00	–	–	188	188	–	–	(87)	(87)	46.3
At 31 Dec 2025		142,951	10,823	895	154,669	(149)	(235)	(191)	(575)	0.4

First lien residential mortgages		108,649	23,681	564	132,894	(15)	(42)	(48)	(105)	0.1
– Band 1	0.000 to 0.250	65,282	1,174	–	66,456	(6)	(2)	–	(8)	–
– Band 2	0.251 to 0.500	36,307	9,189	–	45,496	(6)	(8)	–	(14)	–
– Band 3	0.501 to 1.500	6,379	10,720	–	17,099	(2)	(17)	–	(19)	0.1
– Band 4	1.501 to 5.000	518	1,985	–	2,503	–	(8)	–	(8)	0.3
– Band 5	5.001 to 20.000	75	421	–	496	–	(3)	–	(3)	0.6
– Band 6	20.001 to 99.999	88	192	–	280	(1)	(4)	–	(5)	1.8
– Band 7	100.00	–	–	564	564	–	–	(48)	(48)	8.5
Credit cards		5,574	645	105	6,324	(42)	(137)	(46)	(225)	3.6
– Band 1	0.000 to 0.250	2,395	–	–	2,395	(3)	–	–	(3)	0.1
– Band 2	0.251 to 0.500	777	–	–	777	(3)	–	–	(3)	0.4
– Band 3	0.501 to 1.500	1,156	–	–	1,156	(10)	–	–	(10)	0.9
– Band 4	1.501 to 5.000	1,246	–	–	1,246	(26)	–	–	(26)	2.1
– Band 5	5.001 to 20.000	–	600	–	600	–	(118)	–	(118)	19.7
– Band 6	20.001 to 99.999	–	45	–	45	–	(19)	–	(19)	42.2
– Band 7	100.00	–	–	105	105	–	–	(46)	(46)	43.8
Other personal lending (excluding credit cards)		7,215	645	188	8,048	(60)	(66)	(75)	(201)	2.5
– Band 1	0.000 to 0.250	1,184	1	–	1,185	(1)	–	–	(1)	0.1
– Band 2	0.251 to 0.500	870	–	–	870	(1)	–	–	(1)	0.1
– Band 3	0.501 to 1.500	2,555	11	–	2,566	(14)	–	–	(14)	0.5
– Band 4	1.501 to 5.000	2,228	190	–	2,418	(29)	(7)	–	(36)	1.5
– Band 5	5.001 to 20.000	373	317	–	690	(14)	(30)	–	(44)	6.4
– Band 6	20.001 to 99.999	5	126	–	131	(1)	(29)	–	(30)	22.9
– Band 7	100.00	–	–	188	188	–	–	(75)	(75)	39.9
At 31 Dec 2024		121,438	24,971	857	147,266	(117)	(245)	(169)	(531)	0.4

1 12-month point in time adjusted for multiple economic scenarios.

2 PD bands do not consider the impact of any management judgemental adjustments on stage or allowances for ECL, including the impact of new models not yet formally implemented. For a list of management judgemental adjustments see pages 32 to 33.

Risk review

Personal lending – credit risk profile by internal PD band for loan and other credit-related commitments and financial guarantees

	PD range ¹ %	Nominal amount				Allowance for ECL				ECL coverage %
		Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	
Loan and other credit-related commitments		41,165	600	32	41,797	(11)	(4)	–	(15)	–
– Band 1	0.000 to 0.250	31,597	38	–	31,635	(4)	–	–	(4)	–
– Band 2	0.251 to 0.500	3,317	42	–	3,359	(1)	–	–	(1)	–
– Band 3	0.501 to 1.500	4,265	49	–	4,314	(4)	–	–	(4)	0.1
– Band 4	1.501 to 5.000	1,748	317	–	2,065	(2)	(3)	–	(5)	0.2
– Band 5	5.001 to 20.000	235	122	–	357	–	–	–	–	–
– Band 6	20.001 to 99.999	3	32	–	35	–	(1)	–	(1)	2.9
– Band 7	100.000	–	–	32	32	–	–	–	–	–
Financial guarantees		303	–	–	303	–	–	–	–	–
– Band 1	0.000 to 0.250	303	–	–	303	–	–	–	–	–
– Band 2	0.251 to 0.500	–	–	–	–	–	–	–	–	–
– Band 3	0.501 to 1.500	–	–	–	–	–	–	–	–	–
– Band 4	1.501 to 5.000	–	–	–	–	–	–	–	–	–
– Band 5	5.001 to 20.000	–	–	–	–	–	–	–	–	–
– Band 6	20.001 to 99.999	–	–	–	–	–	–	–	–	–
– Band 7	100.000	–	–	–	–	–	–	–	–	–
At 31 Dec 2025		41,468	600	32	42,100	(11)	(4)	–	(15)	–

Loan and other credit-related commitments		40,412	345	38	40,795	(5)	–	(2)	(7)	–
– Band 1	0.000 to 0.250	33,780	44	–	33,824	(4)	–	–	(4)	–
– Band 2	0.251 to 0.500	2,109	1	–	2,110	(1)	–	–	(1)	–
– Band 3	0.501 to 1.500	2,210	4	–	2,214	–	–	–	–	–
– Band 4	1.501 to 5.000	2,051	51	–	2,102	–	–	–	–	–
– Band 5	5.001 to 20.000	216	207	–	423	–	–	–	–	–
– Band 6	20.001 to 99.999	46	38	–	84	–	–	–	–	–
– Band 7	100.000	–	–	38	38	–	–	(2)	(2)	5.3
Financial guarantees		306	7	–	313	–	–	–	–	–
– Band 1	0.000 to 0.250	–	–	–	–	–	–	–	–	–
– Band 2	0.251 to 0.500	290	–	–	290	–	–	–	–	–
– Band 3	0.501 to 1.500	14	–	–	14	–	–	–	–	–
– Band 4	1.501 to 5.000	–	–	–	–	–	–	–	–	–
– Band 5	5.001 to 20.000	2	7	–	9	–	–	–	–	–
– Band 6	20.001 to 99.999	–	–	–	–	–	–	–	–	–
– Band 7	100.000	–	–	–	–	–	–	–	–	–
At 31 Dec 2024		40,718	352	38	41,108	(5)	–	(2)	(7)	–

1 12-month point in time adjusted for multiple economic scenarios.

Collateral on loans and advances

(Audited)

The following table provides a quantification of the value of fixed charges HSBC UK holds over specific assets where it has a history of enforcing, and is able to enforce, collateral in satisfying a debt in the event of the borrower failing to meet its contractual obligations, and where the collateral is cash or can be realised by sale in an

established market. The collateral valuation excludes any adjustments for obtaining and selling the collateral and, in particular, loans shown as not collateralised or partially collateralised may also benefit from other forms of credit mitigants.

Risk review

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

(Audited)

	Gross carrying/nominal amount				ECL coverage			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 %	Stage 2 %	Stage 3 %	Total %
Fully collateralised by LTV ratio	139,069	9,322	588	148,979	—	0.3	9.9	0.1
– less than 50%	56,928	5,096	301	62,325	—	0.1	8.3	0.1
– 51% to 70%	44,840	2,940	184	47,964	—	0.3	8.7	0.1
– 71% to 80%	18,485	872	61	19,418	—	0.6	14.8	0.1
– 81% to 90%	16,390	386	34	16,810	—	0.8	17.6	0.1
– 91% to 100%	2,426	28	8	2,462	—	—	25.0	0.1
Partially collateralised (A): LTV > 100%	36	1	5	42	—	—	40.0	4.8
– collateral value on A	18	—	5	23	—	—	—	—
Total at 31 Dec 2025	139,105	9,323	593	149,021	—	0.3	10.1	0.1
Fully collateralised by LTV ratio	117,879	23,789	567	142,235	—	0.2	8.3	0.1
– less than 50%	48,999	12,995	340	62,334	—	0.1	7.1	0.1
– 51% to 70%	39,117	8,126	151	47,394	—	0.2	9.3	0.1
– 71% to 80%	15,943	1,888	50	17,881	—	0.4	12.0	0.1
– 81% to 90%	12,554	730	18	13,302	—	0.5	11.1	0.1
– 91% to 100%	1,266	50	8	1,324	—	—	12.5	0.2
Partially collateralised (A): LTV > 100%	112	12	4	128	—	—	25.0	0.8
– collateral value on A	87	9	3	99	—	—	—	—
Total at 31 Dec 2024	117,991	23,801	571	142,363	—	0.2	8.4	0.1

Treasury risk

See page 21 for our definition of Treasury risk.

Approach and Policy

(Audited)

We manage treasury risk in order to maintain appropriate levels of capital, liquidity, funding, foreign exchange and non-traded market risk to support our business strategy and meet our regulatory requirements, including those related to stress testing.

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

Our policy is supported by a risk management framework with further details provided on page 14.

- ▶ For further details, refer to our Pillar 3 Disclosures at 31 December 2025.

Treasury Risk Management

Key developments in 2025

- The group continues to maintain and benefit from a healthy capital, liquidity and funding position, which has been resilient throughout the periods of volatility in the macroeconomic environment and global markets during 2025.
- ▶ See page 16 for a summary of key risks including geopolitical and macroeconomic risks that we are managing.
- The bank issued its first EUR denominated covered bond with a principal amount of €750m in June 2025. The issuance adds to the outstanding GBP covered bond issuances.
- HSBC UK executed a £5bn Collateralised Lending Obligation ('CLO') in November 2025.
- Plans to utilise part of the surplus in the HBUK section of the HSBC Bank (UK) Pension Scheme to support certain of the bank's employer pension contributions have been delayed pending legal clarification and Court approval of the pension scheme's governing documentation.
- ▶ For quantitative disclosures on capital ratios, own funds and Risk-Weighted Assets ('RWAs'), see pages 56 to 57. For quantitative disclosures on liquidity and funding metrics, see page 57.

Governance and structure

The CRCO is the accountable risk steward, and the CFO is the risk owner, for all treasury risks.

Capital risk, liquidity risk, interest rate risk in the banking book ('IRRBB'), structural foreign exchange risk and transactional foreign exchange risk are the responsibility of the CFO and overseen by the Risk Committee. Treasury actively manages these risks on an ongoing basis, supported by the HSBC UK Finance Management Meeting ('FMM').

Pension risk is overseen by a Pensions RMM chaired by the accountable risk steward.

Capital, liquidity and funding risk management

Assessment and risk appetite

Our capital management approach is underpinned by a global capital risk policy and supporting frameworks for recovery and resolution planning and stress testing. The policy outlines our approach to determining key capital risk appetites including CET1, total capital, minimum requirements for own funds and eligible liabilities ('MREL'), and the leverage ratio. Our ICAAP evaluates the group's capital position, considering both regulatory and internal capital resources and requirements.

HSBC Holdings provides our MREL, including equity and non-equity capital. These investments are funded by HSBC Holdings' plc own equity capital and MREL-eligible debt. MREL includes own funds and eligible liabilities that can be written down or converted into capital resources in order to absorb losses or recapitalise a bank in the event of its failure. In line with our existing structure and business model, HSBC has three resolution groups – the European (of which HSBC UK forms part), the Asian and the US resolution groups.

We seek to ensure management oversight of our liquidity and funding risks at group and entity level through governance engagements aligned with our risk management framework. Liquidity and funding risks are managed in accordance with globally consistent policies, procedures and reporting standards.

Our ILAAP seeks to ensure that we have strategies, policies, processes and systems in place for the identification, measurement, management and monitoring of liquidity risk across various time horizons, including intra-day. The ILAAP informs the setting of risk

Risk review

appetite and helps to assess our capability to manage liquidity and funding effectively. Metrics are set and managed locally but are subject to global review and challenge to help ensure consistency of approach and application of the HSBC Group's policies and controls.

Planning and performance

Capital and RWAs are integral to our annual financial resource plan that is approved by the Board. Capital and RWA forecasts are submitted to the FMM on a monthly basis, and capital and RWAs are monitored and managed against the plan.

Our internal governance processes aim to enhance discipline over our investment and capital allocation decisions, helping to ensure that returns align with management's objectives. The Group allocates financial resources to businesses and entities to support the execution of our strategy and to help meet their regulatory and economic capital needs. We assess business returns by using a RoTE measure and a related economic profit measure.

Funding and liquidity plans also form part of the Board-approved financial resource plan. Key measures include LCR, net stable funding ratio ('NSFR'), and an internal liquidity metric. We employ a set of measures to maintain a suitable funding and liquidity profile, such as depositor concentration limits, intra-day liquidity and forward-looking funding assessments.

► For details on regulatory developments see our Pillar 3 Disclosures at 31 December 2025.

Stress testing and recovery and resolution planning

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

In addition to our internal stress tests, we undergo supervisory stress testing by the PRA and the BoE. The results from these tests are used for evaluating our internal capital and liquidity needs through the ICAAP and ILAAP. The outcomes of these assessments influence the establishment of regulatory requirements and inform the setting of internal management buffers.

Stress tests are input into business performance through tangible equity allocation, and prompt a reassessment of business plans when capital, liquidity or returns fall short of targets. These tests also inform risk mitigation strategies and aid in recovery and resolution planning. We maintain recovery plans outlining potential stress events that could result in a breach of capital or liquidity buffers.

Our recovery plan establishes a framework and governance arrangements to support restoring HSBC UK to a stable and viable position, helping to reduce the probability of failure from either specific stress or systemic market-wide issues. Our recovery plan provides detailed actions that could be taken to help stabilise our financial position in stress environments.

The HSBC Group, including HSBC UK Bank plc, is equipped with the necessary capabilities and resources to help manage the unlikely scenario in which HSBC becomes non-recoverable and requires regulatory resolution. We are committed to continuous improvement of recovery and resolution capabilities, aligning with the BoE's expectations and Resolvability Assessment Framework ('RAF') requirements.

Measurement of interest rate risk in the banking book processes

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

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

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

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

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

Interest Rate Risk in the Banking book in 2025

Banking net interest income sensitivity

BNII sensitivity assesses the risk to earnings from the banking book due to changes in market implied interest rates over a 12-month period using a static rolling balance sheet assumption.

The static assumptions ensure that IRRBB management actions concentrate on risks which can be managed within Treasury. However, for certain interest bearing non-maturity deposits, we use dynamic assumptions to accurately capture any potential changes over the potential shock horizon and rate scenario.

At 31 December 2025, the 12-month BNII sensitivity for the bank to an immediate 100 bps parallel shock to interest rates is £281m for an upwards shock (31 December 2024: £207m), and £(377)m for a downwards shock (31 December 2024: £(298)m). This assessment is based on a static balance sheet with no management actions from Treasury, a 50% pass-on assumption on certain interest-bearing deposits and excludes pensions.

► Further details of HSBC UK's risk management of IRRBB can be found in our Pillar 3 Disclosures at 31 December 2025.

Non-trading portfolios

Non-trading portfolios consist of positions primarily arising from managing interest rates related to our retail and wholesale banking assets and liabilities. They also include financial investments assessed at FVOCI or at amortised cost.

The following table summarises the main risk types where non-trading market risks reside, and the market risk measures used to monitor and limit exposures.

	Non-Trading risk
Risk types	– Interest rates – Credit spreads
Risk measure	Value at risk Sensitivity Stress testing

Value at Risk of the non-trading portfolios

(Audited)

Value at risk ('VaR') of non-trading portfolios is a technique for estimating potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. It is integrated into the market risk management of non-trading portfolios to help provide a comprehensive risk overview, complementing risk sensitivity analysis.

Risk review

Our models predominantly rely on historical simulations incorporating the following features:

- historical market rates and prices, calculated with reference to interest rates, credit spreads and the associated volatilities;
- potential market movements derived from data spanning the past two years; and
- calculations to a 99% confidence level with a 10-day holding period.

Although a valuable guide to risk, VaR is used for non-trading portfolios with awareness of its limitations. For example:

- Historical data used to estimate future market movements may not cover all potential events, particularly those that are extreme in nature. As the model is calibrated on the last 500 business days, it does not adjust instantly to a change in market regime.

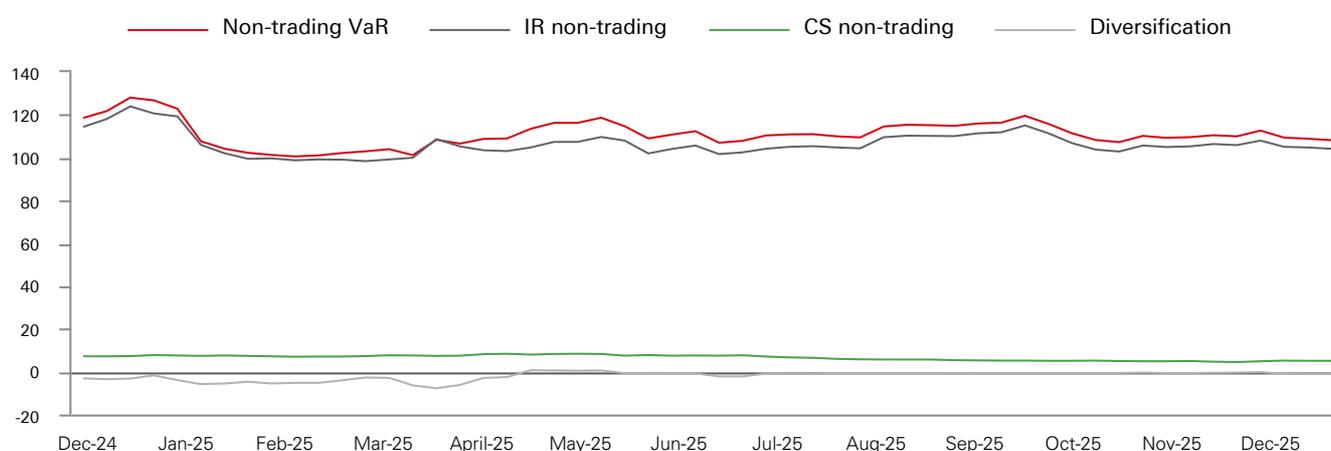
- The 10-day holding period for risk management purposes of non-trading books is an indication and does not reflect the actual time needed to hedge or liquidate positions.
- The use of a 99% confidence level does not consider losses that might occur beyond this level of confidence.

Non-trading VaR includes non-trading financial instruments held in portfolios managed by Treasury.

The non-trading VaR as at 31 December 2025 was £108.2m, predominately driven by IRRBB arising from Markets Treasury business. The non-trading VaR decreased during the year, fluctuating between £100.6m and £128.1m with a 2025 average of £111.0m. Markets remained volatile driven by continued geopolitical events and the shifting of the path of central bank interest rate expectations driven by changes to economic growth, inflation outlook and supply chain disruptions.

The weekly levels of total non-trading VaR over the last year are set out in the graph below.

Weekly VaR (non-trading portfolios), 99% 10 day (£m)



The HSBC UK's non-trading VaR for the year is shown in the table below.

Non-trading VaR, 99% 10 day

(Audited)

	Credit spread £m	Interest Rates £m	Portfolio Diversification ¹ £m	Total ² £m
Balance at 31 Dec 2025	5.1	104.2	(1.1)	108.2
Average	6.6	106.3	(1.9)	111.0
Maximum	8.4	124.0	(1.1)	128.1
Minimum	4.5	98.4	(1.1)	100.6
Balance at 31 Dec 2024	7.2	114.4	(3.1)	118.6
Average	6.4	122.3	(3.9)	124.8
Maximum	7.9	168.4	(3.1)	170.6
Minimum	5.2	86.3	(3.1)	87.7

- Portfolio diversification is the market risk dispersion effect of holding a portfolio containing different risk types. It represents the reduction in unsystematic market risk that occurs when combining a number of different risk types, for example, interest rate and credit risk together in one portfolio. It is measured as the difference between the sum of the VaR by individual risk type and the combined total VaR. A negative number represents the benefit of portfolio diversification. As the maximum occurs on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit for this measure.
- The total VaR is non-additive across risk types due to diversification effects.

Other risks

Non-trading book foreign exchange exposures

Structural foreign exchange exposures

Structural foreign exchange exposures occur when capital is invested or net assets are held in a foreign operation, such as a subsidiary, associate, joint venture or branch operating in a different country or currency than the reporting entity. The functional currency of an entity typically aligns with the primary economic environment in which the entity operates.

HSBC UK has no such foreign operations.

Our structural foreign exchange exposures arising from capital investments and RWAs are managed with the primary objective of ensuring, where practical, that our capital ratios are largely protected from the effect of exchange rates fluctuation.

Transactional foreign exchange exposures

Transactional foreign exchange risk arises primarily from day-to-day transactions in the banking book generating profit and loss or FVOCI reserves in a currency other than the reporting currency of the operating entity. Transactional foreign exchange exposure generated through profit and loss is periodically transferred to Markets and Securities Services and managed within limits, with the exception of limited residual foreign exchange exposure arising from timing differences or for other reasons. Transactional foreign exchange exposure generated through OCI reserves is managed by Markets Treasury within approved appetite.

Pension risk management process

In the UK, all future pension benefits are provided on a defined contribution basis. A defined benefit pension plan remains in respect of past service. The defined benefit pension plan is sectionalised seeking to ensure no entities outside the ring-fence participate in the same section as HSBC UK. In the defined contribution pension plan, the contributions that HSBC UK is required to make are known, while the final pension benefits depend on investment returns from employee selected options. While the market risk of the defined contribution plan is minimal for HSBC UK, operational and reputational risks remain.

In the defined benefit pension plan, the level of pension benefit is known while the level of contributions required by HSBC UK can fluctuate due to a number of risks, including:

- investments delivering a return below that required to provide the projected plan benefits;
- economic environment downturns causing asset value reductions (both equity and debt);
- a change in either interest rates or inflation, causing an increase in the value of the plan liabilities; and
- plan members living longer than expected (longevity risk).

Pension risk is assessed using an economic capital model that takes into account potential variations in these factors. The impact of these variations on both pension assets and pension liabilities is assessed using a one-in-200-year stress test. Scenario analysis and other stress tests are also used to support pension risk management.

To fund the benefits associated with HSBC UK's defined benefit plan, HSBC UK makes contributions in accordance with advice from actuaries and in consultation with the plan's trustees where relevant. Contributions are required when the plan's assets are considered insufficient to cover the existing pension liabilities. Contributions are typically reviewed once every three years.

The defined benefit plan invests contributions in a range of investments designed to limit the risk of assets failing to meet the plan's liabilities. Any changes in expected returns from the investments may also change future contribution requirements. In pursuit of these long-term objectives, an overall target allocation is

established for asset classes of the defined benefit plan. Bonds and derivatives are allocated to match expected benefit outflows so as to reduce interest, inflation and currency risk. Each permitted asset class has its own benchmarks, such as property valuation indices or liability characteristics. The benchmarks are reviewed on a manager by manager basis at least once every three to five years and more frequently if required by circumstances. The process takes account of changes in the plan's liabilities. The most significant benchmark is the interest rate and inflation hedging programme and this was last reviewed during 2025. The assets are invested in a diverse range of asset classes to reduce any concentration of risk.

In addition, the defined benefit plan holds longevity swap contracts offering long term protection against costs resulting from longer than expected lifespans. As at 31 December 2025 the contracts cover approximately 50% of the pension liabilities.

Capital Risk in 2025

Capital overview

Capital adequacy metrics

	At 31 Dec	
	2025	2024
Available capital (£m)		
Common equity tier 1 capital	15,509	15,059
Tier 1 capital	18,218	17,307
Total regulatory capital	21,888	20,500
Risk-weighted assets (£m)		
Credit risk	100,297	94,418
Counterparty credit risk	255	243
Market risk	97	173
Operational risk	16,814	15,589
Total risk-weighted assets	117,463	110,423
Capital ratios (%)		
Common equity tier 1	13.2	13.6
Total tier 1	15.5	15.7
Total capital	18.6	18.6
Leverage ratio		
Total leverage ratio exposure measure (£m)	325,950	297,157
Leverage ratio (%)	5.6	5.8

References to EU regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulation or directive, as onshored into UK law under the EU (Withdrawal) Act 2018, and as may be subsequently amended under UK law.

Capital figures and ratios are calculated in accordance with the regulatory requirements of the Capital Requirements Regulation and Directive, the CRR II regulation and the PRA Rulebook ('CRR II').

Effective 1 January 2025, the IFRS 9 transitional arrangements came to an end. Accordingly, our current period capital figures are the same on both the transitional and end-point basis.

Own funds

At 31 December 2025, our CET1 capital ratio decreased to 13.2% from 13.6% at 31 December 2024.

The key drivers for the decrease in the CET1 capital ratio were:

- a decrease of 0.8% driven by a £7bn increase in RWAs mainly from growth in lending, increase in operational risk RWAs and changes in asset quality. This was partly offset by reductions from the execution of a new CLO, credit risk parameter refinements and model updates;
- an increase of 0.4% from £0.6bn of capital generation mainly through profits net of dividends, partly offset by a £0.2bn increase in regulatory deductions.

Our Pillar 2A requirement at 31 December 2025, as per the PRA's Individual Capital Requirement based on a point-in-time assessment, was 3.8% of RWAs, of which 2.1% was required to be met by CET1. Throughout 2025, we complied with the PRA's regulatory capital adequacy requirements.

Risk review

Own funds disclosure

(Audited)

Ref*	At	
	31 Dec 2025 £m	31 Dec 2024 £m
CET1 capital: instruments and reserves		
1	Capital instruments and the related share premium accounts ¹	—
	– ordinary shares ¹	—
2	Retained earnings	21,494
3	Accumulated other comprehensive income (and other reserves)	2,388
5a	Independently reviewed net profits net of any foreseeable charge or dividend	593
6	CET1 capital before regulatory adjustments	24,475
28	Total regulatory adjustments to common equity tier 1	(8,966)
29	CET1 capital	15,509
36	Additional tier 1 capital before regulatory adjustments	2,709
44	Additional tier 1 capital	2,709
45	Tier 1 Capital (T1 = CET1 + AT1)	18,218
51	Tier 2 capital before regulatory adjustments	3,670
58	Tier 2 capital	3,670
59	Total capital	21,888

1 The authorised and paid ordinary share capital of the bank at 31 December 2025 was £50,002 (2024: £50,002) ordinary shares of £1.00 each.

Risk-weighted assets

RWA movement by business by key driver

	Credit risk, counterparty credit risk and operational risk						Total RWAs £m
	Retail Banking and Wealth	Private Bank	Commercial Banking	Corporate Institutional Banking	Corporate Centre	Market risk	
	£m	£m	£m	£m	£m	£m	
RWAs at 1 Jan 2025	34,465	1,887	71,604	574	1,720	173	110,423
Acquisitions and disposals	—	—	—	—	—	—	—
Asset size	1,648	(34)	9,858	58	(214)	(69)	11,247
Asset quality	1,126	98	(362)	—	24	—	886
Model updates	(543)	—	146	—	2	—	(395)
– new/updated models	(543)	—	146	—	2	—	(395)
Methodology and policy	428	(60)	(4,996)	—	50	—	(4,578)
– internal updates	428	(60)	(4,996)	—	50	—	(4,578)
Foreign exchange movement	—	11	(52)	(10)	(62)	(7)	(120)
Total RWA movement	2,659	15	4,594	48	(200)	(76)	7,040
RWAs at 31 Dec 2025	37,124	1,902	76,198	622	1,520	97	117,463

Excluding a decrease in RWAs of £0.1bn due to foreign currency translation differences, RWAs increased by £7.1bn during the period, primarily due to lending growth, increase in operational risk RWAs and changes in asset quality. This was partly offset by reduction from methodology and policy and model updates.

Asset size:

Increase in RWAs by £11.2bn mainly in CMB and RBW driven by growth in corporate and retail lending combined with operational risk RWAs due to higher average revenue.

Asset quality:

Increase in RWAs of £0.9bn mainly in RBW were partly offset by CMB due to changes in the underlying portfolio mix.

Model updates:

Decrease in RWAs of £0.4bn mainly in RBW due to recalibration of post-model adjustments.

Methodology and policy:

Decrease in RWAs by £4.6bn mainly in CMB due to £2.6bn decrease from the execution of a new CLO combined with £2.5bn decrease due to credit risk parameter refinements including methodology changes to undrawn exposures, partly offset by £0.4bn increase in RBW due to credit risk parameter refinements.

Leverage ratio

At 31 December 2025, our leverage ratio decreased to 5.6% from 5.8% at 31 December 2024.

The key drivers for the decrease in the leverage ratio were:

- a 0.5% decrease due to an increase in exposure of £29bn mainly due to growth in corporate and retail lending combined with increase in reverse repurchase agreements due to diversification of the liquid asset buffer and financial investments due to treasury management activities.
- a 0.3% increase from £0.5bn of AT1 capital issuance combined with £0.6bn capital generation mainly through profits net of dividend partly offset by £0.2bn increase in regulatory deductions.

Pillar 3 disclosure requirements

Pillar 3 of the Basel regulatory framework is related to market discipline and aims to make financial services firms more transparent by requiring publication of wide-ranging information on their risks, capital and management. Our Pillar 3 Disclosures at 31 December 2025 is published on HSBC Group's website, www.hsbc.com, under 'Investors'.

Liquidity and funding risk in 2025

Liquidity metrics

During 2025, we were above regulatory minimum levels. We maintain sufficient unencumbered liquid assets to comply with regulatory requirements.

We maintain sufficient stable funding relative to the required stable funding assessed using the NSFR.

Risk review

Our liquidity and funding position for 2025 is analysed in the following sections. The LCR and NSFR ratios presented in the below table are based on average values. The LCR is the average of the preceding 12 months and the NSFR is the average of the preceding four quarters.

HSBC UK Bank Domestic Liquidity Sub-group¹

	Average for	
	2025	2024
LCR (%)	175	190
High-quality liquid assets (£m)	93,670	91,348
Net outflows (£m)	53,471	48,057
NSFR (%)	146	154

¹ As at the 31 December 2025, the HSBC UK Bank Domestic Liquidity Sub-group comprises: HSBC UK Bank plc, Marks and Spencer Financial Services plc, HSBC Innovation Bank Limited and HSBC Private Bank (UK) Limited. It reflects the way we manage liquidity within HSBC UK as a single operating entity, in line with the application of UK liquidity regulation as agreed with the PRA.

At 31 December 2025, HSBC UK's LCR was above the regulatory minimum. The 2025 average LCR of 175% continues to reflect a strong liquidity position.

Liquid assets

We had an average total of £93.7bn of highly liquid unencumbered LCR eligible liquid assets (2024 average: £91.3bn) held in a range of asset classes and currencies. Of these, 97% were eligible as level 1 (2024: 97%).

The below tables reflects the composition of the average liquidity pool by asset type and currency for 2025 and 2024:

	Liquidity pool	Cash	Level 1	Level 2
	£m	£m	£m	£m
Cash and balance at central bank	42,134	42,134	—	—
Central and local government bonds	46,640	—	45,102	1,538
Regional government public sector entities	179	—	179	—
International organisation and multilateral developments banks	2,290	—	2,290	—
Covered bonds	2,226	—	793	1,433
Other	201	—	—	201
Average Total for 2025	93,670	42,134	48,364	3,172
Average Total for 2024	91,348	54,033	34,767	2,548

	£	\$	€	Other	Total
	£m	£m	£m	£m	£m
Average Liquidity Pool for 2025	73,871	9,698	6,813	3,288	93,670
Average Liquidity Pool for 2024	77,403	8,034	3,365	2,546	91,348

Sources of funding

Our primary sources of funding are customer current accounts and customer savings deposits payable on demand or at short notice. The following 'Funding sources and uses' table provides a consolidated view of how our balance sheet is funded, and should be read in light of the Liquidity and Funding Risk management Framework ('LFRF'), which requires that we manage liquidity and funding risk on a stand-alone basis.

The table analyses our consolidated balance sheet according to the assets that primarily arise from operating activities and the sources of funding primarily supporting these activities. In 2025, the level of customer accounts exceeded the level of loans and advances to customers. The positive funding gap was predominantly deployed in liquid assets, cash and balances with central banks and financial investments, as required by the LFRF.

Funding Sources

(Audited)	2025	2024
	£m	£m
Sources		
Customer accounts	288,756	280,366
Deposits by banks	7,709	11,144
Repurchase agreements – non-trading	6,276	420
Debt securities in issue	3,019	2,044
Cash collateral, margin, settlement accounts and items in the course of transmission to other banks	411	449
Subordinated liabilities	16,423	15,686
Total equity	28,261	25,971
Other balance sheet liabilities	5,075	4,797
At 31 Dec	355,930	340,877

Funding Uses

(Audited)	2025	2024
	£m	£m
Uses		
Loans and advances to customers	231,223	217,604
Loans and advances to banks	6,636	7,263
Reverse repurchase agreements – non-trading	21,560	11,776
Cash collateral, margin, settlement and items in the course of collection from other banks accounts	1,136	1,196
Financial investments	41,638	37,801
Cash and balances with Central banks	40,369	52,276
Other balance sheet assets	13,368	12,961
At 31 Dec	355,930	340,877

Market risk

See page 21 for our definition of Market risk.

Market risk management

Key developments in 2025

There were no material changes to our policies and practices for the management of market risk in 2025.

Market risk governance

(Audited)

The following table summarises the market risk measures used to monitor and limit exposures within HSBC UK. Trading portfolio market risk exposures within the entity are not material, primarily because customer facing trades within Markets business are hedged on a one for one basis and trading book within Markets Treasury business is limited to short dated cash management.

	Trading risk
Risk types	– Foreign exchange – Interest rates
Risk measure	VaR Sensitivity Stress testing

Market risk is managed and controlled through limits approved by the Group CRCO for HSBC Holdings plc. These limits are allocated across business lines and to the Group's legal entities, including HSBC UK. The level of limits set is based on the overall risk appetite for HSBC UK being cascaded down to the individual entities and the limits required for the individual desks to be able to execute their stated business strategy under the HSBC UK ring-fencing Exceptions Policy. The market risk limits are endorsed by HSBC UK RMM. HSBC UK has an independent market risk management and control sub-function, which is responsible for measuring, monitoring and reporting market risk exposures against limits on a daily basis. The Traded Risk function enforces the controls around trading in permissible instruments approved for HSBC UK as well as following completion of the new product approval process.

Key Risk Management processes

Monitoring and limiting market risk exposures

Our objective is to manage and control market risk exposures while maintaining a market profile consistent with HSBC UK strategy and risk appetite as well as operating within the HSBC Group's risk appetite for the entity. We use a range of tools to monitor and limit market risk exposures including sensitivity analysis, VaR, and stress testing.

VaR is a technique that estimates the potential losses on market risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is integrated into market risk management and is calculated for all trading positions. HSBC UK does not have a market risk internal model approval and therefore, VaR is not used for any regulatory return but only used for internal MI.

Trading book VaR is not used for calculating capital requirements arising from market risk within HSBC UK. Therefore there is no back testing of trading book VaR.

Defined benefit pension scheme

Market risk also arises within HSBC UK's defined benefit pension plan to the extent that the obligations of the plan are not fully matched by assets with determinable cash flows. Refer to Pension risk section on page 56 for additional information.

Climate risk

Overview

Climate risks have the potential to cause both financial and non-financial impacts for HSBC UK. Financial impacts could materialise, for example, through greater transactional losses and/or increased capital requirements. Non-financial impacts could materialise if our own assets or operations are impacted by extreme weather or chronic changes in weather patterns, or as a result of business decisions to help achieve HSBC Group's ESG-related ambitions, targets and commitments.

Our approach to managing climate risk in HSBC UK is aligned to HSBC Group's risk management framework, climate risk approach document, and three lines of defence model, which sets out how we identify, assess, and manage our risks, and we continue to integrate climate risk within the risk management framework through policies and controls for traditional risks where appropriate.

We have adopted HSBC Group's ESG-related ambitions, targets and commitments to align its financed emissions to net zero by 2050.

Key Developments

- HSBC UK's RAS was approved by the HSBC UK Board and includes the measures we intend to take to support meeting HSBC Group's ambitions, targets and commitments. In HSBC UK, our measures are focused on the oversight and management of climate risks in the commercial and retail portfolios, and are reviewed annually, or sooner should a breach occur.
- HSBC Group completed its 2025 Internal Climate Scenario Analysis (ICSA) exercise which focused on generating more granular insights which are used to improve the assessment of risk exposures for use in risk management, business decision making, and to meet ongoing regulatory expectations.

Governance and structure

The HSBC UK Board takes overall responsibility for our climate strategy, overseeing executive management in developing the approach, execution, and associated reporting.

Our CRCO is responsible for climate financial risks under the UK Senior Managers Regime. The CRCO attends HSBC UK Board meetings and is a member of the Operating Committee and, where appropriate, provides verbal or written updates on climate risk.

The HSBC UK RMM and the HSBC UK Risk Committee receive updates on our climate risk profile.

Key risk management processes

We continue to enhance the way we manage climate considerations across the organisation.

Key challenges include:

- an increasingly complex and divergent regulatory environment across jurisdictions;
- the diverse range of internal and external data sources and data structures needed for climate-related reporting, which introduces data accuracy and reliability risks;
- industry-wide data gaps on customer emissions and transition plans, and methodology gaps, which limit our ability to assess transition risks accurately; and;
- data limitations on customer assets and supply chains, and methodology gaps, which hinder our ability to assess physical risks accurately.

Resilience risk

See page 22 for our definition of Resilience risk.

Key developments in 2025

- We monitored geopolitical events for any potential impact they may have on our colleagues and operations, enhancing response playbooks as events evolved.
- Throughout 2025, we conducted a series of targeted initiatives to keep pace with evolving geopolitical, regulatory and technology changes and to help strengthen the management of resilience risk. Whilst we have reduced the average time of incidents during 2025, we remain acutely aware of their effects on our customers. We are committed to ongoing improvements in our systems and controls to help further reduce incident times and enhance the overall resilience of our operations.
- We provided analysis and easy-to-access risk and control information and metrics, empowering management to prioritise non-financial risks in both decision making and risk appetite setting.
- We successfully closed out the previous year's CAP on Operational Resilience in 2025, transitioning from programme mode to business-as-usual delivery.
- We recognise that our customers were impacted at time by service disruptions. We responded to these in line with our Incident Management plans and aimed to recover with minimal delay and customer impact. Following any operational disruption, we conducted post-incident reviews to identify lessons and strengthen our operations.
- When we identified that enhancements were required to our operational resilience capabilities, these were incorporated into the HSBC UK business and investment planning, helping to ensure we continue to meet the expectations of our customers and our regulators.

Governance and structure

The Resilience Risk target operating model provides a consistent view across resilience risks, helping to strengthen our risk management oversight while we seek to operate effectively as part of a simplified non-financial risk structure. We view resilience risk across seven sub-risk types related to: technology and cyber security risk; third-party risk; transaction processing risk; business interruption and incident risk; data risk; facilities availability, safety and security risk; and operational and resilience regulatory reporting risk.

Performance against risk appetite and key escalations for resilience risk are reported to the HSBC UK RMM (chaired by the HSBC UK CRCO) as required, with a further escalation path to the Group RMM and the Group Risk Committee.

Operational resilience

Operational resilience is our ability to anticipate, prevent, adapt, respond to, recover, and learn from internal or external disruption,

Risk review

continuing to provide IBS to customers and clients, while seeking to minimise any impact on the wider financial system, when disruption occurs. We have invested to seek to improve response and recovery strategies for our IBS and Important Group Business Services, to align to regulatory and customer expectations and to help minimise any potential impacts should disruption occur.

Business operations continuity

We continue to monitor potential disruptive events such as geopolitical volatility, adverse weather conditions and cyber attacks and remain ready to take measures to help ensure business continuity, should the need require. When disruptive events occur, business and infrastructure functions continually review plans and responses to help minimise any potential impact.

Regulatory compliance risk

See page 22 for our definition of Regulatory compliance risk.

Regulatory compliance risk management

Key developments in 2025

Regulatory horizon scanning and mapping capabilities continue to evolve with a focus on enhanced connectivity to Risk management systems to help support better traceability of regulatory obligations. Work is underway to transition from event-driven technology to incorporate cloud and analytics capability to help enhance our oversight abilities in areas such as surveillance.

Regulatory developments

Financial service providers continue to operate to stringent regulatory and supervisory requirements, particularly in the areas of capital and liquidity management, conduct of business, financial crime, internal control frameworks, the use of models and the integrity of financial services delivery.

Within this intense and complex regulatory agenda, there continues to be ongoing focus by regulators to improve outcomes for banks' customers, particularly vulnerable ones, as well as ensuring market integrity and promoting effective competition. The following are areas of particular focus:

- Higher levels of consumer protection in retail financial markets, following implementation of the Consumer Duty.
- Commitment to rebalancing risk and helping to support investment, innovation and growth in the real economy, and consideration of barriers to investment and rules and risks associated with retail customer investment, pension planning and support required to move away from cash only deposits.
- Continuing the focus on improving the ring-fencing regime in order to seek to better serve customers and address future risks.
- Progress in refining the regulatory framework for payment systems is facilitating payment innovation for firms and stakeholders, advancing the government's National Payments Vision for the UK and supporting the development of digital currency.
- Significant initiatives are being carried out to simplify the regulatory environment, reduce regulatory cost, reduce reporting requirements and make better use of firm and customer data.

The competitive landscape in which HSBC UK operates may be impacted by future regulatory changes and government intervention. We continue to engage in the development of new and amended regulations in the UK to help ensure that the implications have been fully considered by regulators and the wider industry. We also continue to work with the UK authorities, regulatory and industry bodies to discuss any impacts on customers and markets.

Conduct of business

At HSBC UK our conduct management approach guides us to do the right thing and to focus on the impact we have on our customers and

the financial markets in which we operate. Customer outcome is at the heart of how we operate, and we aim to act responsibly and with integrity. The Board maintains oversight of conduct matters directly via the report on retail customer outcomes and through the Risk Committee.

Financial crime risk

See page 22 for our definition of Financial crime risk.

Financial Crime Risk Management

Key developments in 2025

We regularly review our financial crime risk management framework to help ensure it remains effective and resilient in a rapidly changing risk and regulatory environment. We continued to make progress with several key financial crime risk management initiatives, including:

- Responding to evolving financial sanctions and trade restrictions, including methods used to evade sanctions and export controls.
- Enhancing fraud controls throughout the customer journey, investing in technology to respond to the changing fraud risk landscape while seeking to maintain minimal customer friction.
- Seeking to improve scam prevention and detection through engagement with potential scam victims.
- Reducing the timeframes for key operational controls, such as due diligence reviews and financial crime-related client exits.

Key risk management processes

We will not tolerate knowingly conducting business with individuals or entities believed to be engaged in criminal activity. We require everybody in HSBC UK to play their role in maintaining effective systems and controls to prevent and detect financial crime. Where we believe we have identified suspected criminal activity or vulnerabilities in our control framework, we will take appropriate mitigating action.

We manage financial crime risk because it is the right thing to do to protect our customers, shareholders, staff, the communities in which we operate, as well as the integrity of the financial system on which we all rely. We operate in a highly regulated industry in which the same policy goals are codified in law and regulation.

We are committed to complying with the laws and regulations and applying a consistent financial crime standard across all of the markets in which we operate.

We continued to invest in enhancing our operational control capabilities and technology solutions to help deter and detect criminal activity. We further strengthened our financial crime risk taxonomy and control libraries and our monitoring capabilities through technology deployments. We developed more targeted metrics, and continued to seek to enhance our governance and reporting.

We are committed to working in partnership with the wider industry and the public sector in managing financial crime risk.

In 2025, our focus remained on measures to improve the overall effectiveness of the global financial crime framework and promote a risk-based approach, notably by providing input into legislative and regulatory reform activities in the UK. We did this by participating in consultations and other engagement, focused on delivering more effective outcomes in managing financial crime risk, which also enhances financial inclusion. Key themes for external engagement include risk-based supervision, the use of innovative technology, payment transparency standards, fraud risk management, and tackling sanctions and export controls evasion.

The HSBC UK RMM provides oversight of financial crime risk matters, as well as the HSBC UK Risk Committee, on behalf of the Board, including matters relating to anti-money laundering, fraud, sanctions, terrorist financing and proliferation financing.

Model risk

See page 22 for our definition of Model risk.

Key developments in 2025

In 2025, we continued to make improvements in our MRM processes amid regulatory changes in model requirements.

Initiatives during the year included:

- further updates to our MRM Framework to meet the requirements of the PRA's SS1/23. Our multi-year programme of work is in progress to implement these changes across the full model landscape;
- completing the identification of Deterministic Quantitative Methods (DQMs) across the organisation. These are complex and material calculators that although not technically models, still present similar risks;
- continued enhancements to the development and validation processes for IRB models;
- continued enhancements to our framework for the independent validation of models, including new GenAI techniques that are becoming more widely used; and
- continued to work closely with businesses and infrastructure teams in developing a governance framework to manage the range of risks these AI techniques, including machine learning and agentic AI (autonomous systems powered by AI agents), can introduce.

Governance and structure

The HSBC UK Model Risk Committee is chaired by the CRCO and provides oversight of model risk. The committee includes senior leaders and risk owners across the lines of business, functions and Risk and focuses on model-related concerns and key model risk metrics.

Key risk management processes

We use a variety of modelling approaches, including regression, simulation, sampling, machine learning and judgmental scorecards for a range of business applications. These activities include customer selection, product pricing, financial crime transaction monitoring, creditworthiness evaluation and financial reporting.

Responsibility for managing model risk is delegated from the RMM to the HSBC UK Model Risk Committee. This committee regularly reviews our MRM policies and procedures, and requires the first line of defence to demonstrate comprehensive and effective controls based on a library of model risk controls provided by MRM. MRM also reports on model risk to senior management on a regular basis through the use of risk Management Information, risk appetite metrics and top and emerging risks.

We regularly review the effectiveness of these processes, including the model oversight forum structure, to help ensure appropriate understanding and ownership of model risk is embedded in the businesses and functions.

Corporate Governance Report

Corporate governance statement

The Company, together with the wider Group, is committed to high standards of corporate governance. The Group has a comprehensive range of principles, policies and procedures influenced by the UK Corporate Governance Code with requirements in respect of Board independence, composition and effectiveness to ensure that the HSBC Group is well managed, with appropriate oversight and control. During the year, the Company adhered to these corporate governance principles, policies and procedures, as applicable.

As a subsidiary of HSBC Holdings plc, the Company adopts the HSBC Group's Subsidiary Accountability Framework ('SAF'). The SAF principles set out HSBC Holdings plc's high level expectations for corporate governance arrangements in its subsidiaries. The Board considers the SAF to be sufficiently comprehensive and robust and has, therefore, chosen not to adopt another corporate governance code.

Role of the Board

The role of the Board of Directors is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risks to be assessed and managed.

The Board is collectively responsible for: the long-term success of the Company and delivery of sustainable value to its shareholders; setting and approving the Company's strategy, RAS and management's capital and operating plans to achieve the strategic objectives.

The Board comprises a majority of independent non-executive directors. The roles of the Chairman and CEO are separate. The Chairman leads the Board and is responsible for its effectiveness and the CEO leads the day-to-day management of the Company and execution of strategy.

During the year, the Board completed its annual effectiveness review. The Board considered the outcome of this review and endorsed actions to further optimise and enhance governance. All enhancements suggested in the 2024 review were considered to have been completed or in the course of being addressed.

In 2025, the Board held six routine meetings and an additional three ad-hoc meetings to consider matters of a time sensitive nature. The Board received information from management between meetings and Directors have full access to all relevant information on a timely basis, access to the advice of the company secretary and are entitled to obtain independent external advice at the Company's expense.

- ▶ Details of the Board's engagement may be found in 'Stakeholder engagement' on page 5.

Culture and values

Through its work, the Board supports the Company's purpose and values outlined on page 3 of the Strategic report by ensuring that the Company conducts its business by treating customers fairly and openly, doing business with the right customers and in the right way, ensuring customers receive good outcomes as required by the Consumer Duty, is a responsible employer, acts responsibly towards the communities in which it operates and considers its other stakeholders.

Board of Directors

All Directors are subject to annual re-election by the shareholder at the Company's Annual General Meeting ('AGM').

The Directors who served during the year ended 31 December 2025 and up to the date of this report are shown below:

Dame Clara Furse

Chairman and Independent non-executive Director

Chairman of the Chairman's Nomination and Remuneration Committee

Appointed to the Board: 10 April 2017

Clara is a non-executive director of Assicurazioni Generali S.p.A. She is a member of the Panel of Senior Advisors to Chatham House and a

Corporate Governance Report

member of the European Financial Services Round Table. She is Chair of the UK Carbon Markets Forum. Former appointments include: non-executive director of Vodafone Group plc and Amadeus IT Group S.A.; External Member of the BoE's Financial Policy Committee; lead independent director of the UK's Department for Work and Pensions; Chief Executive of the London Stock Exchange; Group Chief Executive of Credit Lyonnais Rouse; member of the Shanghai International Financial Advisory Council and non-executive director of Euroclear plc, LCH Clearnet Group Ltd, Fortis SA, Nomura Holdings and the Legal & General Group.

David Lindberg

Executive Director and Chief Executive Officer

Chairman of the Operating Committee

Appointed to the Board: 8 December 2025

David was appointed CEO of HSBC UK Bank plc in December 2025 and is a member of the Group Operating Committee as well as chairing HSBC UK's Operating Committee. David brings over 27 years of international experience, having led teams across the UK, North America and Australia. His experience spans retail and commercial banking, digital transformation, product development, and strategic planning.

Before joining HSBC, David served as CEO of Retail Banking at NatWest Group. His career also includes senior leadership roles at Westpac, The Commonwealth Bank of Australia, ANZ, and First Manhattan Consulting Group. While at Westpac, he was Chief Executive of both their Consumer Bank and their Commercial and Business Bank.

Marie Claire Baird (known as Claire Baird)

Executive Director and Chief Financial Officer

Member of the Operating Committee

Appointed to the Board: 6 January 2022

Claire was appointed CFO of HSBC UK Bank plc in January 2022 and is a member of the HSBC UK and Global Finance operating committees. Prior to her current role, Claire was CFO of Global Wealth and Personal Banking ('WPB').

Before joining HSBC, Claire spent 18 years with RBS/NatWest Group, most recently as Finance Director for Personal Banking, Deputy CFO for Royal Bank of Scotland (RBS' Scottish banking subsidiary) and as a non-executive director of Coutts & Company (RBS' private bank). Previous roles include Finance Director for Services & Functions, Head of Global Finance Services, and for Ulster Bank (RBS' Irish/Northern Irish subsidiaries), she was Group Financial Controller and Head of Finance, Retail Banking. Claire is a fellow of Chartered Accountants Ireland.

Abimbola Afolami (known as Bim Afolami)

Independent non-executive Director

Member of the Risk Committee

Appointed to the Board: 9 January 2025

Bim is a corporate lawyer and former Minister, whose career prior to becoming an MP encompassed law and banking. Bim has a depth of experience in policy-making and regulatory processes within financial services. His role as Economic Secretary to the Treasury and City Minister covered a wide brief including banking, asset management, pensions, insurance, private equity, and venture capital, and involved extensive engagement across the City and with regulators. During his years of public service Bim held several roles including Vice Chairman

of the Conservative Party, Principal Private Secretary to the Secretary of State for Trade, and the Foreign Secretary. He also sat as Chair of the Renewable and Sustainable Energy Parliamentary Group.

Bim has first-hand experience of HSBC UK, having previously held a role within the Group which included his involvement at the outset of the ring-fencing process. He currently holds an executive role with Acrisure, a US headquartered financial technology and insurance company and works as a patron for the charities Spotlight on Africa and GRIT (Growing Resilience In Teens).

Simon Calver

Independent non-executive Director

Member of the Audit Committee

Appointed to the Board: 1 April 2023

Simon is the Chair of Marks and Spencer Financial Services plc and an independent non-executive director of Marks and Spencer Unit Trust Management Limited, both wholly owned subsidiaries of the Company. He is also Chair of Vinterior Group Limited and Chair of MicroLub Limited. Simon is also a qualified and practicing executive coach. He was previously a Fellow of the Institute of Directors (UK) and a former Entrepreneur of the Year regional winner in the UK. Throughout his career he has led innovation and disruption in major markets, such as the education sector with Riverdeep and entertainment sector as CEO of LoveFilm up to the sale to Amazon in 2011. His former appointments include CEO of Mothercare plc and LoveFilm International, chairman of Fenwick 1882 Limited, Moo Print Ltd, Chemist Direct Ltd, Gousto Ltd, Firefly Learning Ltd, UK Business Angels Association and also a non-executive director of Datalex plc.

Oliver Corbett

Independent non-executive Director

Chair of the Audit Committee, Member of the Risk Committee, and the Chairman's Nomination and Remuneration Committee

Appointed to the Board: 1 January 2024

Oliver joined the Board at the start of 2024 and has been a non-executive director of Allianz (UK) Limited since November 2023. He is a non-executive director of CFC Group Limited and CFC Underwriting Limited, of which he is also Audit Committee Chair. After qualifying as an accountant, Oliver spent 13 years in investment banking in London and New York. He was previously Founding CFO of McGill and Partners and before that held CFO roles at Howden, LCH Clearnet plc and Novae. He has also served as a non-executive director and Audit Chair for Close Brothers Group plc and prior to that Rathbone Brothers Group plc.

Carolyn Dittmeier

Independent non-executive Director

Chair of the Risk Committee, Member of the Audit Committee, and the Chairman's Nomination and Remuneration Committee

Appointed to the Board: 1 October 2024

Carolyn joined the Board in October 2024 and she also currently serves as an independent member of the Board of Eni and Illycaffè and of the Board of Statutory Auditors of Moncler and Bologna University Business School. Her career has included heading Internal Audit of significant enterprises including Poste Italiane and Montedison. In parallel, she served as Vice Chair of the Board of the Global IIA, Chair of the European Confederation of Internal Auditors and IIA Italy. She also launched and led Corporate Governance Services at Klynveld Peat Marwick Goerdeler 'KPMG' (Italy). Carolyn's previous directorships include President of the Board of Statutory Auditors of Assicurazioni Generali as well as independent director of Alpha Bank, Italmobiliare and Autogrill, chairing the Audit and Risk Committee in all cases.

Jenny Goldie-Scot

Independent non-executive Director

Member of the Risk Committee and Member of the Audit Committee

Appointed to the Board: 19 July 2022

Jenny is the Chair of Marks and Spencer Unit Trust Management Limited. She is also an independent non-executive director of Marks and Spencer Financial Services plc, all of which are wholly owned subsidiaries of the Company. She has spent the bulk of her career in investment banking operations and finance in senior leadership roles at Morgan Stanley, both in the UK and the US. She has had a specific focus on system and process transformation and her last role was leading a large digital transformation for Google LLC in California. Jenny has previously served as Chairman of HSBC Trust Company (UK) Limited, and on the board of LCH Clearnet plc where she was chair of the Nomination Committee.

Mridul Hegde CB

Independent non-executive Director

Member of the Risk Committee and Member of the Audit Committee and the Chairman's Nomination and Remuneration Committee

Appointed to the Board: 7 February 2018

Mridul is the Chair of HSBC Innovation Bank Limited, a wholly owned subsidiary of the Company. Mridul's former appointments include: Member of Ernst & Young LLP Public Interest and UK Audit Board; non-executive director of the UK Municipal Bonds Agency and member of its Risk and Audit Committee; and senior roles at the Financial Reporting Council ('FRC') and HM Treasury, where she was Director of Financial Stability during the 2008 financial crisis and prior to that, Director of Public Spending.

Janet Henry

Non-executive Director

Appointed to the Board: 1 November 2022

Janet was appointed as HSBC's Global Chief Economist in August 2015 and is responsible for all of HSBC's economic forecasts and thematic economic research output globally. She is a Governor of the UK's National Institute of Economic and Social Research and a member of the World Economic Forum's Chief Economists Community. Janet joined HSBC in 1996 in Hong Kong where she worked as an Asian economist. She was previously HSBC's Chief European Economist. She is also a director of 3 College Fields Management Company Limited.

Zoe Knight

Non-executive Director

Appointed to the Board: 1 January 2024

Zoë has global responsibility for the Sustainability Research product across asset classes at HSBC Global Research. She has been advising institutional investors and other stakeholders on equities and climate change for over 25 years. While most of her career has been in capital markets, she has also worked on corporate sustainability strategy for HSBC in the Middle East. An economist by academic background, she has participated in a variety of advisory boards and councils on climate change across the financial services industry, including the UK All Parliamentary Group on Climate Change, the Task Force on Climate Related Financial Disclosures and the Energy Transition Commission.

Brendan Nelson

Independent non-executive Director

Member of the Chairman's Nomination and Remuneration Committee

Appointed to the Board: 9 January 2025

Brendan joined the Board in January 2025 and is also Chairman of HSBC Holdings plc, where he Chairs the Group Audit Committee and the Nomination & Corporate Governance Committee, and is a Member of the Group's Risk Committee and the Technology and Operations Committee. He is also Chairman of BP Pension Trustees Limited and a Director of the Institute of International Finance.

Brendan spent over 25 years at KPMG LLP, where he was admitted as a Partner in 1984. During his time at KPMG, he held various positions, including Global Chairman of Banking and Global Chairman of Financial Services. He served on the KPMG UK Board, starting in 2000. He became a Vice Chairman in 2006 – a position he held until his retirement from KPMG in 2010. He has also served as non-executive Director on the Boards of bp plc, from 2010 to 2021, and NatWest Group plc, from 2010 to 2019. He was Chairman of the Audit Committee at both companies.

Brendan is a qualified Chartered Accountant and was President of the Institute of Chartered Accountants of Scotland in 2013-2014. He was also a member of the Financial Services Practitioner Panel and the Financial Reporting Review Panel of the UK FRC.

Other Directors that served during the year

John David Stuart (known as Ian Stuart) – CEO and Executive Director. Resigned from the Board on 12 January 2026.

Company Secretary

Fiona Mackay

Appointed: October 2024

Board activities during 2025

The Board's key areas of focus during 2025 were aligned to the bank's strategic priorities. In overseeing management's execution against these priorities, the Board considers whether the actions being taken will deliver improvements in customer experience and growth to support our ambition to be the most trusted bank globally, putting customers at the heart of everything we do:

- Customer-centricity – the Board considered the areas for strategic growth in the bank's businesses, including the proposed divisionalisation of MSFS into HSBC UK (see page 6 for more information). The Board also received updates on the bank's societal purpose strategy, as well as approving the annual Consumer Duty Board Report.
- Simple and agile – the Board assessed the improvements being made on Operational Resilience, culminating in the approval of the Operational Resilience Entity Level Self-Assessment as set out on page 6. Consideration was also given to how technology enabled the bank's strategy.
- Focused sustainable growth – the Board reviewed management's approach to building a future state workforce blueprint for the desired size, shape and skills base of its workforce. It considered the bank's cultural ambition to create a customer-centric and high performance culture. The Board also received updates on the progress being made on the bank's net zero commercialisation strategy.

The Board routinely invites senior management from Risk, Compliance and Legal to Board meetings to support the discharge of its responsibilities. The non-executive Directors meet privately with the CEO ahead of every Board meeting and hold an in-camera session at the end of every meeting to consider the effectiveness of the meeting, the papers and presentations.

The Board met nine times during 2025.

Board committees

The Board has established committees to assist it in discharging its responsibilities. Each Board committee operates within Terms of Reference approved by the Board that set out the scope of the delegation and responsibilities, the membership and operation of the committee and its reporting requirements to the Board. The Chairs of the Board committees report to each Board meeting on their activities. Following the Board's approval of revised Terms of Reference for its committees, the most material change related to an expansion of the scope of the Audit Committee's responsibilities in relation to internal controls, with effect from 1 January 2025. This resulted in the Audit Committee assuming responsibility for the holistic oversight of the wider internal control environment, reflecting its experience in overseeing internal controls over financial reporting, and supporting HSBC Group's forthcoming responsibility to make a declaration on the effectiveness of material controls under the 2024 UK Corporate Governance Code.

During the year and up to the date of this report, the Board's committees were as follows:

Audit Committee

Role

The Audit Committee has been delegated responsibility for oversight of financial reporting related matters, internal controls and oversight of HSBC UK's Internal Audit function. All the members of the committee are independent non-executive directors.

Committee activities during 2025

During the year, the committee reviewed and provided oversight on: the HSBC UK group's financial reporting; the integrity of financial statements and disclosures and management's application of key accounting policies and significant accounting judgements; the bank's progress on improving operational resilience; the transformation plans and cost management; the financial and regulatory reporting control environment; financial performance; liquidity, funding and capital adequacy monitoring; the Company's Financial Resource Plan; the nature and scope of Internal Audit reviews; the effectiveness of the internal financial reporting control systems; the effectiveness of the Internal Audit function; and the external audit process.

To support the discharge of its responsibilities, the committee routinely invites senior management from Finance, Internal Audit and the External Auditor to its meetings. The committee also meets separately with the External Audit Partner and Internal Audit at least twice each year without any management present.

The committee met six times in 2025.

Risk Committee

Role

The Risk Committee has been delegated responsibility for oversight and monitoring of risk related matters impacting the Company and risk governance. All the members of the committee are independent non-executive directors.

Committee activities during 2025

During the year, the committee has, amongst other matters: provided oversight of risk-related matters including financial and non-financial risk; assessed the Company's risk profile and how risks are mitigated and controlled; considered current and forward-looking risk exposures; considered the Company's risk appetite and tolerance to inform the Company's strategy and business plans and made recommendations to the Board; assessed technology and cyber security risk; reviewed the Company's ICAAP and ILAAP and stress testing and made recommendations, as appropriate, to the Board; considered the risk management framework; assessed data risk; reviewed reports from Compliance and Legal; received updates on the FCA's Consumer Duty; and considered the effectiveness of the CRCO and risk management function.

The committee routinely invites senior management from Risk, Compliance, Finance, Legal, Internal Audit and the External Auditor to support the discharge of its delegated responsibilities. It also meets twice a year in a private session with each of the CRCO, Internal Auditor and External Audit Partner without any management present.

The committee met six times in 2025.

Chairman's Nomination and Remuneration Committee

Role

The Chairman's Nomination and Remuneration Committee has been delegated responsibilities from the Board in relation to nominations and remuneration for the Company and its subsidiaries. The committee keeps the composition of the Board and its committees under constant review and strives to ensure that the membership, both individually and collectively, has the skills, knowledge and experience necessary to oversee, challenge and support management in the achievement of the bank's strategic and business objectives. The committee also ensures that HSBC UK's Board Diversity and Inclusion Policy ("Policy") is taken into consideration in the succession planning, nomination, selection, operation and evaluation of the Board. The Policy sets out an aspiration of a minimum of 40% of the Board to be female and to maintain or improve the ethnic heritage mix on the Board. The current composition of the Board meets these targets. All the members of the committee are independent non-executive directors.

Committee activities during 2025

In undertaking its responsibilities, the committee has, amongst other things, during the year: led the process to identify and recommend to the Board a new CEO; considered the Board succession plan; reviewed and recommended changes to the Board's structure, size and composition, including skills, knowledge and diversity of the Board; assessed the independence of non-executive Directors by reference to the criteria in legislation and regulation and, in particular, the PRA Rulebook for Ring-fenced Bodies; and ensured that the remuneration framework and pay review decisions are made in line with the business strategy, objectives, values and long-term interests of the Company.

The committee regularly invites the CEO and senior management in the People function to attend meetings to support the discharge of its delegated responsibilities.

The committee met seven times during 2025.

Operating Committee

Role

The Board had previously delegated the management and day-to-day running of the Company to the Executive Committee which exercised all the powers, authorities and discretions of the Board in accordance with such policies and directions as the Board or HSBC Group may from time to time determine. From February 2025, the Board demised the Executive Committee and delegated authority to the CEO for the management and day-to-day running of the Company. To support them in the performance of their duties, the CEO established an Operating Committee. Membership comprised the CEO's senior management team.

The committee met eight times in 2025.

Conflicts of interest and indemnification of Directors

The Company's Articles of Association give the Board the authority to approve Directors' actual conflicts and potential conflicts of interest. The Board has adopted a Conflicts of Interest policy and procedures for considering and authorising conflicts. On appointment, new Directors are advised of the process for managing conflicts and a review of those conflicts that have been authorised, and any terms of those authorisations, is routinely undertaken by the Board.

In accordance with the Companies Act 2006 and the Company's Articles of Association, all directors are entitled to be indemnified out of the assets of the Company in respect of claims from third parties that may arise in connection with the performance of their functions. All Directors have the benefit of directors' and officers' liability insurance.

Statement on Going Concern

The Board, having made appropriate enquiries, is satisfied that the group as a whole has adequate resources to continue operations for a period of at least 12 months from the date of this report, and it, therefore, continues to adopt the going concern basis in preparing the financial statements.

In making their going concern assessment, the Directors have considered a wide range of detailed information relating to present and potential conditions including: profitability; cash flows; capital requirements; and capital resources. These considerations include stressed scenarios that reflect the uncertainty in the macroeconomic environment, including inflation, rapidly changing interest rates, disrupted supply chains as a result of the Russia-Ukraine war and conflict in the Middle East or elsewhere. Additional considerations include changes to tariff rates and heightened strategic competition between the US and China. They also considered other top and emerging risks, including climate change, as well as from the related impacts on profitability, capital and liquidity.

Further information relevant to the assessment is provided in the Strategic report and the Report of the Directors, in particular:

- A description of the group's strategic direction;
- A summary of the group's financial performance and a review of performance by business;
- Reports and updates regarding regulatory and internal stress testing;
- The group's approach to capital management and its capital position; and
- The top and emerging risks facing the group, as appraised by the Directors, along with details of the group's approach to mitigating those risks and its approach to risk management in general.

The objectives, policies and processes for managing credit, liquidity and market risk are set out in the 'Risk section' of the 'Report of the Directors' on pages 14 to 61.

Internal control

The Board is responsible for establishing a framework of controls to enable the assessment and management of risk and sets the Company's RAS. This responsibility is discharged through reviewing the effectiveness of risk management and internal control systems and by determining the appetite and tolerance levels for the types of risks the Company is willing to take to achieve its strategic objectives for its long-term success and the benefit of its stakeholders. For more information, please refer to 'Internal Control' section on page 15.

Employment of people with a disability

HSBC UK strongly believes in providing equal opportunities for all employees. The employment of people with a disability is included in this commitment. The recruitment, training, development and promotion of people with a disability are based on the aptitudes and abilities of the individual. Should employees become disabled during their employment with us, efforts are made to continue their employment. Where necessary, we will provide appropriate training, facilities and equipment to ensure that barriers to work are removed for colleagues. Continuous work is done to ensure individual support is provided to make home office adjustments. Further information on Diversity and Inclusion is included on page 4.

Auditor

PricewaterhouseCoopers LLP ("PwC") is the external auditor to the Company. PwC has expressed its willingness to continue in office and the Board recommends that PwC be re-appointed as the Company's auditor. A resolution proposing the reappointment of PwC as the Company's auditor and giving authority to the Audit Committee to determine its remuneration will be submitted to the forthcoming AGM.

Directors' Report Disclosures table

The following table sets out the disclosures required in the Directors' Report by the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as updated by Companies (Miscellaneous Reporting) Regulations 2018), which are incorporated by reference in this Directors' Report:

	Page
Stakeholder Engagement	Stakeholder engagement and Section 172(1) on page 5
Employee Engagement	Stakeholder engagement and Section 172(1) on page 5
Results and Dividends	Financial summary on pages 11 to 13 and Note 6 of the Financial statements on page 98
Hedge accounting policy	Note 9 of the Financial Statements on page 101
Future Developments	Strategic report 'Our purpose, values and strategy' on pages 3 to 4
Post Balance Sheet Events	Note 28 of the Financial statements on page 121

The Report of the Directors comprising pages 14 to 66 was approved by the Board on 24 February 2026 and is signed by order of the Board:

Fiona Mackay

Company Secretary

HSBC UK Bank plc

Registered number 9928412

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic report, Report of the Directors and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the Company financial statements in accordance with UK-adopted International Accounting Standards ('IAS'). In preparing the group and Company financial statements, the directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by 'IASB').

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and Company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted IAS and IFRSs as issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and Company will continue in business.

The directors are responsible for safeguarding the assets of the group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's financial statements published on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the directors, whose names and functions are listed in Corporate Governance Report confirm that, to the best of their knowledge:

- the group and Company financial statements, which have been prepared in accordance with UK-adopted IAS and IFRSs issued by IASB, give a true and fair view of the assets, liabilities and financial position of the group and Company, and of the profit of the group; and
- the Strategic report and Report of the Directors include a fair review of the development and performance of the business and the position of the group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and Company's auditors are aware of that information.

Approved by the Board on 24 February 2026 and is signed by order of the Board:

Fiona Mackay

Company Secretary

HSBC UK Bank plc

Registered number 9928412

Independent auditors' report to the members of HSBC UK Bank plc

Report on the audit of the financial statements

Opinion

In our opinion, HSBC UK Bank plc's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2025 and of the group's profit and the group's and parent company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2025 (the "Annual Report"), which comprise:

- Consolidated balance sheet as at 31 December 2025;
- Consolidated income statement for the year then ended;
- Consolidated statement of comprehensive income for the year then ended;
- Consolidated statement of changes in equity for the year then ended;
- Consolidated statement of cash flows for the year then ended;
- HSBC UK Bank plc balance sheet as at 31 December 2025;
- HSBC UK Bank plc statement of changes in equity for the year then ended;
- HSBC UK Bank plc statement of cash flows for the year then ended; and
- The notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1.1(a) to the financial statements, the group and parent company, in addition to applying UK-adopted international accounting standards, have also applied international financial reporting standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the group and parent company financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 4, we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

Our audit approach

Context

HSBC UK Bank plc is a member of the HSBC Group, the ultimate parent company of which is HSBC Holdings plc. HSBC UK Bank plc operates in the United Kingdom.

Overview

Audit scope

- We performed a full scope audit of the significant component, HSBC UK Bank plc (parent company). For non-significant components, we performed risk assessment procedures to confirm no additional procedures were required in line with our conclusions drawn from our scoping assessment.

Key audit matters

- Expected credit losses ('ECL') provision for loans and advances (group and parent).
- Valuation of the defined benefit obligation (group and parent).

Materiality

- Overall group materiality: £280m (2024: £282m) based on 5% of profit before tax.
- Overall parent company materiality: £264m (2024: £267.5m) based on 5% of profit before tax.
- Performance materiality: £210m (2024: £211m) (group) and £198m (2024: £200.5m) (parent company).

Independent auditors' report to the members of HSBC UK Bank plc

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Determining ECL involves management judgement and is subject to a high degree of estimation uncertainty.</p> <p>Management makes various assumptions when estimating ECL. We performed a risk assessment to identify those assumptions with significant levels of management judgement and for which variations had the most material impact on ECL.</p> <p>Assumptions were made in determining economic scenarios and their probability weightings. The level of estimation uncertainty and judgement in this area has remained high as a result of tariff and trade policy developments and geopolitical environment. The fast moving nature of trade and tariff policy developments and geopolitical volatility required additional focus in the year from management in determining economic scenarios and their probability weightings in the year, and from us in auditing those judgements and assumptions which most drove estimation uncertainty in ECL.</p> <p>Judgement is also involved in determining the estimated loss for the individually assessed, wholesale credit impaired cases, specifically around cash flow assumptions.</p> <p>The modelling methodologies used to estimate ECL are developed using historical experience. We assess the impact of limitations in these methodologies when forecasting the extent and timing of future customer defaults or when responding to emerging risks, such as climate risk. The focus of our assessment of the impact of climate risk on ECL was to evaluate management's risk assessment process for identifying, quantifying and concluding that the impact of climate risk on ECL for the year end was immaterial.</p>	<p>We reported to the Audit Committee our observations covering governance and controls, the assumptions used, and the modelling methodologies implemented by management in determining ECL, with a significant focus on the uncertain prevailing macroeconomic conditions. Our observations regarded:</p> <ul style="list-style-type: none">– the determination of economic scenarios, and their related probability weightings. In particular we discussed the potential economic consequences of trade and tariff policy developments and geopolitical events and whether the economic scenarios and weightings adequately captured future potential economic risks in this area;– significant assumptions used to estimate the discounted cash flow projections for larger individually assessed credit impaired wholesale exposures; and– the disclosures made in relation to ECL.
<p>How our audit addressed the key audit matter</p> <p>We assessed the effectiveness of governance and controls over the estimation of ECL. We observed management's review and challenge in key governance forums for (1) the determination of economic scenarios and their probability weightings, and (2) the assessment of ECL for retail and wholesale portfolios.</p> <p>We also tested controls over:</p> <ul style="list-style-type: none">– model validation and monitoring;– credit reviews that determine credit risk ratings ('CRRs') for wholesale customers;– the input of critical data into source systems and the flow and transformation of critical data from source systems to impairment models; and– the approval impairments of individually assessed, credit impaired wholesale exposures. <p>We involved our economic experts in assessing the significant assumptions made in determining the severity and probability weighting of economic scenarios. We focused on whether the scenarios adequately captured future potential economic risks, such as risks caused by tariff and trade policy developments and the geopolitical environment. These assessments considered the sensitivity of ECLs to variations in the severity and probability weighting of economic scenarios. We also involved our modelling specialists in assessing the appropriateness of the significant assumptions and methodologies used for ECL models. We independently re-performed the ECL calculations for a sample of those models. We further considered whether the judgements made in selecting the significant assumptions would give rise to indicators of possible management bias.</p> <p>In respect to a sample of individually assessed credit impaired wholesale exposures, we assessed the significant assumptions used to estimate the discounted cash flow projections, and where appropriate we involved experts to assess the underlying collateral or business valuations.</p>	
<p>We evaluated management's risk assessment in respect of the impact of climate change on the ECL provision, including involving our modelling specialists to evaluate the stress testing and scenario analysis methodology used and sensitising key assumptions. Finally, we tested the audited Credit Risk disclosures made in the Annual Report.</p>	
<p>Relevant references in the Annual Report and Accounts 2025</p> <p>Audited credit risk disclosures, Note 1.2(e): Financial instruments measured at amortised cost and Note 1.2(h): Impairment of amortised cost and FVOCI financial assets.</p>	

Independent auditors' report to the members of HSBC UK Bank plc

Valuation of the defined benefit obligation (group and parent)

Key audit matter

The Group operates a defined benefit pension scheme for its employees, which relates to HSBC Bank (UK) pension scheme ('the principal plan').

As of 31 December 2025, the principal plan is in a surplus of £5,262m (2024: £5,126m). This is made up of defined benefit obligation of £13,397m (2024: £13,730m) and plan assets of £18,659m (2024: £18,856m).

The present value of the defined benefit obligation is materially sensitive to certain actuarial assumptions. We consider the discount rate, inflation and mortality rates to be the most significant assumptions used in determining the defined benefit obligation. Changes in these assumptions gives rise to estimation uncertainty due to their subjectivity and the long duration of the pension liabilities.

Management performs a review of the valuation methodology and significant assumptions each year, using third party actuarial experts. The assumptions are updated to reflect market practice and future outlook. The valuation methodology also uses a number of market-based inputs and other financial and demographic assumptions.

How our audit addressed the key audit matter

We obtained and reviewed management's experts' report to confirm our understanding of the methodology and key assumptions adopted in calculating the valuation of the defined benefit obligation. We considered the independence, objectivity and competence of the third-party actuary engaged by management to perform their valuation.

We tested effectiveness of controls in place to oversee the appropriateness of the methodology and the significant assumptions, including those in relation to the use of management's experts.

We independently assessed, using our own actuarial experts, the discount rate, inflation, mortality rates, as well as other demographic and financial assumptions. We compared them to external market rates as at 31 December 2025 for schemes of a similar duration.

We tested the defined benefit obligation disclosures within the financial statements, including the disclosure regarding the sensitivity of significant assumptions.

Relevant references in the Annual Report and Accounts 2025

Note 1.2 (h): Employee compensation and benefits

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The risks that HSBC UK Bank plc faces are diverse, with the interdependencies between them being numerous and complex. In performing our risk assessment we engaged with a number of stakeholders to ensure we appropriately understood and considered these risks and their interrelationships. This included stakeholders within HSBC and our own experts within PwC. This engagement covered external factors across the geopolitical, macroeconomic, regulatory and accounting landscape, and the impact of climate risk. It also covered the strategy and transformation-driven internal environment at HSBC.

HSBC UK Bank plc is structured into five divisions which are Retail Banking and Wealth (RBW), Private Banking (PB), Commercial Banking (CB) and Corporate and Institutional Banking (CIB), all of which are supported by the Corporate Centre (CC). The divisions operate across a number of subsidiary entities in the United Kingdom. The consolidated financial statements are an aggregation of the subsidiary entities ('reporting units'). Each reporting unit submits their financial information to the group which is aggregated within the group's main consolidation and financial reporting system.

The risks of material misstatement can be reduced to an acceptable level by testing the entities that are significant due to their size and those that drive particular significant risks identified as part of our risk assessment. We continually assessed risks and changed the scope of our audit where necessary.

As a result of our group scoping, we determined that an audit of the complete financial information of HSBC UK Bank plc (parent company) was necessary, due to its risk and size.

We then considered the significance of other reporting units in relation to primary statement account balances. In doing this we also considered the presence of any significant audit risks and other qualitative factors (including history of misstatements through fraud or error). For the remaining reporting units, the risk of material misstatement was mitigated through group audit procedures including testing of entity level controls, IT general controls and subsidiary level risk assessment analytical review procedures.

Additional audit procedures were performed on certain group-level account balances.

For the parent company, the group audit engagement partner was also the partner overseeing the audit work performed.

For the parent company, we determined our scope of work using our risk assessment and parent company materiality level. Based on these, we assessed the level of testing required on each financial statement line item in order to be able to give an opinion on the parent company financial statements. We utilised work performed over the HSBC UK Bank plc reporting unit as part of the group audit, performing further work where necessary, and testing parent company balances such as investments in subsidiaries.

Certain balances were audited by the PwC HSBC Holdings plc Group engagement team where they related to Group level processes. HSBC has entity level controls that have a pervasive influence across the Group, as well as other global and regional governance and controls over aspects of financial reporting, such as those operated by the Global Risk function for expected credit losses. A significant amount of IT and operational processes and controls relevant to financial reporting are undertaken in operations centres run by Digital Business Services ('DBS'). Whilst these operations centres are not separate components, the IT and operational processes and controls are relevant to the financial

Independent auditors' report to the members of HSBC UK Bank plc

information of HSBC UK Bank plc. Financial reporting processes and controls are also performed centrally in HSBC UK Bank plc's finance operations centres ('Finance Operations'), including the impairment assessment of investment in subsidiaries and intangible assets, the consolidation of HSBC UK Bank plc's results, the preparation of financial statements, and certain management oversight controls relevant to financial reporting.

HSBC Holdings plc Group-wide processes or processes in DBS and Finance Operations are subject to specified audit procedures or an audit over specific financial statement line items (FSLIs). These procedures primarily relate to testing of IT general controls, forward looking economic scenarios for ECL, operating expenses, intangible assets, valuation of financial instruments, intercompany eliminations, reconciliations, consolidation and payroll. For these areas, we either performed audit work ourselves, or directed and provided oversight of the audit work performed by other PwC teams. This audit work, together with analytical review procedures and assessing the outcome of local external audits, also addressed the risk of material misstatement for balances in entities that were not part of a significant component.

The impact of climate risk on our audit

A broad range of stakeholders are increasingly focused on the impact of climate change and how this could lead to potential financial and other impacts on the banking sector. This is a highly evolving area and there are a number of industry wide challenges as a result of data limitations and developing modelling capabilities.

In considering the impact of climate risk on our audit, we:

- Made enquiries of management to understand the extent of the potential impact of climate risk on the financial statements and we remained alert when performing our audit procedures for any indicators of the impact of climate risk, in particular in areas where the balance sheet carrying value of is underpinned by future forecasts or collateral that might be impacted by climate risks.
- Understood, evaluated and challenged management's assessment of the impact of climate risk, which includes the potential impact on ECL, classification and measurement of financial instruments, goodwill and other intangible assets, and assumptions used in making the long-term viability statement and going concern assumption.
- Read the disclosures in relation to climate risk made in the other information within the Annual Report to ascertain whether the disclosures are materially consistent with the financial statements and our knowledge from our audit.

Management has explained in their disclosures that whilst the effects of climate change are a source of uncertainty, as at 31 December 2025 they do not consider there to be a material impact on the critical judgements and estimates in relation to climate-related risks.

Our procedures did not identify any material incremental adjustments needed to capture climate impacts on the Group and parent company financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - parent company
Overall materiality	£280m (2024: £282m)	£264m (2024: £267.5m)
How we determined it	5% of profit before tax	5% of profit before tax
Rationale for benchmark applied	A benchmark of profit before tax has been used, this reflects the primary measure used by shareholders in assessing the performance of the group.	A benchmark of profit before tax has been used, this reflects the primary measure used by shareholders in assessing the performance of the parent.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £13m - £198m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £210m (2024: £211m) for the group financial statements and £198m (2024: £200.5m) for the parent company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £14.0m (group audit) (2024: £14.1m) and £13.2m (parent company audit) (2024: £13.3m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting, including both internal risks (e.g. strategy execution) and external risks (e.g. macroeconomic conditions).
- Understanding and reviewing the group's financial forecasts, including assessing the historical accuracy of these forecasts.
- Understanding and evaluating multiplate credit rating agency ratings and actions to obtain an independent evaluation of the group's creditworthiness.
- Understanding and evaluating the group's stress testing of liquidity and regulatory capital, including the severity of the stress scenarios that were used.

Independent auditors' report to the members of HSBC UK Bank plc

- Review of correspondence with and reports from regulators, including the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA').
- Reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of financial crime laws and regulations and regulatory compliance, including regulatory reporting requirements and conduct of business, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to meet performance targets, and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the engagement team included:

- Review of correspondence with and reports from regulators, including the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA').
- Review of reporting to the Audit Committee and the Risk Committee in respect of compliance and legal matters.

Independent auditors' report to the members of HSBC UK Bank plc

- Enquiry of management and those charged with governance, and review of internal audit reports, in so far as they related to the financial statements.
- Obtaining legal confirmations from legal advisors relating to material litigation and compliance matters.
- Assessing matters reported on the group's whistleblowing programmes and the results of management's investigation of such matters, insofar as they related to the financial statements.
- Challenging assumptions and judgements made by management in its significant accounting estimates, in particular in relation to the determination of expected credit losses, and the valuation of defined benefit pensions obligation.
- Obtaining confirmations from third parties to confirm the existence of a sample of balances.
- Identifying and testing journal entries, including those posted with certain descriptions, posted to certain account combinations, or posted by unexpected users.
- Incorporating unpredictability into the nature, timing and/or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the parent company for the financial year ended 31 December 2017. Our uninterrupted engagement covers nine financial years.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Sheena Coutinho (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

24 February 2026

Financial statements

Contents

75	Consolidated income statement
76	Consolidated statement of comprehensive income
77	Consolidated balance sheet
78	Consolidated statement of changes in equity
79	Consolidated statement of cash flows
80	HSBC UK Bank plc balance sheet
81	HSBC UK Bank plc statement of changes in equity
82	HSBC UK Bank plc statement of cash flows

Notes on the financial statements

Contents

83	1	Basis of preparation and material accounting policies	107	17	Debt securities in issue
91	2	Net fee income	107	18	Accruals, deferred income and other liabilities
91	3	Employee compensation and benefits	108	19	Provisions
96	4	Auditors' remuneration	110	20	Subordinated liabilities
97	5	Tax	111	21	Maturity analysis of assets, liabilities and off-balance sheet commitments
98	6	Dividends	116	22	Offsetting of financial assets and financial liabilities
99	7	Fair values of financial instruments carried at fair value	117	23	Called up share capital and other equity instruments
100	8	Fair values of financial instruments not carried at fair value	117	24	Contingent liabilities, contractual commitments, guarantees and contingent assets
101	9	Derivatives	118	25	Finance lease receivables
104	10	Financial investments	118	26	Legal proceedings and regulatory matters
104	11	Assets pledged, collateral received and assets transferred	119	27	Related party transactions
105	12	Interests in joint ventures	121	28	Events after the balance sheet date
105	13	Investments in subsidiaries	121	29	HSBC UK Bank plc's subsidiaries and joint ventures
106	14	Structured entities			
106	15	Goodwill and intangible assets			
107	16	Prepayments, accrued income and other assets			

Financial statements

Consolidated income statement

for the year ended 31 December

Notes	2025 £m	2024 £m
Net interest income	8,650	8,084
– interest income ^{1,2,3}	14,860	14,789
– interest expense	(6,210)	(6,705)
Net fee income	1,286	1,308
– fee income	1,621	1,605
– fee expense	(335)	(297)
Net income from financial instruments held for trading or managed on a fair value basis	430	454
Other operating income	102	133
Net operating income before change in expected credit losses and other credit impairment charges	10,468	9,979
Change in expected credit losses and other credit impairment charges	(539)	(315)
Net operating income	9,929	9,664
Employee compensation and benefits	(1,205)	(1,128)
General and administrative expenses	(2,610)	(2,442)
Depreciation and impairment of property, plant and equipment and right-of-use assets	(105)	(99)
Total operating expenses excluding amortisation and impairment of intangible assets	(3,920)	(3,669)
Amortisation and impairment of intangible assets	(390)	(348)
Total operating expenses	(4,310)	(4,017)
Operating profit	5,619	5,647
Profit before tax	5,619	5,647
Tax expense	(1,517)	(1,508)
Profit for the year	4,102	4,139
Attributable to:		
– ordinary shareholder	4,097	4,134
– non-controlling interests	5	5
Profit for the year	4,102	4,139

1 Interest income recognised on financial assets measured at amortised cost is £13,913m (2024: £13,836m).

2 Interest income recognised on financial assets measured at FVOCI is £947m (2024: £953m).

3 Interest income calculated using the effective interest method comprises interest recognised on financial assets measured at either amortised cost or FVOCI.

Financial statements

Consolidated statement of comprehensive income

for the year ended 31 December

	2025	2024
	£m	£m
Profit for the year	4,102	4,139
Other comprehensive income/(expense)		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Debt instruments at fair value through other comprehensive income	73	(35)
– fair value gains/(losses)	122	(17)
– fair value gains transferred to the income statement on disposal	(20)	(31)
– income taxes	(29)	13
Cash flow hedges	734	(365)
– fair value gains/(losses)	543	(1,496)
– fair value losses reclassified to the income statement	476	989
– income taxes	(285)	142
Exchange differences	1	1
– other exchange differences	1	1
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit asset	(80)	(285)
– before income taxes	(111)	(398)
– income taxes	31	113
Other comprehensive income/(expense) for the year, net of tax	728	(684)
Total comprehensive income for the year	4,830	3,455
Attributable to:		
– ordinary shareholder	4,825	3,450
– non-controlling interests	5	5
Total comprehensive income for the year	4,830	3,455

Financial statements

Consolidated balance sheet

at 31 December

	Notes	2025 £m	2024 £m
Assets			
Cash and balances at central banks		40,369	52,276
Financial assets mandatorily measured at fair value through profit or loss	7	175	174
Derivatives	9	167	298
Loans and advances to banks		6,636	7,263
Loans and advances to customers		231,223	217,604
Reverse repurchase agreements – non-trading		21,560	11,776
Financial investments	10	41,638	37,801
Prepayments, accrued income and other assets	16	9,736	9,303
Current tax assets		3	—
Interests in joint ventures	12	10	9
Goodwill and intangible assets	15	4,413	4,373
Total assets		355,930	340,877
Liabilities and equity			
Liabilities			
Deposits by banks		7,709	11,144
Customer accounts		288,756	280,366
Repurchase agreements – non-trading		6,276	420
Derivatives	9	162	107
Debt securities in issue	17	3,019	2,044
Accruals, deferred income and other liabilities	18	3,524	3,476
Current tax liabilities		218	449
Provisions	19	264	265
Deferred tax liabilities	5	1,318	949
Subordinated liabilities	20	16,423	15,686
Total liabilities		327,669	314,906
Equity			
Called up share capital	23	—	—
Share premium account	23	—	—
Other equity instruments	23	2,691	2,196
Other reserves		2,387	1,579
Retained earnings		23,163	22,136
Total shareholders' equity		28,241	25,911
Non-controlling interests		20	60
Total equity		28,261	25,971
Total liabilities and equity		355,930	340,877

The accompanying notes on pages 83 to 122 and the audited sections in: the 'Financial summary' on pages 11 to 13 and the 'Report of the Directors' on pages 14 to 67 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 February 2026 and signed on its behalf by:

David Lindberg

Director

Consolidated statement of changes in equity

for the year ended 31 December

	Other reserves								
	Called up share capital and share premium	Other equity instruments	Retained earnings	Financial assets at FVOCI reserve	Cash flow hedging reserve	Group reorganisation reserve ⁴	Total shareholders' equity	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2025	—	2,196	22,136	(206)	(658)	2,443	25,911	60	25,971
Profit for the year	—	—	4,097	—	—	—	4,097	5	4,102
Other comprehensive income (net of tax)	—	—	(80)	74	734	—	728	—	728
– debt instruments at fair value through other comprehensive income	—	—	—	73	—	—	73	—	73
– cash flow hedges	—	—	—	—	734	—	734	—	734
– remeasurement of defined benefit asset/liability	—	—	(80)	—	—	—	(80)	—	(80)
– exchange differences	—	—	—	1	—	—	1	—	1
Total comprehensive income for the year	—	—	4,017	74	734	—	4,825	5	4,830
Issue of other equity instruments ¹	—	495	—	—	—	—	495	—	495
Dividends to shareholders	—	—	(3,023)	—	—	—	(3,023)	(5)	(3,028)
Share premium reclassification to retained earnings ³	—	—	—	—	—	—	—	—	—
Capitalisation of Group reorganisation reserve through bonus share issuance ³	—	—	—	—	—	—	—	—	—
Cancellation of bonus shares ³	—	—	—	—	—	—	—	—	—
Other movements ²	—	—	33	—	—	—	33	(40)	(7)
At 31 Dec 2025	—	2,691	23,163	(132)	76	2,443	28,241	20	28,261
At 1 Jan 2024	9,015	2,196	7,573	(172)	(293)	7,691	26,010	60	26,070
Profit for the year	—	—	4,134	—	—	—	4,134	5	4,139
Other comprehensive income (net of tax)	—	—	(285)	(34)	(365)	—	(684)	—	(684)
– debt instruments at fair value through other comprehensive income	—	—	—	(35)	—	—	(35)	—	(35)
– cash flow hedges	—	—	—	—	(365)	—	(365)	—	(365)
– remeasurement of defined benefit asset/liability	—	—	(285)	—	—	—	(285)	—	(285)
– exchange differences	—	—	—	1	—	—	1	—	1
Total comprehensive income for the year	—	—	3,849	(34)	(365)	—	3,450	5	3,455
Issue of other equity instruments	—	—	—	—	—	—	—	—	—
Dividends to shareholders	—	—	(3,564)	—	—	—	(3,564)	(5)	(3,569)
Share premium reclassification to retained earnings ³	(9,015)	—	9,015	—	—	—	—	—	—
Capitalisation of Group reorganisation reserve through bonus share issuance ³	5,248	—	—	—	—	(5,248)	—	—	—
Cancellation of bonus shares ³	(5,248)	—	5,248	—	—	—	—	—	—
Other movements ²	—	—	15	—	—	—	15	—	15
At 31 Dec 2024	—	2,196	22,136	(206)	(658)	2,443	25,911	60	25,971

1 Other equity instruments were issued net of cost.

2 Relates to a tax credit on share based payments £32m in 2025 (2024: £20m) and £1m pension assets transfer from HSBC Global Services (UK) Limited and HSBC Bank plc (2024: £(7)m) and £(40)m repayment of other equity instruments to non-controlling interests to HSBC Holdings plc.

3 During Q4 2024, HSBC UK Bank plc converted £5.2bn of its group reorganisation reserve and £9.0bn of its share premium account into retained earnings. For further details, please refer to Note 23.

4 The Group reorganisation reserve is an equity reserve which was used to recognise the contribution of equity reserves associated with the ring fenced businesses that were notionally transferred from HSBC Bank plc. As at 31 December 2025, the balance mainly comprises of the reserve created on consolidation for the goodwill transfer.

Consolidated statement of cash flows

for the year ended 31 December

	2025 £m	2024 £m
Profit before tax	5,619	5,647
Adjustments for non-cash items:		
Depreciation, amortisation and impairment	495	447
Net gain from investing activities	(20)	(38)
Change in expected credit losses gross of recoveries and other credit impairment charges	616	386
Provisions including pensions	(181)	(198)
Share-based payment expense	30	28
Other non-cash items included in profit before tax	(249)	(249)
Elimination of exchange differences ¹	143	142
Changes in operating assets and liabilities		
Change in net trading securities and derivatives	1,208	(626)
Change in loans and advances to banks and customers	(14,483)	(5,073)
Change in reverse repurchase agreements – non-trading	(4,764)	(1,952)
Change in financial assets mandatorily measured at fair value	(1)	(39)
Change in other assets	(730)	(748)
Change in deposits by banks and customer accounts	4,956	12,322
Change in repurchase agreements – non-trading	5,856	(4,231)
Change in debt securities in issue	975	56
Change in other liabilities	(113)	(900)
Contributions paid to defined benefit plans	–	(1)
Tax paid	(1,632)	(1,209)
Net cash from operating activities	(2,275)	3,764
Purchase of financial investments	(26,063)	(33,396)
Proceeds from the sale and maturity of financial investments	22,519	22,617
Proceeds from sale of property, plant and equipment	–	27
Purchase of property, plant and equipment	(73)	(71)
Purchase of intangible assets	(438)	(363)
Proceeds from sale of intangible assets	10	1
Net cash flow on acquisition of subsidiaries, businesses and joint venture	1	–
Net cash from investing activities	(4,044)	(11,185)
Issue of ordinary share capital and other equity instruments	495	–
Subordinated loan capital issued ²	3,194	3,259
Subordinated loan capital repaid ²	(2,414)	(2,194)
Dividends paid to shareholders of the parent company and non-controlling interests	(3,028)	(3,569)
Repayment of other equity instruments to non-controlling interests	(40)	–
Net cash from financing activities	(1,793)	(2,504)
Net decrease in cash and cash equivalents	(8,112)	(9,925)
Cash and cash equivalents at 1 Jan	63,366	73,381
Exchange differences in respect of cash and cash equivalents	45	(90)
Cash and cash equivalents at 31 Dec³	55,299	63,366
Cash and cash equivalents comprise:		
– cash and balances at central banks	40,369	52,276
– loans and advances to banks of one month or less	6,399	7,263
– reverse repurchase agreements with banks of one month or less	7,485	2,466
– treasury bills, other bills and certificates of deposit less than three months	1,156	1,103
– cash collateral, net settlement accounts and items in course of collection from/transmission to other banks	(110)	258
Cash and cash equivalents at 31 Dec³	55,299	63,366

Interest received was £14,458m (2024: £14,463m) and interest paid was £6,182m (2024: £6,630m).

- Adjustment to bring changes between opening and closing balance sheet amounts to average rates. This is not done on a line-by-line basis, as details cannot be determined without unreasonable expense.
- Subordinated liabilities changes during the year are attributable to cash flows from issuance of securities of £3,194m (2024: £3,259m) and repayments of £(2,414)m (2024: £(2,194)m). Non-cash changes during the year included foreign exchange losses of £(234)m (2024: £(55)m).
- At 31 December 2025, cash and cash equivalents of £5,870m (2024: £6,190m) was not available for use by the group, mainly related to mandatory deposits at central banks.

Financial statements

HSBC UK Bank plc balance sheet at 31 December

	Notes	2025 £m	2024 £m
Assets			
Cash and balances at central banks		40,368	52,275
Financial assets mandatorily measured at fair value through profit or loss	7	175	174
Derivatives	9	163	295
Loans and advances to banks		13,325	13,070
Loans and advances to customers		219,070	206,187
Reverse repurchase agreements – non-trading		21,560	11,776
Financial investments	10	41,449	37,597
Investments in subsidiaries	13	1,000	1,148
Prepayments, accrued income and other assets	16	9,516	9,226
Interests in joint ventures	12	5	5
Goodwill and intangible assets	15	1,282	1,221
Total assets		347,913	332,974
Liabilities and equity			
Liabilities			
Deposits by banks		12,096	14,780
Customer accounts		282,274	274,160
Repurchase agreements – non-trading		6,276	420
Derivatives	9	162	107
Debt securities in issue	17	2,100	1,621
Accruals, deferred income and other liabilities	18	3,326	3,244
Current tax liabilities		97	281
Provisions	19	243	246
Deferred tax liabilities	5	1,338	971
Subordinated liabilities	20	16,423	15,686
Total liabilities		324,335	311,516
Equity			
Called up share capital	23	—	—
Share premium account	23	—	—
Other equity instruments	23	2,691	2,196
Other reserves		(59)	(866)
Retained earnings		20,946	20,128
Total equity		23,578	21,458
Total liabilities and equity		347,913	332,974

Profit after tax for the year was £3,888m (2024: £4,125m).

The accompanying notes on pages 83 to 122, and the audited sections of the 'Report of the Directors' on pages 14 to 67 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 February 2026 and signed on its behalf by:

David Lindberg
Director

HSBC UK Bank plc statement of changes in equity

for the year ended 31 December

	Called up share capital and share premium	Other equity instruments	Retained earnings	Other reserves			Total shareholders' equity
				Financial assets at FVOCI reserve	Cash flow hedging reserve	Group reorganisation reserve ⁴	
	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2025	—	2,196	20,128	(208)	(658)	—	21,458
Profit for the year	—	—	3,888	—	—	—	3,888
Other comprehensive expense (net of tax)	—	—	(80)	73	734	—	727
– debt instruments at fair value through other comprehensive income	—	—	—	72	—	—	72
– cash flow hedges	—	—	—	—	734	—	734
– remeasurement of defined benefit asset/liability	—	—	(80)	—	—	—	(80)
– exchange differences	—	—	—	1	—	—	1
Total comprehensive income for the year	—	—	3,808	73	734	—	4,615
Issue of other equity instruments ¹	—	495	—	—	—	—	495
Dividends to shareholders	—	—	(3,023)	—	—	—	(3,023)
Share premium reclassification to retained earnings ³	—	—	—	—	—	—	—
Capitalisation of Group reorganisation reserve through bonus share issuance ³	—	—	—	—	—	—	—
Cancellation of bonus shares ³	—	—	—	—	—	—	—
Other movements ²	—	—	33	—	—	—	33
At 31 Dec 2025	—	2,691	20,946	(135)	76	—	23,578
At 1 Jan 2024	9,015	2,196	5,578	(178)	(293)	5,248	21,566
Profit for the year	—	—	4,125	—	—	—	4,125
Other comprehensive income (net of tax)	—	—	(285)	(30)	(365)	—	(680)
– debt instruments at fair value through other comprehensive income	—	—	—	(31)	—	—	(31)
– cash flow hedges	—	—	—	—	(365)	—	(365)
– remeasurement of defined benefit asset/liability	—	—	(285)	—	—	—	(285)
– exchange differences	—	—	—	1	—	—	1
Total comprehensive income for the year	—	—	3,840	(30)	(365)	—	3,445
Issue of other equity instruments	—	—	—	—	—	—	—
Dividends to shareholders	—	—	(3,564)	—	—	—	(3,564)
Share premium reclassification to retained earnings ³	(9,015)	—	9,015	—	—	—	—
Capitalisation of Group reorganisation reserve through bonus share issuance ³	5,248	—	—	—	—	(5,248)	—
Cancellation of bonus shares ³	(5,248)	—	5,248	—	—	—	—
Other movements ²	—	—	11	—	—	—	11
At 31 Dec 2024	—	2,196	20,128	(208)	(658)	—	21,458

1 Other equity instruments were issued net of cost.

2 Relates to a tax credit on share based payments £32m in 2025 (2024: £18m) and £1m pension assets transfer from HSBC Global Services (UK) Limited and HSBC Bank plc (2024: £(7)m).

3 In Q4 2024, HSBC UK Bank plc converted £5.2bn of its group reorganisation reserve and £9.0bn of its share premium account into retained earnings. For further details, please refer Note 23.

4 The Group reorganisation reserve is an equity reserve which was used to recognise the contribution of equity reserves associated with the ring fenced businesses that were notionally transferred from HSBC Bank plc.

HSBC UK Bank plc statement of cash flows for the year ended 31 December

	2025 £m	2024 £m
Profit before tax	5,289	5,489
Adjustments for non-cash items:		
Depreciation, amortisation and impairment	461	419
Net gain from investing activities	187	(37)
Change in expected credit losses gross of recoveries and other credit impairment charges	527	308
Provisions including pensions	(188)	(198)
Share-based payment expense	22	21
Other non-cash items included in profit before tax	(241)	(240)
Elimination of exchange differences ¹	34	201
Changes in operating assets and liabilities		
Change in net trading securities and derivatives	1,209	(626)
Change in loans and advances to banks and customers	(14,757)	(5,072)
Change in reverse repurchase agreements – non-trading	(4,764)	(1,952)
Change in financial assets mandatorily measured at fair value	(1)	(39)
Change in other assets	(628)	(1,266)
Change in deposits by banks and customer accounts	5,429	12,478
Change in repurchase agreements – non-trading	5,856	(4,231)
Change in debt securities in issue	479	57
Change in other liabilities	(65)	(799)
Contributions paid to defined benefit plans	—	(1)
Tax paid	(1,471)	(1,156)
Net cash from operating activities	(2,622)	3,356
Purchase of financial investments	(25,231)	(33,404)
Proceeds from the sale and maturity of financial investments	21,842	22,618
Proceeds from sale of property, plant and equipment	—	13
Purchase of property, plant and equipment	(73)	(71)
Purchase of intangible assets	(422)	(346)
Proceeds from sale of intangible assets	6	1
Net cash from investing activities	(3,878)	(11,189)
Issue of ordinary share capital and other equity instruments	495	—
Subordinated loan capital issued ²	3,194	3,259
Subordinated loan capital repaid ²	(2,414)	(2,194)
Dividends paid to shareholders of the parent company	(3,023)	(3,564)
Net cash from financing activities	(1,748)	(2,499)
Net decrease in cash and cash equivalents	(8,248)	(10,332)
Cash and cash equivalents at 1 Jan	65,428	75,910
Exchange differences in respect of cash and cash equivalents	152	(150)
Cash and cash equivalents at 31 Dec³	57,332	65,428
Cash and cash equivalents comprise:		
– cash and balances at central banks	40,368	52,275
– loans and advances to banks of one month or less	8,590	9,666
– reverse repurchase agreements with banks of one month or less	7,485	2,466
– treasury bills, other bills and certificates of deposit less than three months	1,156	933
– cash collateral, net settlement accounts and items in course of collection from/transmission to other banks	(267)	88
Cash and cash equivalents at 31 Dec³	57,332	65,428

Interest received was £13,704m (2024: £13,642m), interest paid was £6,162m (2024: £6,581m) and dividends received were £333m (2024: £354m).

- Adjustment to bring changes between opening and closing balance sheet amounts to average rates. This is not done on line-by-line basis, as details cannot be determined without unreasonable expense.
- Subordinated liabilities changes during the year are attributable to cash flows from issuance of securities of £3,194m (2024: £3,259m) and repayments of £(2,414)m (2024: £(2,194)m). Non-cash changes during the year included foreign exchange losses of £(234)m (2024: £(55)m).
- At 31 December 2025, cash and cash equivalents £5,870m (2024: £6,020m) was not available for use by the bank, mainly related to mandatory deposits at central banks.

Notes on the financial statements

1 Basis of preparation and material accounting policies

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The consolidated financial statements of HSBC UK and the separate financial statements of the bank comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. These financial statements are also prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IFRS Accounting Standards'), including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRS Accounting Standards for the periods presented. There were no unendorsed standards effective for the year ended 31 December 2025 affecting these consolidated and separate financial statements.

IFRS Accounting Standards adopted during the year ended 31 December 2025

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

(b) Future accounting developments

Minor amendments to IFRS Accounting Standards

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

Other amendments and new IFRS Accounting Standards

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

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

IFRS 18 'Presentation and Disclosure in Financial Statements'

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

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

(c) Foreign currencies

The functional currency of the bank is £ sterling, which is also the presentational currency of the consolidated financial statements of the group.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost, which are translated using the rate of exchange at the initial transaction date. Exchange differences are recognised in the income statement except where otherwise required such as exchange components of gains and losses on non-monetary items which are recognised in the income statement or OCI depending on where the gain or loss on the underlying item is presented.

(d) Presentation of information

Certain disclosures required by IFRS Accounting Standards have been included in the sections marked as ('Audited') in the Annual Report and Accounts 2025 as follows:

- disclosures concerning the nature and extent of risks relating to financial instruments are included in the 'Risk review' on pages 14 to 61; and
- capital disclosures are included in the 'Risk review' on pages 56 to 57.

In publishing the parent company financial statements together with the group financial statements, the bank has taken advantage of the exemption in Section 408(3) of the Companies Act 2006 not to present its individual income statement and related notes.

(e) Critical estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items highlighted as the critical estimates and judgements in section 1.2 below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different estimates and judgements from those reached by management for the purposes of these financial statements. Management's selection of the group's accounting policies that contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

Notes on the financial statements

Management has considered the impact of climate-related risks on HSBC UK's financial position and performance. While the effects of climate change are a source of uncertainty, as at 31 December 2025 management did not consider there to be a material impact on our critical judgements and estimates from the physical, transition and other climate-related risks in the short to medium term. In particular management has considered the known and observable potential impacts of climate-related risks of associated judgements and estimates in our value in use ('VIU') calculations.

(f) Segmental analysis

HSBC UK's chief operating decision-maker is the group Chief Executive, supported by the group Operating Committee, and operating segments are reported in a manner consistent with the internal reporting provided to the group Chief Executive and the group Operating Committee.

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

(g) Going concern

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

These considerations include stressed scenarios that reflect the uncertainty in the macroeconomic environment, including inflation, rapidly changing interest rates, disrupted supply chains as a result of the Russia-Ukraine war and conflict in the Middle East or elsewhere. Additional considerations include changes to tariff rates and heightened strategic competition between the US and China. They also considered other top and emerging risks, including climate change, as well as the related impacts on profitability, capital and liquidity.

1.2 Summary of material accounting policies

(a) Consolidation and related policies

Consolidation

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

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

Investments in subsidiaries

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

Impairment testing of investments in subsidiaries is performed where there is an indication of impairment. Indicators of impairment include both external and internal sources of information.

Interests in associates and joint arrangements

Joint arrangements are investments in which the group, together with one or more parties, has joint control. Depending on the group's rights and obligations, the joint arrangement is classified as either a joint operation or a joint venture.

The group classifies investments in entities over which it has significant influence but not control or joint control as associates and accounts for them using the equity method. Under this method, the attributable share of net assets, results and reserves are included in the consolidated financial statements based on either financial statements made up to 31 December, or pro-rated amounts adjusted for any material transactions or events occurring between the date the financial statements are available and 31 December.

Investments in associates and joint ventures are assessed at each reporting date and tested for impairment when there is an indication that the investment may be impaired, by comparing the recoverable amount of the relevant investment to its carrying amount. Goodwill on acquisition of interests in joint ventures and associates is not tested separately for impairment, but is assessed as part of the carrying amount of the investment.

(b) Impairment of goodwill and other non-financial assets

Goodwill

Goodwill is allocated to Cash-generating Units ('CGU') for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes.

Impairment testing is performed at least once a year, or whenever there is an indication of impairment, by comparing the recoverable amount of a CGU with its carrying amount.

Goodwill is included in a disposal group if the disposal group is a CGU to which goodwill has been allocated or it is an operation within such a CGU. The amount of goodwill included in a disposal group is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

Other non-financial assets

Software under development is tested for impairment at least annually. Other non-financial assets are property, plant and equipment, intangible assets (excluding goodwill) and right-of-use assets. They are tested for impairment at the individual asset level when there is indication of impairment at that level, or at the CGU level for assets that do not have a recoverable amount at the individual asset level. In addition, impairment is also tested at the CGU level when there is indication of impairment at that level.

Notes on the financial statements

Impairment testing compares the carrying amount of the non-financial asset or CGU with its recoverable amount, which is the higher of the fair value less costs of disposal or the VIU. The carrying amount of a CGU comprises the carrying amount of its assets and liabilities, including non-financial assets that are directly attributable to it and non-financial assets that can be allocated to it on a reasonable and consistent basis. Non-financial assets that cannot be allocated to an individual CGU are tested for impairment at an appropriate grouping of CGUs. The recoverable amount of the CGU is the higher of the fair value less costs of disposal of the CGU, which is determined by independent and qualified valuers where relevant, and the VIU, which is calculated based on appropriate inputs (see Note 15).

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

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

(c) Net operating income

Interest income and expense

Interest income and expense for all financial instruments, excluding those classified as held for trading are recognised in 'interest income' and 'interest expense' in the income statement using the effective interest method.

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

Non-interest income and expense

The group generates fee income from services provided over time, such as account service and card fees, or when it delivers a specific transaction at a point in time, such as broking services and import/export services. Where fees are variable, for example certain performance fees, such fees are recognised when the associated uncertainties are resolved, and to the extent that it is highly probable that a significant reversal will not occur.

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

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

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

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

The group buys and sells currencies to customers, as principal and presents the results of this activity, including the related gains and losses from changes in foreign exchange rates, as trading.

Gains and losses from financial instruments measured as at fair value through profit or loss includes the following:

- 'Net income from financial instruments held for trading or managed on a fair value basis': This comprises net trading activities, which includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading and other financial instruments managed on a fair value basis, together with the related interest income, interest expense and dividend income, excluding the effect of changes in the credit risk of liabilities managed on a fair value basis. It also includes all gains and losses from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities measured at fair value through profit or loss.
- 'Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss': This includes interest on instruments that fail the solely payments of principal and interest ('SPPI') test, see (e) below.

(d) Valuation of financial instruments

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

The fair value of financial instruments is generally measured on an individual basis. Financial instruments are classified into one of three fair value hierarchy levels, described in Note 7, 'Fair values of financial instruments carried at fair value'.

(e) Financial instruments measured at amortised cost

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

Non-trading reverse repurchase, repurchase and similar agreements

When securities are sold subject to a commitment to repurchase them at a predetermined price ('repos'), they remain on the balance sheet and a liability is recorded in respect of the consideration received. Securities purchased under commitments to resell ('reverse repos') are not recognised on the balance sheet and an asset is recorded in respect of the initial consideration paid. Non-trading repos and reverse repos are

Notes on the financial statements

measured at amortised cost. The difference between the sale and repurchase price or between the purchase and resale price is treated as interest and recognised in net interest income over the life of the agreement.

Finance lease receivables

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets are classified as finance leases. They are recorded at an amount equal to the net investment in the lease, less any impairment allowance. The net investment in finance leases represents the sum of the minimum payments receivable (gross investment in the lease) discounted at the rate of interest implicit in the lease. Initial direct costs incurred in arranging the lease, less any fee income related to the lease, are included in the initial measurement of the net investment.

(f) Financial assets measured at FVOCI

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

(g) Derivatives

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

Hedge accounting

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

Fair value hedge

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

Cash flow hedge

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

(h) Impairment of amortised cost and FVOCI financial assets

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

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

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

Significant increase in credit risk (stage 2)

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

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

Notes on the financial statements

For wholesale portfolios, the quantitative comparison assesses default risk using a lifetime PD which encompasses a wide range of information including the obligor's customer risk rating ('CRR'), macro-economic condition forecasts and credit transition probabilities. For origination CRRs up to 3.3, significant increase in credit risk is measured by comparing the average PD for the remaining term estimated at origination with the equivalent estimation at the reporting date.

The quantitative measure of significance varies depending on the credit quality at origination as follows:

Origination CRR	Significance trigger – PD that increases by
0.1-1.2	15 bps
2.1-3.3	30 bps

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

For loans originated prior to the implementation of IFRS 9, the origination PD does not include adjustments to reflect expectations of future macroeconomic conditions since these are not available without the use of hindsight. In the absence of this data, origination PD must be approximated assuming through-the-cycle PDs and through-the-cycle migration probabilities, consistent with the instrument's underlying modelling approach and the CRR at origination.

The quantitative comparison is supplemented with additional CRR deterioration-based thresholds, as set out in the table below:

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

For retail portfolios, default risk is assessed using a reporting date 12-month PD derived from internal models, which incorporate all available information about the customer. This PD is adjusted for the effect of macroeconomic forecasts for periods longer than 12 months and is considered to be a reasonable approximation of a lifetime PD measure. Retail exposures are first segmented into homogenous portfolios, generally by country, product and brand. Within each portfolio, the stage 2 accounts include accounts with an adjusted 12-month PD greater than the average 12-month PD of loans in that portfolio 12 months before they become 30 days past due. The expert credit risk judgement is that no prior increase in credit risk is significant. This portfolio-specific threshold therefore identifies loans with a PD higher than would be expected from loans that are performing as originally expected and higher than that which would have been acceptable at origination. It therefore approximates a comparison of origination to reporting date PDs.

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

Credit impaired (stage 3)

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

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

Interest income is recognised by applying the EIR to the amortised cost, i.e. gross carrying amount less allowance for ECL.

Write-off

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

Forbearance

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

The group applies the European Banking Authority ('EBA') Guidelines on the application of definition of default for our retail portfolios, which affect credit risk policies and our reporting in respect of the status of loans as credit impaired principally due to forbearance (or curing thereof). Further details are provided under 'Forborne loans and advances' on page 24.

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

Notes on the financial statements

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

Loan modifications other than forbore loans

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

Purchased or originated credit impaired (POCI)

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

Movement between stages

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

Measurement of ECL

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

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

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

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

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

Model	Regulatory capital	IFRS 9
PD	<ul style="list-style-type: none"> - Represents long-run average PD throughout a full economic cycle (for mortgage portfolios a hybrid approach, which sits between the extremes of point in time and through the cycle, is used for calculating long-run averages as required by the PRA). - Default backstop of 90+ days past due for all portfolios (includes unlikely to pay ('UTP') criteria in line with internal policy). - May be subject to a sovereign cap. 	<ul style="list-style-type: none"> - Represents current portfolio quality and performance, adjusted for the impact of multiple forward-looking macroeconomic scenarios. - Default backstop of 90+ days past due for all portfolios (includes UTP criteria in line with internal policy).
EAD	<ul style="list-style-type: none"> - Cannot be lower than current balance. 	<ul style="list-style-type: none"> - Amortisation captured for term products. - Future drawdown captured for revolving products.
LGD	<ul style="list-style-type: none"> - Downturn LGD (consistent with losses we would expect to suffer during a severe but plausible economic downturn). - Regulatory floors may apply to mitigate risk of underestimating downturn LGD due to lack of historical data. - Discounted using appropriate index (minimum 9%). - All collection costs included. 	<ul style="list-style-type: none"> - LGD based on recent portfolio performance data and includes the expected impact of future economic conditions such as change in the value of collateral. - No floors applied, discounted using the original EIR. - Only costs associated with selling collateral and certain third-party costs are included.
Other		<ul style="list-style-type: none"> - Discounted back from point of default to balance sheet date.

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

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

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

Notes on the financial statements

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

Period over which ECL is measured

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

In addition, for these facilities it is not possible to identify the ECL on the loan commitment component separately from the financial asset component. As a result, the total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision. For wholesale overdraft facilities, credit risk management actions are taken no less frequently than on an annual basis.

Forward-looking economic inputs

The group applies multiple forward-looking global economic scenarios determined with reference to external forecast distributions representative of its view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected credit losses in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate. The detailed methodology is disclosed in 'Measurement uncertainty and sensitivity analysis of ECL estimates' on page 29.

Critical estimates and judgements

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

Judgements	Estimates
<ul style="list-style-type: none">– Defining what is considered to be a significant increase in credit risk.– Determining the lifetime and point of initial recognition of overdrafts and credit cards.– Selecting and calibrating the PD, LGD and EAD models, which support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditions.– Selecting model inputs and economic forecasts, including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected credit loss.– Making management adjustments to account for late breaking events, model and data limitations and deficiencies, and expert credit judgements.– Selecting applicable recovery strategies for certain wholesale credit-impaired loans.	<ul style="list-style-type: none">– The section 'Measurement uncertainty and sensitivity analysis of ECL estimates', marked as audited on pages 29 to 33, sets out the assumptions used in determining ECL, and provides an indication of the sensitivity of the result to the application of different weightings being applied to different economic assumptions.

(i) Employee compensation and benefits

Share-based payments

The group enters into both equity-settled and cash-settled share-based payment arrangements with its employees as compensation for the provision of their services.

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

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

Post-employment benefit plans

The group operates a pension plan which provides defined benefit and defined contribution pensions.

Payments to defined contribution schemes are charged as an expense as the employees render service.

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

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

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

Notes on the financial statements

Critical estimates and judgements

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

Judgements	Estimates
	<ul style="list-style-type: none"> – A range of assumptions could be applied, and different assumptions could significantly alter the defined benefit obligation and the amounts recognised in profit or loss or OCI. – The calculation of the defined benefit pension obligation includes assumptions with regard to the discount rate, inflation rate, pension payments and deferred pensions, pay and mortality. Management determines these assumptions in consultation with the plan's actuaries. – Key assumptions used in calculating the defined benefit pension obligation and the sensitivity of the calculation to different assumptions are described in Note 3.

(j) Tax

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

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

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

The group has applied the exception available under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

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

(k) Provisions, contingent liabilities and guarantees

Provisions

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

Critical estimates and judgements

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

Judgements	Estimates
<ul style="list-style-type: none"> – Determining whether a present obligation exists. Professional advice is taken on the assessment of litigation and similar obligations. – Provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised, revising previous estimates as appropriate. At more advanced stages, it is typically easier to make estimates around a better defined set of possible outcomes. 	<ul style="list-style-type: none"> – Provisions for legal proceedings and regulatory matters remain very sensitive to the assumptions used in the estimate. There could be a wider range of possible outcomes for any pending legal proceedings, investigations or inquiries. As a result it is often not practicable to quantify a range of possible outcomes for individual matters. It is also not practicable to meaningfully quantify ranges of potential outcomes in aggregate for these types of provisions because of the diverse nature and circumstances of such matters and the wide range of uncertainties involved.

Contingent liabilities, contractual commitments and guarantees

Contingent liabilities

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

Financial guarantee contracts

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

2 Net fee income

	Year ended	
	31 Dec 2025	31 Dec 2024
	£m	£m
Net fee income by product		
Account services	258	278
Funds under management	147	132
Cards	615	590
Credit facilities	181	162
Imports/exports	33	30
Insurance agency commission	14	16
Receivables finance	76	81
Other	297	316
Fee income	1,621	1,605
Less: fee expense	(335)	(297)
Net fee income	1,286	1,308
Net fee income by global business		
Retail Banking and Wealth	452	497
Commercial Banking	929	937
Corporate and Institutional Banking	(201)	(215)
Private Bank	107	89
Corporate Centre	(1)	—

Net fee income includes £1,244m of fees earned on financial assets that are not at fair value through profit or loss (other than amounts included in determining the EIR) (2024: £1,227m), £224m of fees payable on financial liabilities that are not at fair value through profit of loss (other than amounts included in determining the EIR) (2024: £214m), £149m of fees earned on trust and other fiduciary activities (2024: £136m).

3 Employee compensation and benefits

	2025	2024
	£m	£m
Wages and salaries	1,185	1,086
Social security costs	143	119
Post-employment benefits ¹	(123)	(77)
Year ended 31 Dec	1,205	1,128

1 Post-employment benefits decrease is a factor of interest receivable on assets, service cost, interest cost on liabilities and administration expenses.

Average number of persons employed by the group during the year

	2025 ¹	2024 ¹
Retail Banking and Wealth	14,077	14,449
Commercial Banking	4,998	4,894
Corporate and Institutional Banking	112	64
Private Bank	634	612
Corporate Centre	20	15
Year ended 31 Dec	19,841	20,034

1 Average number of headcount staff in corporate centre are allocated to the respective global businesses. The allocation is on the basis of amounts charged to the respective global business.

Share-based payments

The share-based payment income statement charge is recognised in wages and salaries as follows:

	2025	2024
	£m	£m
Restricted share awards	18	17
Savings-related and other share award option plans	12	11
Year ended 31 Dec	30	28

Notes on the financial statements

HSBC Group share awards

Award	Policy
Deferred share awards (including annual incentive awards, LTI awards delivered in shares)	<p>An assessment of performance over the relevant period ending on 31 December is used to determine the amount of the award to be granted.</p> <ul style="list-style-type: none"> – Deferred awards generally require employees to remain in employment over the vesting period and are generally not subject to performance conditions after the grant date. – Deferred share awards generally vest over a period of three, four, five or seven years. – Vested shares may be subject to a retention requirement post-vesting. – Awards are subject to malus and clawback provisions. – Long-term incentive ('LTI') is subject to performance conditions.
International Employee Share Purchase Plan ('ShareMatch')	<p>The plan was first introduced in Hong Kong in 2013 and now includes employees based in 30 jurisdictions.</p> <ul style="list-style-type: none"> – Shares are purchased in the market each quarter up to a maximum value of £750, or the equivalent in local currency. – Matching awards are added at a ratio of one free share for every three purchased. – Matching awards vest subject to continued employment and the retention of the purchased shares for a maximum period of two years and nine months.

Movement on HSBC Group share awards

	2025 Number (000s)	2024 Number (000s)
Restricted share awards outstanding at 1 Jan	3,829	3,083
Additions during the year	1,530	2,464
Released in the year	(1,514)	(1,698)
Forfeited in the year	(51)	(20)
Restricted share awards outstanding at 31 Dec	3,794	3,829
Weighted average fair value of awards granted (£)	7.76	5.11

HSBC Group share option plans

Plans	Policy
Savings-related share option plans ('Sharesave')	<ul style="list-style-type: none"> – Eligible employees can save up to £500 per month with the option to use the savings to acquire shares. – These are generally exercisable within six months following either the third or fifth anniversary of the commencement of a three-year or five-year contract, respectively. – The exercise price is set at a 20% (2024: 20%) discount to the market value immediately preceding the date of invitation.

Calculation of fair values

The fair values of share options are calculated using the Black-Scholes model. The fair value of a share award is based on the share price at the date of the grant.

Movement on HSBC Group share option plans

	Savings-related share option plans	
	Number (000s)	WAEP ¹ £
Outstanding at 1 Jan 2025	37,921	3.82
Granted during the year	6,271	7.51
Exercised during the year	(12,756)	2.99
Expired during the year	(42)	3.87
Forfeited during the year	(1,292)	4.80
Outstanding at 31 Dec 2025	30,102	4.89
– of which exercisable	6,128	2.85
Weighted average remaining contractual life (years)	1.96	
Outstanding at 1 Jan 2024	42,678	3.44
Granted during the year	5,841	5.37
Exercised during the year	(8,750)	2.98
Expired during the year	(51)	3.31
Forfeited during the year	(1,797)	4.10
Outstanding at 31 Dec 2024	37,921	3.82
– of which exercisable	656	3.40
Weighted average remaining contractual life (years)	2.10	

1 Weighted average exercise price.

Post-employment benefit plans

We operate a pension plan for our employees called the HBUK section of the HSBC Bank (UK) Pension Scheme ('the plan'), which has both defined benefit and defined contribution sections, managed by the Trustee of the plan. The HSBC Bank (UK) Pension Scheme was fully sectionalised in 2018 to meet the requirements of the Banking Reform Act.

The Pension risk section on page 56 contains details about the policies and practices associated with the plan. Climate-related risks on page 18 provides details of how the Trustee of the plan, manages climate risk.

The defined benefit section was closed to future benefit accrual in 2015, with defined benefits earned by employees at that date continuing to be linked to their salary while they remain employed by the HSBC Group. The plan is overseen by an independent corporate trustee, who has a fiduciary responsibility for the operation of the plan. Its assets are held separately from the assets of the group.

The investment strategy of the plan is to hold the majority of assets in bonds, with the remainder in a diverse range of investments. It also includes some interest rate swaps to reduce interest rate risk, inflation swaps to reduce inflation risk and longevity swaps to reduce the impact of longer life expectancy. For further details of the measures to manage the market volatility, see Treasury risk on page 53.

The plan is subject to the statutory funding objective requirements of the UK Pensions Act 2004, which requires that it be funded to at least the level of technical provisions (an actuarial estimate of the assets needed to provide for the benefits already built up under the plan). Where a funding valuation is carried out and identifies a deficit, the employer and trustee are required to agree to a deficit recovery plan.

The latest funding valuation of the plan at 31 December 2022 was carried out by Towers Watson Limited, using the projected unit credit method. At that date, the market value of the plan's assets was £23.9bn and this exceeded the value placed on its liabilities on an ongoing basis by £3.7bn, giving a funding level of 118%. These figures include defined contribution assets amounting to £3bn. The funding valuation is used to judge the amount of cash contributions the group needs to put into the pension scheme. It will always be different to the IAS 19 accounting surplus, which is an accounting rule concerning employee benefits and shown on the balance sheet of our financial statements. The main differences between the assumptions used for assessing the liabilities for this funding valuation and those used for IAS19 are that an element of prudence is contained in the funding assumptions for discount rate, inflation rate and life expectancy. The next funding valuation is scheduled to be performed in 2026, with an effective date of 31 December 2025.

The actuary also assessed the value of the liabilities if the HBUK section of the plan were to have been stopped and an insurance company asked to secure all future pension payments. This is generally larger than the amount needed on the ongoing basis described above because an insurance company would use more prudent assumptions which allow for reserves and include a more prudent allowance for the future administrative expenses of the plan. Under this approach, the amount of assets needed was estimated to be £21.3bn at 31 December 2022.

The trust deed gives the ability for HSBC UK to take a refund of surplus assets after the plan has been run down such that no further beneficiaries remain. In assessing whether a surplus is recoverable, HSBC UK has considered its right to obtain a future refund together with the rights of third parties such as trustees. On this basis, any net surplus in the HBUK section of the plan is recognised in HSBC UK's financial statements.

Income statement charge/(credit)

	2025	2024
	£m	£m
Defined benefit pension plans	(261)	(210)
Defined contribution pension plans	138	133
Pension plans	(123)	(77)
Year ended 31 Dec	(123)	(77)

Defined benefit pension plans

Net asset/(liability) under defined benefit pension plans

	Fair value of plan assets	Present value of defined benefit obligations	Net defined benefit assets/(liabilities)
	£m	£m	£m
At 1 Jan 2025	18,856	(13,730)	5,126
Service cost	—	(9)	(9)
– current service cost	—	(8)	(8)
– past service cost	—	(1)	(1)
Net interest income/(cost) on the net defined benefit asset/(liability)	1,020	(736)	284
Remeasurement effects recognised in other comprehensive income	(356)	246	(110)
– return on plan assets (excluding interest income)	(356)	—	(356)
– actuarial gains/(losses) financial assumptions	—	352	352
– actuarial gains/(losses) demographic assumptions	—	17	17
– actuarial gains/(losses) experience adjustments	—	(123)	(123)
Transfers to/from the scheme	16	(15)	1
Benefits paid	(847)	847	—
Other movements ¹	(30)	—	(30)
At 31 Dec 2025	18,659	(13,397)	5,262

Notes on the financial statements

Net asset/(liability) under defined benefit pension plans (continued)

	Fair value of plan assets £m	Present value of defined benefit obligations £m	Net defined benefit assets/(liabilities) £m
At 1 Jan 2024	20,851	(15,514)	5,337
Service cost	—	(27)	(27)
– current service cost	—	(7)	(7)
– past service cost	—	(20)	(20)
Net interest income/(cost) on the net defined benefit asset/(liability)	949	(701)	248
Remeasurement effects recognised in other comprehensive income	(2,085)	1,687	(398)
– return on plan assets (excluding interest income)	(2,085)	—	(2,085)
– actuarial gains/(losses) financial assumptions	—	1,386	1,386
– actuarial gains/(losses) demographic assumptions	—	126	126
– actuarial gains/(losses) experience adjustments	—	175	175
Transfers to/from the scheme	16	(22)	(6)
Benefits paid	(847)	847	—
Other movements ¹	(28)	—	(28)
At 31 Dec 2024	18,856	(13,730)	5,126

1 Other movements of Fair value of plan assets includes contributions by HSBC UK of nil (2024: £1m), less administrative costs £30m (2024: £29m). Following the 31 December 2022 funding valuation, a new Schedule of Contributions was signed in March 2024 resulting in a reduction of contributions since 2024 due to risk benefits, augmentations and administration expenses (defined benefit/defined contribution administration expenses and defined contribution annual management charge) were reimbursed through the plan assets. Based on the new Schedule of Contributions, it is expected that contribution to the plan for 2026 is nil.

Benefits expected to be paid from the plan to retirees over each of the next five years, and in aggregate for the five years thereafter, are as follows:

Benefits expected to be paid from plan

	2026 £m	2027 £m	2028 £m	2029 £m	2030 £m	2031–2035 £m
The plan ¹	872	897	924	951	979	5,350

1 The duration of the DBO is 11.4 years under the disclosure assumptions adopted (2024: 11.8 years).

Fair value of plan assets by asset classes

	At 31 Dec 2025			At 31 Dec 2024		
	Value £m	Quoted market price in active market £m	No quoted market price in active market £m	Value £m	Quoted market price in active market £m	No quoted market price in active market £m
The plan						
Fair value of plan assets	18,659	10,266	8,393	18,856	11,084	7,772
– equities ¹	43	—	43	52	—	52
– bonds fixed income ²	4,447	4,079	368	4,675	4,283	392
– bonds index linked	5,863	5,863	—	6,579	6,579	—
– derivatives ³	224	—	224	235	—	235
– property	638	—	638	664	—	664
– pooled investment vehicles	7,120	—	7,120	6,429	—	6,429
– other	324	324	—	222	222	—

1 Includes £43m (2024: £52m) in relation to private equities.

2 Bonds fixed income, includes £(147)m (2024: £(134)m) in relation to repurchase agreements.

3 Includes longevity swaps that are used to hedge the risk of an increase in life expectancy of pensioner population in HSBC UK. The longevity swaps are reported at £(333)m (2024: £(389)m).

Post-employment defined benefit plan actuarial financial assumptions

HSBC UK determines the discount rates to be applied to its obligations in consultation with the plan's local actuaries, on the basis of current average yields of high quality (AA-rated or equivalent) debt instruments with maturities consistent with those of the DBOs.

Key actuarial assumptions for the plan

	Discount rate %	Inflation rate (RPI) %	Inflation rate (CPI) %	Rate of increase for pensions %	Rate of pay increase %
UK					
At 31 Dec 2025	5.51	3.02	2.34	2.96	3.09
At 31 Dec 2024	5.54	3.33	2.88	3.22	3.63

Notes on the financial statements

Mortality tables and average life expectancy at age 60 for the plan

UK	Mortality table	Life expectancy at age 60 for a male member currently:		Life expectancy at age 60 for a female member currently:	
		Aged 60	Aged 40	Aged 60	Aged 40
At 31 Dec 2025	SAPS S3¹	26.4	28.0	28.4	30.0
At 31 Dec 2024	SAPS S3 ²	26.1	27.7	28.3	29.9

- 1 Self-administered pension scheme ('SAPS') S3 table, with different tables and multipliers adopted based on gender, pension amount and member status, reflecting the Scheme's actual mortality experience. Improvements are projected in accordance with the Continuous Mortality Investigation's ('CMI') 2024 core projection model with an initial addition to improvement of 0.25% per annum and a long-term rate of improvement of 1.25% per annum, with the other parameters set in line with the model default values.
- 2 SAPS S3 table, with different tables and multipliers adopted based on gender, pension amount and member status, reflecting the Scheme's actual mortality experience. Improvements are projected in accordance with the CMI's 2023 core projection model with an initial addition to improvement of 0.25% per annum and a long-term rate of improvement of 1.25% per annum, with a 0% weighting applied to 2020 and 2021 mortality experience and a 15% weighting applied to 2022 and 2023, reflecting an updated long-term view on mortality improvements post-pandemic.

The effect of changes in key assumptions on the plan

	Impact on HSBC Bank (UK) Pension Scheme Obligation			
	Financial impact of increase		Financial impact of decrease	
	2025 £m	2024 £m	2025 £m	2024 £m
Discount rate – increase/decrease of 0.25%	(356)	(377)	372	395
Inflation rate (RPI/CPI) – increase/decrease of 0.25%	304	310	(301)	(312)
Pension payments and deferred pensions – increase/decrease of 0.25%	376	388	(355)	(381)
Pay – increase/decrease of 0.25%	5	5	(5)	(5)
Change in mortality – increase/decrease of 1 year	362	385	(375)	(370)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the DBO to significant actuarial assumptions the same method (present value of the DBO calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit asset recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Directors' emoluments

The aggregate emoluments of the Directors of the Company, computed in accordance with the Companies Act 2006 as amended by statutory instrument 2008 No. 410, were:

	2025 £000	2024 £000
Fees paid to non-executive Directors	2,086	1,871
Salaries and other emoluments ¹	2,694	2,599
Annual incentives ²	1,485	1,384
Long-term incentives ³	1,965	1,353
Year ended 31 Dec	8,230	7,207

- 1 Salaries and other emoluments include Fixed Pay Allowances.
- 2 Discretionary annual incentives for the Executive Directors are based on a combination of individual and corporate performance and are determined by the Remuneration Committee of the Company's ultimate parent company, HSBC Holdings plc. Incentive awards made to Executive Directors are delivered in the form of cash and HSBC Holdings plc shares. The total amount shown is comprised of £742,340 (2024: £691,988) in cash and £742,340 (2024: £691,988) in shares, which is the upfront portion of the annual incentive granted in respect of the 2025 performance year.
- 3 The amount shown is comprised of £519,299 (2024: £421,425) in deferred cash and £1,445,605 (2024: £931,437) in deferred shares. These amounts relate to the portion of the awards that will vest following the substantial completion of the vesting condition attached to these awards in 2025.

Notes on the financial statements

1 Director exercised share options over HSBC Holdings plc ordinary shares during the year (2024: no Directors).

Awards were made to 2 Directors under HSBC Holdings plc LTI plans in respect of qualifying services rendered in 2025 (2024: 2). During 2025, 2 Directors received shares in respect of awards in HSBC Holdings plc LTI plans that vested during the year (2024: 2).

Retirement benefits accrued to 2 Directors during the year in respect of their qualifying services (2024: 1 Director). No Directors received cash in lieu of pension contributions during the year in respect of their qualifying services (2024: no Directors). Cash received in lieu of pension contributions is included in the salary and other emoluments disclosure in the table above.

Of these aggregate figures, the following amounts are attributable to the highest paid Director:

	2025	2024
	£000	£000
Salaries and other emoluments	1,792	1,798
Annual incentives ¹	1,165	1,064
Long-term incentives ²	1,722	1,271
Year ended 31 Dec	4,679	4,133

1 Awards made to the highest paid Director are delivered in the form of cash and HSBC Holdings plc shares. The amount shown is comprised of £582,340 (2024: £531,988) in cash and £582,340 (2024: £531,988) in shares.

2 The amount shown is comprised of £448,437 (2024: £391,063) in deferred cash and £1,273,068 (2024: £880,086) in deferred shares. These amounts represent a portion of the total award that will vest following satisfaction of the vesting condition attached to these awards in 2025.

The highest paid Director received shares in respect of qualifying services under an HSBC Holdings plc LTI award.

No pension contributions were made by the Company in respect of services by the highest paid Director during the year (2024: £nil).

4 Auditors' remuneration

	2025	2024
	£m	£m
Audit fees payable to PwC	6.5	6.1
Assurance fees payable to PwC	2.2	2.1
Year ended 31 Dec	8.7	8.2

Fees payable by the group to PwC

	2025	2024
	£m	£m
Audit fees for HSBC UK Bank plc's statutory audit ¹	4.7	4.2
Fees for other services provided to the group	4.0	4.0
– audit of the group's subsidiaries	1.8	1.9
– audit-related assurance services ²	2.0	2.1
– other assurance services ³	0.2	—
Year ended 31 Dec	8.7	8.2

1 Fees payable to PwC for the statutory audit of the consolidated financial statements of the group and the separate financial statements of HSBC UK Bank plc. They exclude amounts payable for the statutory audit of the bank's subsidiaries which have been included in 'Fees for other services provided to the group'.

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

3 Including comfort and arrangement letters to underwriters or other financial intermediaries and assurance reviews of PRA regulatory reporting returns.

No fees were payable to PwC as principal auditor for the following types of services: internal audit services and services related to litigation, recruitment and remuneration.

In addition to the above, the estimated fees paid to PwC by third parties associated with HSBC UK amounted to £1.1m (2024: £0.6m). In these cases, HSBC UK was connected with the contracting party and may therefore have been involved in appointing PwC. These fees arose from services such as reviewing the financial position of corporate concerns that borrow from HSBC UK.

Fees payable for non-audit services for HSBC UK Bank plc are not disclosed separately because such fees are disclosed on a consolidated basis for the group.

Notes on the financial statements

5 Tax

Tax expense

	2025 £m	2024 £m
Current tax	1,421	1,399
– for this year	1,417	1,404
– adjustments in respect of prior years	4	(5)
Deferred tax	96	109
– origination and reversal of temporary differences	100	112
– adjustments in respect of prior years	(4)	(3)
Year ended 31 Dec¹	1,517	1,508

¹ In addition to amounts recorded in the income statement, a tax charge of £283m (2024: credit of £268m) was recorded directly to equity.

The UK introduced the 'Pillar Two' global minimum tax model rules of the Organisation of Economic Co-operation and Development's ('OECD') Inclusive Framework on Base Erosion and Profit Shifting ('BEPS'), as well as a qualified domestic minimum top-up tax, with effect from 1 January 2024. These rules do not affect HSBC UK Bank plc's tax expense in the current period and are not expected to affect it in future periods.

Tax reconciliation

The tax charged to the income statement differs from the tax expense that would apply if all profits had been taxed at the UK corporation tax rate as follows:

	2025		2024	
	£m	%	£m	%
Profit before tax	5,619		5,647	
Tax expense				
Taxation at UK corporation tax rate of 25.0% (2024: 25.0%)	1,405	25.0	1,412	25.0
Items increasing the tax charge in 2025:				
– UK banking surcharge at 3.0% (2024: 3.0%)	162	2.9	163	2.9
– UK bank levy	13	0.2	12	0.2
– other permanent disallowables	7	0.2	5	0.1
Items decreasing the tax charge in 2025:				
– deductions for AT1 coupon payments	(66)	(1.2)	(65)	(1.2)
– non-deductible UK customer redress	(4)	(0.1)	(5)	(0.1)
– adjustments in respect of prior period liabilities	–	–	(8)	(0.1)
– non-deductible regulatory matters and legal proceedings	–	–	(6)	(0.1)
Year ended 31 Dec	1,517	27.0	1,508	26.7

The ETR for the year was 27.0% (2024: 26.7%). The ETR reflects the STR applicable to UK banks of 28.0%, tax relief on AT1 coupon payments, partly offset by the impact of non-deductible bank levy expense. The 2024 ETR of 26.7% reflects the STR applicable to UK banks of 28.0%, tax relief on AT1 coupon payments, non-taxable release of provisions for regulatory and legal matters and non-deductible bank levy expense.

Notes on the financial statements

Movement of deferred tax assets and liabilities

	Loan impairment provisions £m	Cash flow hedges £m	FVOCI reserves £m	Defined benefit pension £m	Fixed and intangible assets £m	Other £m	Total £m
The group							
At 1 Jan 2025	56	257	81	(1,435)	47	45	(949)
Income statement	(18)	—	(1)	(69)	(12)	4	(96)
Other comprehensive income	—	(285)	(28)	31	—	9	(273)
At 31 Dec 2025	38	(28)	52	(1,473)	35	58	(1,318)
Assets	38	—	52	—	35	58	183
Liabilities	—	(28)	—	(1,473)	—	—	(1,501)
The bank							
At 1 Jan 2025	51	257	75	(1,435)	54	27	(971)
Income statement	(17)	—	—	(69)	(3)	(4)	(93)
Other comprehensive income	—	(285)	(28)	31	—	8	(274)
At 31 Dec 2025	34	(28)	47	(1,473)	51	31	(1,338)
Assets	34	—	47	—	51	31	163
Liabilities	—	(28)	—	(1,473)	—	—	(1,501)
2024							
At 1 Jan 2024	74	115	76	(1,494)	58	60	(1,111)
Income statement	(18)	—	(4)	(54)	(11)	(22)	(109)
Other comprehensive income	—	142	9	113	—	7	271
At 31 Dec 2024	56	257	81	(1,435)	47	45	(949)
Assets	56	257	81	—	47	45	486
Liabilities	—	—	—	(1,435)	—	—	(1,435)
2024							
At 1 Jan 2024	68	115	65	(1,494)	67	28	(1,151)
Income statement	(17)	—	—	(54)	(13)	(7)	(91)
Other comprehensive income	—	142	10	113	—	6	271
At 31 Dec 2024	51	257	75	(1,435)	54	27	(971)
Assets	51	257	75	—	54	27	464
Liabilities	—	—	—	(1,435)	—	—	(1,435)

Management has assessed the likely availability of future taxable profits against which to recover the deferred tax assets of the bank and the group, taking into consideration the reversal of existing taxable temporary differences, past business performance and forecasts of future business performance. Management is satisfied that there is sufficient evidence to support recognition of all deferred tax assets.

6 Dividends

On 17 February 2026, the Directors resolved to pay an interim dividend of 1,076m to the ordinary shareholders of the parent company in respect of the financial year ending 31 December 2025. No liability is recognised in the financial statements in respect of this dividend.

Dividends to the shareholder of the parent company

	2025		2024	
	£ per share	£m	£ per share	£m
Dividends paid on ordinary shares				
Interim dividend in respect of the previous year	11,900	595	28,239	1,412
Interim dividend in respect of the current year	44,378	2,219	38,478	1,924
Total	56,278	2,814	66,717	3,336

Total coupons on capital securities classified as equity

	First call date	2025 £m	2024 £m
Undated Subordinated Additional Tier 1 instruments			
– £1,096m	Dec 2019	103	113
– £1,100m	Dec 2024	106	115
Total		209	228

7 Fair values of financial instruments carried at fair value

Control framework

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

Where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is used.

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

Changes in fair value are generally subject to a profit and loss analysis process and are disaggregated into high-level categories including portfolio changes, market movements and other fair value adjustments.

Fair value hierarchy

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

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

Financial instruments carried at fair value and bases of valuation

	2025				2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
The group								
Recurring fair value measurements at 31 Dec								
Assets								
Financial assets mandatorily measured at fair value through profit or loss	175	—	—	175	135	—	39	174
Derivatives	6	157	4	167	1	294	3	298
Financial investments	21,112	1,414	1	22,527	18,800	2,662	17	21,479
Liabilities								
Derivatives	8	154	—	162	—	107	—	107

Financial instruments carried at fair value and bases of valuation

	2025				2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
The bank								
Recurring fair value measurements at 31 Dec								
Assets								
Financial assets mandatorily measured at fair value through profit or loss	175	—	—	175	135	—	39	174
Derivatives	6	157	—	163	1	294	—	295
Financial investments	21,112	1,414	1	22,527	18,800	2,662	17	21,479
Liabilities								
Derivatives	8	154	—	162	—	107	—	107

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarterly reporting period. Transfers into and out of levels of the fair value hierarchy are primarily attributable to observability of valuation inputs and price transparency. There were no transfers between Level 1 and Level 2 during 2025 and 2024.

Fair value adjustments

Fair value adjustments are adopted when the group determines there are additional factors considered by market participants that are not incorporated within the valuation model. Movements in the level of fair value adjustments do not necessarily result in the recognition of profits or losses within the income statement, such as when models are enhanced and therefore fair value adjustments may no longer be required.

Fair value valuation bases

Equities

The fair value of equity investment is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors. If necessary, adjustments are made to the net asset value of funds to obtain the best estimate of fair value.

8 Fair values of financial instruments not carried at fair value

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

	Fair value				Total £m
	Carrying amount £m	Quoted market price Level 1 £m	Observable inputs Level 2 £m	Significant unobservable inputs Level 3 £m	
The group					
At 31 Dec 2025					
Assets					
Loans and advances to banks	6,636	—	6,636	—	6,636
Loans and advances to customers	231,223	—	—	231,686	231,686
Reverse repurchase agreements – non-trading	21,560	—	21,560	—	21,560
Financial investments – at amortised cost	19,111	18,523	278	—	18,801
Liabilities					
Deposits by banks	7,709	—	7,709	—	7,709
Customer accounts	288,756	—	288,756	—	288,756
Repurchase agreements – non-trading	6,276	—	6,276	—	6,276
Debt securities in issue	3,019	—	2,107	924	3,031
Subordinated liabilities	16,423	—	16,752	—	16,752

At 31 Dec 2024

Assets					
Loans and advances to banks	7,263	—	7,263	—	7,263
Loans and advances to customers	217,604	—	—	216,767	216,767
Reverse repurchase agreements – non-trading	11,776	—	11,776	—	11,776
Financial investments – at amortised cost	16,322	15,593	170	—	15,763
Liabilities					
Deposits by banks	11,144	—	11,144	—	11,144
Customer accounts	280,366	—	280,366	—	280,366
Repurchase agreements – non-trading	420	—	420	—	420
Debt securities in issue	2,044	—	1,626	418	2,044
Subordinated liabilities	15,686	—	15,898	—	15,898

	Fair value				Total £m
	Carrying amount £m	Quoted market price Level 1 £m	Observable inputs Level 2 £m	Significant unobservable inputs Level 3 £m	
The bank					
At 31 Dec 2025					
Assets					
Loans and advances to banks	13,325	—	13,336	—	13,336
Loans and advances to customers	219,070	—	—	219,525	219,525
Reverse repurchase agreements – non-trading	21,560	—	21,560	—	21,560
Financial investments held at amortised cost	18,922	18,523	117	—	18,640
Liabilities					
Deposits by banks	12,096	—	12,096	—	12,096
Customer accounts	282,274	—	282,273	—	282,273
Repurchase agreements – non-trading	6,276	—	6,276	—	6,276
Debt securities in issue	2,100	—	2,107	—	2,107
Subordinated liabilities	16,423	—	16,752	—	16,752

At 31 Dec 2024

Assets					
Loans and advances to banks	13,070	—	13,079	—	13,079
Loans and advances to customers	206,187	—	—	205,376	205,376
Reverse repurchase agreements – non-trading	11,776	—	11,776	—	11,776
Financial investments held at amortised cost	16,118	15,593	—	—	15,593
Liabilities					
Deposits by banks	14,780	—	14,780	—	14,780
Customer accounts	274,160	—	274,160	—	274,160
Repurchase agreements – non-trading	420	—	420	—	420
Debt securities in issue	1,621	—	1,626	—	1,626
Subordinated liabilities	15,686	—	15,898	—	15,898

Other financial instruments not carried at fair value are typically short term in nature and reprice to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. This includes cash and balances at central banks which is measured at amortised cost.

Valuation

Fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It does not reflect the economic benefits and costs that the group expects to flow from an instrument's cash flow over its expected future life. Our valuation methodologies and assumptions in determining fair values for which no observable market prices are available may differ from those of other companies.

Loans and advances to banks and customers

To determine the fair value of loans and advances to banks and customers, loans are segregated, as far as possible, into portfolios of similar characteristics. Fair values are based on observable market transactions, when available. When they are unavailable, fair values are estimated using valuation models incorporating a range of input assumptions. These assumptions may include: forward-looking DCF models, taking account of expected customer prepayment rates, using assumptions that HSBC UK believes are consistent with those that would be used by market participants in valuing such loans; and new business rates estimates for similar loans.

The fair value of loans reflects ECL at the balance sheet date and the fair value effect of repricing between origination and the balance sheet date. For credit impaired loans, fair value is estimated by discounting the future cash flows over the time period they are expected to be recovered.

Deposits by banks and customer accounts

The fair values of deposits are approximated by their carrying value.

Debt securities in issue and subordinated liabilities

Fair values are determined using quoted market prices at the balance sheet date where available, or by reference to quoted market prices for similar instruments. When quoted market prices are unavailable, these instruments are valued using valuation techniques, the inputs for which are derived from observable market data and, where relevant, assumptions in respect of unobservable inputs.

Repurchase and reverse repurchase agreements – non-trading

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

Financial investments

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

9 Derivatives

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

	Notional contract amount		Fair value – Assets			Fair value – Liabilities		
	Trading £m	Hedging £m	Trading £m	Hedging £m	Total £m	Trading £m	Hedging £m	Total £m
The group and bank								
Foreign exchange	13,826	2,323	43	45	88	63	29	92
Interest rate	105,015	108,637	1,209	1,117	2,326	1,202	1,119	2,321
Equities	15	—	4	—	4	—	—	—
Gross total fair values	118,856	110,960	1,256	1,162	2,418	1,265	1,148	2,413
Offset (Note 22)					(2,251)			(2,251)
At 31 Dec 2025	118,856	110,960	1,256	1,162	167	1,265	1,148	162
Foreign exchange	16,199	1,960	201	27	228	63	28	91
Interest rate	55,666	100,083	1,305	1,288	2,593	1,274	1,268	2,542
Equities	11	—	3	—	3	—	—	—
Gross total fair values	71,876	102,043	1,509	1,315	2,824	1,337	1,296	2,633
Offset (Note 22)					(2,526)			(2,526)
At 31 Dec 2024	71,876	102,043	1,509	1,315	298	1,337	1,296	107

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

Use of derivatives

We undertake derivative activity for two primary purposes: to create risk management solutions for commercial clients and to manage and hedge our own balance sheet risks.

Hedge accounting derivatives

The group applies hedge accounting to manage the following risks: interest rate risk and foreign exchange risks. Further details on how these risks arise and how they are managed by the group can be found in the 'Risk review'.

Hedge risk components

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

Notes on the financial statements

Fair value hedges

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

Hedging instrument by hedged risk

Hedged risk	Hedging Instrument				
	Carrying amount			Balance sheet Presentation	Change in fair value ²
	Notional amount ¹	Assets	Liabilities		
£m	£m	£m		£m	
Interest rate ³	53,330	949	925	Derivatives	(258)
At 31 Dec 2025	53,330	949	925		(258)
Interest rate ³	37,500	1,171	922	Derivatives	212
At 31 Dec 2024	37,500	1,171	922		212

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

2 Used in effectiveness testing; comprising the full fair value change of the hedging instrument not excluding any component.

3 The hedged risk 'interest rate' includes inflation risk.

Hedged item by hedged risk

Hedged risk	Hedged item					Ineffectiveness	
	Carrying amount		Accumulated fair value hedge adjustments included in carrying amount ²			Change in fair value ¹	Recognised in profit and loss
	Assets	Liabilities	Assets	Liabilities	Balance sheet presentation		
£m	£m	£m	£m	£m	£m	£m	Profit and loss presentation
Interest rate ⁴	17,355		36		Financial investments measured at fair value through other comprehensive income	296	Net income from financial instruments held for trading or managed on a fair value basis
	19,184		50		Loans and advances to customers	116	
	2,121		23		Financial Investments measured at amortised cost	16	
		11,701		(112)	Subordinated Liabilities ³	(187)	
		656		(8)	Debt securities in issue	8	
At 31 Dec 2025	38,660	12,357	109	(120)		249	(9)
Interest rate ⁴	17,224		(256)		Financial investments measured at fair value through other comprehensive income	(208)	Net income from financial instruments held for trading or managed on a fair value basis
	10,670		(75)		Loans and advances to customers	(24)	
	392		9		Financial Investments measured at amortised cost	(11)	
		8,433		(310)	Subordinated Liabilities ³	24	
		—		—	Debt securities in issue	—	
At 31 Dec 2024	28,286	8,433	(322)	(310)		(219)	(7)

1 Used in effectiveness assessment; comprising amount attributable to the designated hedged risk that can be a risk component.

2 The accumulated amount of fair value adjustments remaining in the statement of financial position for hedged items that have ceased to be adjusted for hedging gains and losses were liabilities of £(7)m (2024: £(8)m) for FVOCI and assets/(liabilities) of £50m (2024: £(75)m) for Loans and advances to customers and £(1)m (2024: £(2)m) for Financial Investments measured at amortised cost.

3 The notional amount of non-dynamic fair value hedges is equal to £11,652m (2024: £8,650m), of which the weighted-average maturity date is July 2029 (2024: December 2028) and the weighted average swap rate is 2.93% (2024: 2.95%). These hedges are all internal to HSBC Group and hedges internal funding between HSBC Group and HSBC UK.

4 The hedged risk 'interest rate' includes inflation risk.

The hedged item is either the benchmark interest rate risk portion within the fixed rate of the hedged item or the full fixed rate and it is hedged for changes in fair value due to changes in the benchmark interest rate risk.

HSBC UK applies macro fair value hedging for interest rate risk exposures on portfolios of fixed rate mortgages. These are considered to be dynamic hedges and both the hedged items and the hedging instruments are adjusted on a monthly basis when the existing hedging relationship is terminated and a new one is designated. The hedged items and hedging instruments are adjusted to reflect changes in the size and maturity profile of the hedged portfolio.

Sources of hedge ineffectiveness may arise from basis risk including but not limited to the discount rates used for calculating the fair value of derivatives, hedges using instruments with a non-zero fair value and notional and timing differences between the hedged items and hedging instruments. Hedge ineffectiveness may also arise in macro fair value hedge relationships when the actual behaviour of the hedged items differs from expectations, such as higher than expected repayments during the hedged period.

Notes on the financial statements

For some debt securities held, HSBC UK manages interest rate risk in a dynamic risk management strategy. The assets in scope of this strategy are high-quality fixed-rate debt securities, which may be sold to meet liquidity and funding requirements. The interest rate risk of the HSBC UK fixed-rate debt securities issued is managed in a non-dynamic risk management strategy.

The disclosures for the group are the same as the disclosures for the bank.

Cash flow hedges

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

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

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

Hedging instrument by hedged risk

Hedged risk	Hedging Instrument				Hedged Item		Ineffectiveness	
	Notional amount ¹	Carrying amount			Change in fair value ²	Change in fair value ³	Recognised in profit and loss	Profit and loss presentation
		Assets	Liabilities	Balance sheet presentation				
Foreign currency	2,323	45	29	Derivatives	(2)	(2)	—	Net income from financial instruments held for trading or managed on a fair value basis
Interest rate	55,307	168	194	Derivatives	541	545	(4)	
At 31 Dec 2025	57,630	213	223		539	543	(4)	
Foreign currency	1,960	27	28	Derivatives	(16)	(16)	—	Net income from financial instruments held for trading or managed on a fair value basis
Interest rate	62,583	117	346	Derivatives	(1,480)	(1,480)	—	
At 31 Dec 2024	64,543	144	374		(1,496)	(1,496)	—	

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

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

The disclosures for the group are the same as the disclosures for the bank.

Reconciliation of equity and analysis of other comprehensive income by risk type

	Interest rate	Foreign Currency
	£m	£m
Cash flow hedging reserve at 1 Jan 2025	(656)	(2)
Fair value gains/(losses)	545	(2)
Fair value (gains)/losses reclassified from the cash flow hedge reserve to the income statement in respect of:		
– hedged items that have affected profit or loss	475	1
Income taxes	(285)	—
Cash flow hedging reserve at 31 Dec 2025	79	(3)
Cash flow hedging reserve at 1 Jan 2024	(294)	1
Fair value gains/(losses)	(1,480)	(16)
Fair value (gains)/losses reclassified from the cash flow hedge reserve to the income statement in respect of:		
– hedged items that have affected profit or loss	976	13
Income taxes	142	—
Cash flow hedging reserve at 31 Dec 2024	(656)	(2)

10 Financial investments

Carrying amount of financial investments

	The group		The bank	
	2025 £m	2024 £m	2025 £m	2024 £m
Financial investments measured at fair value through other comprehensive income	22,527	21,479	22,527	21,479
– treasury and other eligible bills	2,042	2,128	2,042	2,128
– debt securities	20,484	19,350	20,484	19,350
– equity securities	1	1	1	1
Debt instruments measured at amortised cost	19,111	16,322	18,922	16,118
– treasury and other eligible bills	2,181	1,429	2,181	1,259
– debt securities	16,930	14,893	16,741	14,859
At 31 Dec	41,638	37,801	41,449	37,597

11 Assets pledged, collateral received and assets transferred

Assets pledged

Financial assets pledged as collateral

	The group		The bank	
	2025 £m	2024 £m	2025 £m	2024 £m
Treasury bills and other eligible securities	–	170	–	–
Debt securities	13,012	5,569	12,851	5,569
Loans and advances to banks	5,870	6,020	8,386	8,256
Loans and advances to customers	11,100	15,201	11,100	15,201
Other	1,090	941	1,090	941
Assets pledged at 31 Dec	31,072	27,901	33,427	29,967

The amount of assets pledged to secure liabilities may be greater than the book value of assets utilised as collateral. For example, where assets are placed with a custodian or a settlement agent that has a floating charge over all the assets placed to secure any liabilities under settlement accounts.

These transactions are conducted under terms that are usual and customary to collateralised transactions including, where relevant, standard securities lending and borrowing, repurchase agreements and derivative margining. The group places both cash and non-cash collateral in relation to derivative transactions.

Financial assets pledged as collateral that the counterparty has the right to sell or repledge

	The group and bank	
	2025 £m	2024 £m
Financial investments	11,085	4,475
At 31 Dec	11,085	4,475

Collateral received

The fair value of assets accepted as collateral, relating primarily to standard securities lending, reverse repurchase agreements and derivative margining, that the group and the bank is permitted to sell or repledge in the absence of default was £28,883m (2024: £15,273m). The group and the bank is obliged to return equivalent securities. These transactions are conducted under terms that are usual and customary to standard securities lending, reverse repurchase agreements and derivative margining. The fair value of financial assets accepted as collateral by the group and the bank that have been sold or repledged is £3,379m (2024: £1,329m).

Assets transferred

The assets pledged include transfers to third parties that do not qualify for derecognition, notably secured borrowings such as debt securities held by counterparties as collateral under repurchase agreements and securities lent under securities lending agreements and mortgages to collateralise the covered bond programme. For secured borrowings, the transferred asset collateral continues to be recognised in full and a related liability, reflecting the group's obligation to repurchase the assets for a fixed price at a future date is also recognised on the balance sheet.

Where securities are swapped, the transferred asset continues to be recognised in full. There is no associated liability as the non-cash collateral received is not recognised on the balance sheet. The group is unable to use, sell or pledge the transferred assets for the duration of these transactions, and remains exposed to interest rate risk and credit risk on these pledged assets. The counterparty's recourse is not limited to the transferred assets.

Notes on the financial statements

Transferred financial assets not qualifying for full derecognition and associated financial liabilities

The group	2025		2024	
	Carrying amount of:		Carrying amount of:	
	Transferred assets £m	Associated liabilities £m	Transferred assets £m	Associated liabilities £m
Repurchase agreements	10,680	4,711	2,935	375
Securities lending agreements	405	—	1,540	—
The bank				
Repurchase agreements	10,680	4,711	2,935	375
Securities lending agreements	405	—	1,540	—
Other sales	4,199	1,646	4,889	999

12 Interests in joint ventures

Vaultex UK Limited is a joint venture of the bank and the group. Vaultex UK Limited is incorporated in England and Wales and its principal activity is that of cash management services. At 31 December 2025, the group had a 50% interest in the £10m issued equity capital (2024: 50%).

For further detail see Note 29.

13 Investments in subsidiaries

Main subsidiaries of HSBC UK Bank plc

	Country of incorporation or registration	HSBC UK Bank plc's interest in equity capital %	Share class
HSBC Equipment Finance (UK) Limited	England and Wales	100.00	Ordinary £1
HSBC Invoice Finance (UK) Limited	England and Wales	100.00	Ordinary £1
Marks and Spencer Financial Services plc	England and Wales	100.00	Ordinary £1
HSBC Innovation Bank Limited	England and Wales	100.00	Ordinary £1

All the above prepare their financial statements up to 31 December.

Details of all group subsidiaries, as required under Section 409 of the Companies Act 2006, are set out in Note 29. The principal country of operation is the same as the country of incorporation.

Impairment testing of investments in subsidiaries

At each reporting period end, HSBC UK Bank plc reviews investments in subsidiaries for indicators of impairment. An impairment is recognised when the carrying amount exceeds the recoverable amount for that investment. The recoverable amount is the higher of the investment's fair value less costs of disposal and its VIU, in accordance with the requirements of IAS 36. The VIU is calculated by discounting management's cash flow projections for the investment. The cash flows represent the free cash flows based on the subsidiary's binding capital requirements.

We used a number of assumptions in our VIU calculation, in accordance with the requirements of IAS 36:

- The cash flow projections for each investment are based on the latest approved plans, which includes forecast capital available for distribution based on the capital requirements of the subsidiary taking into account minimum and core capital requirements. For the impairment test at 31 December 2025, cash flow projections until the end of 2030 were considered in line with our internal planning horizon. Our cash flow projections include known and observable climate-related opportunities and costs associated with our operating model.
- A long-term growth rate is used to extrapolate the cash flows in perpetuity. The growth rate reflects inflation and is based on the UK long-term average.
- The rate used to discount the cash flows is based on the cost of capital assigned to each investment, which is derived using a Capital asset pricing model ('CAPM') model. CAPM depends on a number of inputs reflecting financial and economic variables, including the risk free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement. The discount rates for each investment are refined to reflect the rates of inflation for the countries within which the investment operates. In addition, for the purposes of testing investments for impairment, management supplements this process by comparing the discount rates derived using the internally generated CAPM, with cost of capital rates produced by external sources for businesses operating in similar markets. The impacts from climate risk are included to the extent that they are observable in discount rates and asset prices.

Impairment test results

In 2023, the bank recognised an impairment of £92m on its investment in MSFS, following a VIU assessment which determined that the recoverable amount was less than the carrying value. There was no change in the carrying value of MSFS in 2024.

Subject to regulatory and court approval, MSFS is anticipated to become a division of the bank (the 'divisionalisation') on 1 June 2026, through a court-approved Part VII Banking Business Transfer Scheme. The transfer will occur at book value. Management believes that it is highly probable that the Court will approve the transfer, given the nature of the proposal (transfer between entities within the group), the results of (i) consultations with the PRA and FCA, and (ii) the Directions Court Hearing held in November 2025 and (iii) HSBC's efforts to mitigate any customer detriment.

Given the expected transfer, the net asset value of MSFS was deemed the recoverable value of the investment, resulting in an additional impairment charge of £198m in 2025.

No further impairments were recognised as a result of the testing of impairment in subsidiaries performed as at 31 December 2025.

14 Structured entities

The group is involved with both consolidated and unconsolidated structured entities through the securitisation of financial assets and investment funds, established either by the group or a third party.

Consolidated structured entities

Total assets of the group's consolidated structured entities, split by entity type:

	Securitisations £m	Other £m	Total £m
At 31 Dec 2025	1,354	1,671	3,025
At 31 Dec 2024	627	1,007	1,634

Securitisations

The group uses a structured entity to securitise customer loans and advances to diversify its sources of funding for asset origination and capital efficiency purposes. The loans and advances are transferred by the group to the structured entity synthetically, and the structured entity issues debt securities to investors.

Unconsolidated structured entities

The term 'unconsolidated structured entities' refers to all structured entities not controlled by the group. The group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities.

The group's interest in unconsolidated structured entities consist of unit holdings in four funds managed by a third party within the wider HSBC Group. The group's unit holdings are held to facilitate customer transactions and are recognised as Other assets with a carrying value and maximum exposure to loss at 31 December 2025 of £0.2m (2024: £0.2m). The total assets of the funds at 31 December 2025 were £0.8bn (2024: £0.8bn). The group has no liabilities or commitments in respect of the funds.

15 Goodwill and intangible assets

	The group		The bank	
	2025 £m	2024 £m	2025 £m	2024 £m
Goodwill	3,281	3,281	223	223
Other intangible assets ¹	1,132	1,092	1,059	998
At 31 Dec	4,413	4,373	1,282	1,221

¹ Included within the group's other intangible assets is internally generated software with a net carrying value of £1,080m (2024: £1,026m). During the year, capitalisation of internally generated software was £425m (2024: £363m), impairment was £12m (2024: £9m) and amortisation was £353m (2024: £319m). The amortisation and impairment of intangible assets for the group totalled £390m (2024: £348m).

Impairment testing

The group's annual impairment test in respect of goodwill allocated to each CGU is performed at 1 October each year. A review for indicators of impairment is undertaken at 30 June and 31 December. At 31 December 2025, this review did not identify any indicators of impairment. As a result, no impairment test has been performed at 31 December 2025.

Basis of the recoverable amount

The recoverable amount of all CGUs to which goodwill has been allocated was equal to its VIU at each respective testing date. The VIU is calculated by discounting management's cash flow projections for the CGU. At 1 October 2025, all CGUs supporting goodwill had a VIU larger than their respective carrying amounts. The key assumptions used in the VIU calculation for each CGU are discussed below.

Key assumptions in VIU calculation

Cash-generating unit	Goodwill at 1 Oct 2025 £m	Discount rate %	Growth rate beyond initial cash flow projections %	Goodwill at 1 Oct 2024 £m	Discount rate %	Growth rate beyond initial cash flow projections %
RBW	1,936	10.0	2.1	1,936	10.6	2.0
CMB	1,239	8.9	2.1	1,239	9.0	2.0
PB	106	9.4	2.1	106	9.4	2.0
Total	3,281			3,281		

The group's CGUs do not carry on their balance sheets any significant intangible assets with indefinite useful lives, other than goodwill.

As outlined on page 3, HSBC UK has revised its organisational structure, effective from 1 January 2025. In line with these changes, the CGUs have been updated inline with the changes in business segments, resulting in the re-allocation of goodwill between RBW and PB. Prior period data has been updated accordingly to ensure consistency with the new structure.

Management's judgement in estimating the cash flows of a CGU

The cash flow projections for each CGU are based on the forecast profitability plans approved by the Board and minimal capital levels required to support the business operations of a CGU. The Board challenges and endorses planning assumptions in light of internal capital allocation decisions necessary to support HSBC UK's strategy, current market conditions and macroeconomic outlook. For the 1 October 2025 impairment test, cash flow projections until the end of 2030 were considered, in line with internal planning horizon. As required by IFRS Accounting Standards, estimates of future cash flows exclude estimated cash inflows or outflows that are expected to arise from restructuring

Notes on the financial statements

initiatives before an entity has a constructive obligation to carry out the plan, and would therefore have recognised a provision for restructuring costs. Our cash flow projections include known climate-related opportunities and costs associated with our operating model.

Discount Rate

The rate used to discount the cash flows is based on the cost of equity assigned to each CGU, which is derived using a CAPM and market implied cost of equity. The impacts of climate-risk are included to the extent that they are observable in discount rates and asset prices.

Long-term growth rate

The long-term growth rate is used to extrapolate the cash flows in perpetuity because of the long-term perspective within the group of business units making up the CGUs. The long-term growth rate reflects inflation for the UK.

Sensitivities of key assumptions in calculating VIU

At 1 October 2025, there were no CGUs deemed sensitive to reasonably possible adverse changes in key assumptions supporting the recoverable amounts. In making an estimate of reasonably possible changes to assumptions, management considers the available evidence in respect of each input into the VIU calculation, such as the external range of discount rates observable, historical performance against forecast and risks attaching to the key assumptions underlying cash flow projections.

16 Prepayments, accrued income and other assets

	The group		The bank	
	2025	2024	2025	2024
	£m	£m	£m	£m
Prepayments and accrued income	1,639	1,470	1,687	1,502
Settlement accounts and items in course of collection from other banks	221	390	63	220
Cash collateral and margin receivables	915	806	915	806
Endorsements and acceptances	45	38	45	38
Employee benefit assets (Note 3)	5,262	5,126	5,262	5,126
Right-of-use assets	152	153	144	143
Other accounts	1,113	945	1,012	1,017
Owned property, plant and equipment	389	375	388	374
At 31 Dec	9,736	9,303	9,516	9,226

For the group, prepayments, accrued income and other assets include £3,130m (2024: 3,006m), and for the bank £3,078m (2024: £3,118m) of financial assets, majority of which are measured at amortised cost.

17 Debt securities in issue

	The group		The bank	
	2025	2024	2025	2024
	£m	£m	£m	£m
Bonds and medium-term notes ¹	1,070	573	150	150
Covered bonds	1,645	999	1,646	999
Other debt securities in issue ²	304	472	304	472
At 31 Dec	3,019	2,044	2,100	1,621

1 The group's bonds and medium-term notes includes £920m (2024: £424m) issued by structured entities.

2 Other debt securities in issue consists of commercial paper and certificates of deposits.

18 Accruals, deferred income and other liabilities

	The group		The bank	
	2025	2024	2025	2024
	£m	£m	£m	£m
Accruals and deferred income	1,357	1,295	1,308	1,249
Settlement accounts and items in course of transmission to other banks	383	239	381	238
Cash collateral and margin payable	28	210	28	210
Endorsements and acceptances	45	41	45	41
Lease liabilities	160	163	151	152
Other liabilities	1,551	1,528	1,413	1,354
At 31 Dec	3,524	3,476	3,326	3,244

For the group, accruals, deferred income and other liabilities include £3,339m (2024: 3,278m), and for the bank £3,273m (2024: £3,192m) of financial liabilities, the majority of which are measured at amortised cost.

19 Provisions

The group	Restructuring costs £m	Legal proceedings and regulatory matters £m	Customer remediation £m	Other provisions £m	Total £m
Provisions (excluding contractual commitments)					
At 1 Jan 2025	20	2	53	69	144
Additions	73	2	22	54	151
Amounts utilised	(36)	(2)	(15)	(15)	(68)
Unused amounts reversed	(24)	(1)	(19)	(28)	(72)
Exchange and other movements	(4)	—	—	5	1
At 31 Dec 2025	29	1	41	85	156
Contractual commitments¹					
At 1 Jan 2025					121
Net change in expected credit loss provision and other movements					(13)
At 31 Dec 2025					108
Total provisions					
At 31 Dec 2024					265
At 31 Dec 2025					264
Provisions (excluding contractual commitments)					
At 1 Jan 2024	30	34	89	74	227
Additions	15	9	19	23	66
Amounts utilised	(17)	(19)	(31)	(12)	(79)
Unused amounts reversed	(9)	(23)	(24)	(16)	(72)
Exchange and other movements	1	1	—	—	2
At 31 Dec 2024	20	2	53	69	144
Contractual commitments¹					
At 1 Jan 2024					123
Net change in expected credit loss provision and other movements					(2)
At 31 Dec 2024					121
Total provisions					
At 31 Dec 2023					350
At 31 Dec 2024					265

¹ Contractual commitments include the provision for contingent liabilities measured under IFRS 9 Financial Instruments in respect of financial guarantees and the expected credit loss provision on off-balance sheet guarantees and commitments.

Notes on the financial statements

	Restructuring costs	Legal proceedings and regulatory matters	Customer remediation	Other provisions	Total
	£m	£m	£m	£m	£m
The bank					
Provisions (excluding contractual commitments)					
At 1 Jan 2025	19	2	42	68	131
Additions	64	2	21	39	126
Amounts utilised	(33)	(2)	(14)	(14)	(63)
Unused amounts reversed	(22)	(1)	(18)	(13)	(54)
Exchange and other movements	(4)	—	—	5	1
At 31 Dec 2025	24	1	31	85	141
Contractual commitments¹					
At 1 Jan 2025					115
Net change in expected credit loss provision and other movements					(13)
At 31 Dec 2025					102
Total provisions					
At 31 Dec 2024					246
At 31 Dec 2025					243
Provisions (excluding contractual commitments)					
At 1 Jan 2024	30	34	74	74	212
Additions	14	9	19	22	64
Amounts utilised	(17)	(19)	(29)	(12)	(77)
Unused amounts reversed	(9)	(23)	(22)	(16)	(70)
Exchange and other movements	1	1	—	—	2
At 31 Dec 2024	19	2	42	68	131
Contractual commitments¹					
At 1 Jan 2024					115
Net change in expected credit loss provision and other movements					—
At 31 Dec 2024					115
Total provisions					
At 31 Dec 2023					327
At 31 Dec 2024					246

1 Contractual commitments include the provision for contingent liabilities measured under IFRS 9 Financial Instruments in respect of financial guarantees and the expected credit loss provision on off-balance sheet guarantees and commitments.

Customer remediation

Customer remediation refers to HSBC UK's activities to compensate customers for losses or damages associated with a failure to comply with regulations or to treat customers fairly. Customer remediation is often initiated by HSBC UK in response to customer complaints and/or industry developments in sales practices, and is not necessarily initiated by regulatory action.

Restructuring costs

The restructuring costs provision is for costs associated with the group's transformation programme.

Legal proceedings and regulatory matters

Further details of 'Legal proceedings and regulatory matters' are set out in Note 26. Legal proceedings include civil court, arbitration or tribunal proceedings brought against the group (whether by way of claim or counterclaim), or civil disputes that may, if not settled, result in court, arbitration or tribunal proceedings. Regulatory matters refer to investigations, reviews and other actions carried out by, or in response to the actions of, regulatory or law enforcement agencies in connection with alleged wrongdoing.

20 Subordinated liabilities

Subordinated liabilities

	The group		The bank	
	2025 £m	2024 £m	2025 £m	2024 £m
At amortised cost ¹	16,423	15,686	16,423	15,686
At 31 Dec	16,423	15,686	16,423	15,686

1 Includes £12.8bn (2024: £12.5bn) of eligible debt issued to meet our Minimum Requirement for Own Funds and Eligible Liabilities applicable from 1 January 2020.

Subordinated liabilities rank behind senior obligations and generally count towards the capital and/or MREL eligible resources of the Group. Such instruments may be called and redeemed by the group subject to prior notification to and consent of the relevant regulator as applicable.

The balance sheet amounts disclosed below are presented on an IFRS basis and do not reflect the amount that the instruments contribute to regulatory capital principally due to regulatory amortisation and regulatory eligibility limits.

Subordinated liabilities of the group

	First call date	Maturity date	Carrying amount		
			2025 £m	2024 £m	
Capital instruments					
Tier 2 instruments					
£1,000m	HSBC UK Bank plc Subordinated Floating Loan due 2030 ¹	Jul 2025	Jul 2030	—	1,000
£79m	HSBC UK Bank plc 2.1250% Subordinated Loan due 2031	Mar 2026	Mar 2031	79	79
\$840m	HSBC UK Bank plc Subordinated Floating Loan due 2033 ²	Jul 2028	Jul 2033	625	668
£550m	HSBC UK Bank plc Subordinated Floating Loan due 2033 ³	Jul 2028	Jul 2033	549	548
£650m	HSBC UK Bank plc Subordinated Floating Loan due 2033 ⁴	Sept 2028	Sept 2033	650	650
£250m	HSBC UK Bank plc 6.8960% Subordinated Loan due 2033	Dec 2028	Dec 2033	252	248
£350m	HSBC UK Bank plc 5.8610% Subordinated Loan due 2035	Jun 2030	Jun 2035	350	—
€1,250m	HSBC UK Bank plc 4.1910% Subordinated Loan due 2036	May 2031	May 2036	1,079	—
Other instruments					
Subordinated loan instruments not eligible for inclusion in regulatory capital					
€500m	HSBC UK Bank plc MREL eligible Subordinated Floating Loan due 2026 ¹	Sept 2025	Sept 2026	—	415
£1,000m	HSBC UK Bank plc 1.1250% MREL eligible Subordinated Loan due 2026 ¹	Nov 2025	Nov 2026	—	1,000
£1,000m	HSBC UK Bank plc 1.7500% MREL eligible Subordinated Loan due 2027	Jul 2026	Jul 2027	1,000	999
\$1,850m	HSBC UK Bank plc 5.5970% MREL eligible Subordinated Loan due 2028	May 2027	May 2028	1,399	1,486
£1,000m	HSBC UK Bank plc 3.0000% MREL eligible Subordinated Loan due 2028	Jul 2027	Jul 2028	966	929
£1,000m	HSBC UK Bank plc MREL eligible Subordinated Floating Loan due 2029 ⁵	Apr 2028	Apr 2029	999	998
€1,250m	HSBC UK Bank plc 3.7550% MREL eligible Subordinated Loan due 2029	May 2028	May 2029	1,108	1,056
£1,000m	HSBC UK Bank plc 1.7500% MREL eligible Subordinated Loan due 2029	Aug 2028	Aug 2029	1,000	1,000
\$3,000m	HSBC UK Bank plc 3.9730% MREL eligible Subordinated Loan due 2030	May 2029	May 2030	2,145	2,201
£750m	HSBC UK Bank plc 3.0000% MREL eligible Subordinated Loan due 2030	May 2029	May 2030	690	660
£500m	HSBC UK Bank plc 5.0970% MREL eligible Subordinated Loan due 2030	Sept 2029	Sept 2030	502	—
£500m	HSBC UK Bank plc 4.7180% MREL eligible Subordinated Loan due 2030	Nov 2029	Nov 2030	498	—
£1,000m	HSBC UK Bank plc 6.8000% MREL eligible Subordinated Loan due 2031	Sept 2030	Sept 2031	1,036	1,023
£750m	HSBC UK Bank plc 5.2900% MREL eligible Subordinated Loan due 2032	Sept 2031	Sept 2032	740	726
£750m	HSBC UK Bank plc 5.8130% MREL eligible Subordinated Loan due 2033	May 2032	May 2033	756	—
At 31 Dec				16,423	15,686

1 Instruments redeemed on first call date in 2025.

2 The floating rate of interest is Secured Overnight Financing Rate ('SOFR') plus 3.0300%.

3 The floating rate of interest is Sterling Overnight Index Average ('SONIA') plus 3.3700%.

4 The floating rate of interest is SONIA plus 2.1430%.

5 The floating rate of interest is SONIA plus 2.0300%.

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

The following table provides an analysis of consolidated total assets, liabilities and off-balance sheet commitments by residual contractual maturity at the balance sheet date. These balances are included in the maturity analysis as follows:

- Trading derivatives are included in the ‘Due not more than 1 month’ time bucket, because trading balances are typically held for short periods of time.
- Financial assets and liabilities with no contractual maturity (such as equity securities) are included in the ‘Due over 5 years’ time bucket. Undated or perpetual instruments are classified based on the contractual notice period which the counterparty of the instrument is entitled to give. Where there is no contractual notice period, undated or perpetual contracts are included in the ‘Due over 5 years’ time bucket.
- Non-financial assets and liabilities with no contractual maturity are included in the ‘Due over 5 years’ time bucket.
- Loan and other credit-related commitments are classified on the basis of the earliest date they can be drawn down.

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

	Due not more than 1 month	Due over 1 month but not more than 3 months	Due over 3 months but not more than 6 months	Due over 6 months but not more than 9 months	Due over 9 months but not more than 1 year	Due over 1 year but not more than 2 years	Due over 2 years but not more than 5 years	Due over 5 years	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
The group									
Financial assets									
Cash and balances at central banks	40,369	–	–	–	–	–	–	–	40,369
Financial assets mandatorily measured at fair value	175	–	–	–	–	–	–	–	175
Derivatives	45	10	9	3	4	7	41	48	167
Loans and advances to banks	6,398	238	–	–	–	–	–	–	6,636
Loans and advances to customers	20,677	7,132	6,523	5,813	5,674	18,948	47,694	118,762	231,223
– personal	6,529	2,704	2,230	2,121	2,057	7,551	20,108	110,794	154,094
– corporate and commercial	13,934	3,505	2,955	2,494	2,476	9,677	25,976	7,587	68,604
– financial	214	923	1,338	1,198	1,141	1,720	1,610	381	8,525
Reverse repurchase agreements									
– non-trading	11,902	2,145	3,137	2,648	1,728	–	–	–	21,560
Financial investments	2,697	2,850	1,764	898	1,084	5,216	13,340	13,789	41,638
Accrued income and other financial assets	2,544	324	140	57	15	32	18	–	3,130
Total financial assets at 31 Dec 2025	84,807	12,699	11,573	9,419	8,505	24,203	61,093	132,599	344,898
Non-financial assets	–	–	–	–	–	–	–	11,032	11,032
Total assets at 31 Dec 2025	84,807	12,699	11,573	9,419	8,505	24,203	61,093	143,631	355,930
Off-balance sheet commitments received									
Loan and other credit-related commitments	306	–	–	–	–	–	–	–	306
Financial liabilities									
Deposits by banks	941	9	–	–	–	4,009	–	2,750	7,709
Customer accounts ¹	267,874	5,635	5,373	4,200	4,168	1,486	20	–	288,756
– personal	162,113	2,596	4,256	3,713	4,009	1,474	12	–	178,173
– corporate and commercial	90,736	2,866	1,070	466	154	12	8	–	95,312
– financial	15,025	173	47	21	5	–	–	–	15,271
Repurchase agreements									
– non-trading	200	76	6,000	–	–	–	–	–	6,276
Derivatives	68	3	10	2	9	8	25	37	162
Debt securities in issue	179	125	–	150	210	500	1,358	497	3,019
Accruals and other financial liabilities	2,661	323	150	68	20	34	48	35	3,339
Subordinated liabilities	–	79	–	1,000	–	2,365	10,404	2,575	16,423
Total financial liabilities at 31 Dec 2025	271,923	6,250	11,533	5,420	4,407	8,402	11,855	5,894	325,684
Non-financial liabilities	–	–	–	–	–	–	–	1,985	1,985
Total liabilities at 31 Dec 2025	271,923	6,250	11,533	5,420	4,407	8,402	11,855	7,879	327,669
Off-balance sheet commitments given									
Loan and other credit-related commitments	81,984	33	5	7	28	7	142	–	82,206
– personal	41,797	–	–	–	–	–	–	–	41,797
– corporate and commercial	35,778	33	5	7	28	7	142	–	36,000
– financial	4,409	–	–	–	–	–	–	–	4,409

Notes on the financial statements

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

	Due not more than 1 month	Due over 1 month but not more than 3 months	Due over 3 months but not more than 6 months	Due over 6 months but not more than 9 months	Due over 9 months but not more than 1 year	Due over 1 year but not more than 2 years	Due over 2 years but not more than 5 years	Due over 5 years	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
The group									
Financial assets									
Cash and balances at central banks	52,276	—	—	—	—	—	—	—	52,276
Trading assets	—	—	—	—	—	—	—	—	—
Financial assets mandatorily measured at fair value	135	—	—	—	—	—	—	39	174
Derivatives	201	—	6	8	10	10	16	47	298
Loans and advances to banks	7,263	—	—	—	—	—	—	—	7,263
Loans and advances to customers	17,936	9,421	5,613	5,699	6,191	17,815	42,915	112,014	217,604
– personal	6,388	2,639	1,986	1,975	1,912	7,132	19,929	104,774	146,735
– corporate and commercial	10,690	5,314	2,418	2,154	3,382	9,744	22,107	6,918	62,727
– financial	858	1,468	1,209	1,570	897	939	879	322	8,142
Reverse repurchase agreements									
– non-trading	7,285	1,923	725	—	1,843	—	—	—	11,776
Financial investments	2,188	1,623	1,407	537	3,322	3,656	11,108	13,960	37,801
Accrued income and other financial assets	2,612	262	88	14	22	3	3	—	3,004
Total financial assets at 31 Dec 2024	89,896	13,229	7,839	6,258	11,388	21,484	54,042	126,060	330,196
Non-financial assets									
Total assets at 31 Dec 2024	89,896	13,229	7,839	6,258	11,388	21,484	54,042	136,741	340,877
Off-balance sheet commitments received									
Loan and other credit-related commitments	1,316	—	—	—	—	—	—	—	1,316
Financial liabilities									
Deposits by banks	833	11	500	—	3,040	—	6,760	—	11,144
Customer accounts ¹	265,481	5,010	2,961	2,832	3,150	920	12	—	280,366
– personal	163,612	1,362	1,963	2,618	2,946	896	10	—	173,407
– corporate and commercial	89,751	3,489	903	205	196	23	2	—	94,569
– financial	12,118	159	95	9	8	1	—	—	12,390
Repurchase agreements									
– non-trading	420	—	—	—	—	—	—	—	420
Derivatives	63	—	—	—	—	10	25	9	107
Debt securities in issue	69	404	—	150	—	212	998	211	2,044
Accruals and other financial liabilities	2,513	391	127	104	22	37	53	31	3,278
Subordinated liabilities	—	—	—	1,415	1,000	1,078	10,444	1,749	15,686
Total financial liabilities at 31 Dec 2024	269,379	5,816	3,588	4,501	7,212	2,257	18,292	2,000	313,045
Non-financial liabilities									
Total liabilities at 31 Dec 2024	269,379	5,816	3,588	4,501	7,212	2,257	18,292	3,861	314,906
Off-balance sheet commitments given									
Loan and other credit-related commitments	77,295	45	4	58	31	2	46	78	77,559
– personal	40,795	—	—	—	—	—	—	—	40,795
– corporate and commercial	30,950	45	4	58	31	2	46	78	31,214
– financial	5,550	—	—	—	—	—	—	—	5,550

1 'Customer accounts' includes £152,920m (2024:£135,366m) insured by guarantee schemes.

Notes on the financial statements

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

	Due not more than 1 month £m	Due over 1 month but not more than 3 months £m	Due over 3 months but not more than 6 months £m	Due over 6 months but not more than 9 months £m	Due over 9 months but not more than 1 year £m	Due over 1 year but not more than 2 years £m	Due over 2 years but not more than 5 years £m	Due over 5 years £m	Total £m
The bank									
Financial assets									
Cash and balances at central banks	40,368	—	—	—	—	—	—	—	40,368
Financial assets mandatorily measured at fair value	175	—	—	—	—	—	—	—	175
Derivatives	45	10	9	3	4	7	41	44	163
Loans and advances to banks	8,589	1,294	608	220	205	732	1,654	23	13,325
Loans and advances to customers	21,412	5,226	5,092	4,514	4,369	16,960	43,651	117,846	219,070
– personal	4,207	2,362	2,104	1,999	1,940	7,128	19,368	110,704	149,812
– corporate and commercial	9,843	2,424	2,647	2,081	2,105	8,501	22,063	6,712	56,376
– financial	7,362	440	341	434	324	1,331	2,220	430	12,882
Reverse repurchase agreements – non-trading	11,902	2,145	3,137	2,647	1,729	—	—	—	21,560
Financial investments	2,697	2,689	1,764	898	1,084	5,215	13,340	13,762	41,449
Accrued income and other financial assets	2,549	273	138	56	15	31	16	—	3,078
Total financial assets at 31 Dec 2025	87,737	11,637	10,748	8,338	7,406	22,945	58,702	131,675	339,188
Non-financial assets	—	—	—	—	—	—	—	8,725	8,725
Total assets at 31 Dec 2025	87,737	11,637	10,748	8,338	7,406	22,945	58,702	140,400	347,913
Off-balance sheet commitments received									
Loan and other credit-related commitments	321	—	—	—	—	—	—	—	321
Financial liabilities									
Deposits by banks	2,881	251	162	125	127	4,361	939	3,250	12,096
Customer accounts ¹	262,223	5,069	5,295	4,146	4,090	1,443	8	—	282,274
– personal	161,704	2,536	4,180	3,660	3,931	1,431	—	—	177,442
– corporate and commercial	85,859	2,385	1,070	465	154	12	8	—	89,953
– financial	14,660	148	45	21	5	—	—	—	14,879
Repurchase agreements – non-trading	200	76	6,000	—	—	—	—	—	6,276
Derivatives	68	3	10	2	9	8	25	37	162
Debt securities in issue	179	125	—	150	—	500	1,146	—	2,100
Accruals and other financial liabilities	2,663	270	145	66	18	33	43	35	3,273
Subordinated liabilities	—	79	—	1,000	—	2,365	10,404	2,575	16,423
Total financial liabilities at 31 Dec 2025	268,214	5,873	11,612	5,489	4,244	8,710	12,565	5,897	322,604
Non-financial liabilities	—	—	—	—	—	—	—	1,731	1,731
Total liabilities at 31 Dec 2025	268,214	5,873	11,612	5,489	4,244	8,710	12,565	7,628	324,335
Off-balance sheet commitments given									
Loan and other credit-related commitments	65,243	—	—	—	—	—	—	—	65,243
– personal	31,695	—	—	—	—	—	—	—	31,695
– corporate and commercial	31,962	—	—	—	—	—	—	—	31,962
– financial	1,586	—	—	—	—	—	—	—	1,586

Notes on the financial statements

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

	Due not more than 1 month	Due over 1 month but not more than 3 months	Due over 3 months but not more than 6 months	Due over 6 months but not more than 9 months	Due over 9 months but not more than 1 year	Due over 1 year but not more than 2 years	Due over 2 years but not more than 5 years	Due over 5 years	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
The bank									
Financial assets									
Cash and balances at central banks	52,275	—	—	—	—	—	—	—	52,275
Financial assets mandatorily measured at fair value	135	—	—	—	—	—	—	39	174
Derivatives	202	—	6	8	10	10	16	43	295
Loans and advances to banks	9,666	381	546	187	182	683	1,421	4	13,070
Loans and advances to customers	19,242	5,219	4,251	4,402	5,155	17,028	39,586	111,304	206,187
– personal	4,101	2,358	1,886	1,878	1,820	6,807	19,427	104,716	142,993
– corporate and commercial	8,724	2,348	1,985	1,999	3,053	8,808	18,673	6,183	51,773
– financial	6,417	513	380	525	282	1,413	1,486	405	11,421
Reverse repurchase agreements									
– non-trading	7,285	1,923	725	—	1,843	—	—	—	11,776
Financial investments	2,188	1,453	1,407	537	3,322	3,657	11,107	13,926	37,597
Accrued income and other financial assets	2,788	214	83	13	20	—	—	—	3,118
Total financial assets at 31 Dec 2024	93,781	9,190	7,018	5,147	10,532	21,378	52,130	125,316	324,492
Non-financial assets	—	—	—	—	—	—	—	8,482	8,482
Total assets at 31 Dec 2024	93,781	9,190	7,018	5,147	10,532	21,378	52,130	133,798	332,974
Off-balance sheet commitments received									
Loan and other credit-related commitments	1,346	—	—	—	—	—	—	—	1,346
Financial liabilities									
Deposits by banks	2,132	89	636	119	3,191	453	7,660	500	14,780
Customer accounts ¹	260,209	4,355	2,907	2,788	3,062	837	2	—	274,160
– personal	163,152	1,322	1,910	2,574	2,858	813	—	—	172,629
– corporate and commercial	85,366	2,898	902	205	196	23	2	—	89,592
– financial	11,691	135	95	9	8	1	—	—	11,939
Repurchase agreements									
– non-trading	420	—	—	—	—	—	—	—	420
Derivatives	63	—	—	—	—	10	25	9	107
Debt securities in issue	69	404	—	150	—	—	998	—	1,621
Accruals and other financial liabilities	2,488	343	123	103	22	35	47	30	3,191
Subordinated liabilities	—	—	—	1,415	1,000	1,078	10,444	1,749	15,686
Total financial liabilities at 31 Dec 2024	265,381	5,191	3,666	4,575	7,275	2,413	19,176	2,288	309,965
Non-financial liabilities	—	—	—	—	—	—	—	1,551	1,551
Total liabilities at 31 Dec 2024	265,381	5,191	3,666	4,575	7,275	2,413	19,176	3,839	311,516
Off-balance sheet commitments given									
Loan and other credit-related commitments	60,288	—	—	—	—	—	—	—	60,288
– personal	29,955	—	—	—	—	—	—	—	29,955
– corporate and commercial	27,479	—	—	—	—	—	—	—	27,479
– financial	2,854	—	—	—	—	—	—	—	2,854

1 'Customer accounts' includes £151,913m (2024: £134,391m) insured by guarantee schemes.

Notes on the financial statements

Contractual maturity of financial liabilities

The following table shows, on an undiscounted basis, all cash flows relating to principal and future coupon payments (except for derivatives not treated as hedging derivatives). For this reason, balances in the table below do not agree directly with those in our consolidated balance sheet and the bank's balance sheet. Undiscounted cash flows payable in relation to hedging derivative liabilities are classified according to their contractual maturities. Derivatives not treated as hedging derivatives are included in the 'Due not more than 1 month' time bucket and not by contractual maturity.

In addition, loans and other credit-related commitments, financial guarantees and similar contracts are generally not recognised on our balance sheet. The undiscounted cash flows potentially payable under loan and other credit-related commitments and financial guarantees are classified on the basis of the earliest date they can be called.

Cash flows payable under financial liabilities by remaining contractual maturities

The group	Due not more than 1 month	Due over 1 month but not more than 3 months	Due over 3 months but not more than 1 year	Due over 1 year but not more than 5 years	Due over 5 years	Total
	£m	£m	£m	£m	£m	£m
Deposits by banks	968	63	244	4,587	2,783	8,645
Customer accounts	267,948	5,702	13,884	1,534	—	289,068
Repurchase agreements – non-trading	234	141	6,022	—	—	6,397
Derivatives	68	11	134	465	844	1,522
Debt securities in issue	185	162	480	2,231	578	3,636
Subordinated liabilities	63	205	1,548	14,349	2,675	18,840
Other financial liabilities	2,188	262	112	93	44	2,699
	271,654	6,546	22,424	23,259	6,924	330,807
Loan and other credit-related commitments	81,984	33	40	149	—	82,206
Financial guarantees	1,197	—	—	—	—	1,197
At 31 Dec 2025	354,835	6,579	22,464	23,408	6,924	414,210
Proportion of cash flows payable in period %	86	2	5	5	2	100
Deposits by banks	881	107	3,924	7,233	—	12,145
Customer accounts	265,541	5,065	9,100	1,005	—	280,711
Repurchase agreements – non-trading	420	—	—	—	—	420
Derivatives	62	154	411	895	771	2,293
Debt securities in issue	69	419	191	1,501	244	2,424
Subordinated liabilities	62	122	2,933	13,123	1,845	18,085
Other financial liabilities	2,018	293	183	105	36	2,635
	269,053	6,160	16,742	23,862	2,896	318,713
Loan and other credit-related commitments	77,296	45	93	47	78	77,559
Financial guarantees	1,046	—	—	—	—	1,046
At 31 Dec 2024	347,395	6,205	16,835	23,909	2,974	397,318
Proportion of cash flows payable in period %	87	2	4	6	1	100
The bank						
Deposits by banks	2,919	323	722	6,102	3,386	13,452
Customer accounts	262,281	5,133	13,673	1,479	—	282,566
Repurchase agreements – non-trading	234	141	6,022	—	—	6,397
Derivatives	68	11	134	465	844	1,522
Debt securities in issue	185	137	199	1,764	—	2,285
Subordinated liabilities	63	206	1,547	14,349	2,675	18,840
Other financial liabilities	2,210	223	108	86	44	2,671
	267,960	6,174	22,405	24,245	6,949	327,733
Loan and other credit-related commitments	65,243	—	—	—	—	65,243
Financial guarantees	1,194	—	—	—	—	1,194
At 31 Dec 2025	334,397	6,174	22,405	24,245	6,949	394,170
Proportion of cash flows payable in period %	85	2	5	6	2	100
Deposits by banks	2,188	200	4,390	8,834	729	16,341
Customer accounts	260,250	4,406	8,914	913	—	274,483
Repurchase agreements – non-trading	420	—	—	—	—	420
Derivatives	62	154	411	895	771	2,293
Debt securities in issue	69	406	156	1,166	—	1,797
Subordinated liabilities	62	122	2,933	13,123	1,845	18,085
Other financial liabilities	2,013	254	180	96	35	2,578
	265,064	5,542	16,984	25,027	3,380	315,997
Loan and other credit-related commitments	60,289	—	—	—	—	60,289
Financial guarantees	1,038	—	—	—	—	1,038
At 31 Dec 2024	326,391	5,542	16,984	25,027	3,380	377,324
Proportion of cash flows payable in period %	86	1	5	7	1	100

22 Offsetting of financial assets and financial liabilities

In the offsetting of financial assets and financial liabilities, the net amount is reported in the balance sheet when the offsetting criteria is met. This is achieved when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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

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

The effect of over-collateralisation is excluded.

Amounts not subject to enforceable master netting agreements' include contracts executed in jurisdictions where the rights of set off may not be upheld under the local bankruptcy laws.

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

	Amounts subject to enforceable netting arrangements							Total
	Gross amounts £m	Amounts offset £m	Net amounts in the balance sheet £m	Amounts not set off in the balance sheet		Net amount £m	Amounts not subject to enforceable netting arrangements ⁴ £m	
Financial instruments, including non-cash collateral £m				Cash collateral £m				
Financial assets								
Derivatives ¹ (Note 9)	2,414	(2,251)	163	(96)	(28)	39	4	167
Reverse repos, stock borrowing and similar agreements classified as:								
– non-trading assets	28,920	(7,360)	21,560	(21,560)	—	—	—	21,560
Loans and advances to customers ²	6,380	(1,722)	4,658	(4,505)	—	153	—	4,658
At 31 Dec 2025	37,714	(11,333)	26,381	(26,161)	(28)	192	4	26,385
Derivatives ¹ (Note 9)	2,821	(2,526)	295	(88)	(207)	—	3	298
Reverse repos, stock borrowing and similar agreements classified as:								
– non-trading assets	15,659	(3,883)	11,776	(11,776)	—	—	—	11,776
Loans and advances to customers ²	6,037	(2,067)	3,970	(3,310)	—	660	—	3,970
At 31 Dec 2024	24,517	(8,476)	16,041	(15,174)	(207)	660	3	16,044
Financial liabilities								
Derivatives ¹ (Note 9)	2,413	(2,251)	162	(57)	(92)	13	—	162
Repos, stock lending and similar agreements classified as:								
– non-trading liabilities	13,636	(7,360)	6,276	(6,275)	—	1	—	6,276
Customer accounts ³	11,067	(1,722)	9,345	(4,505)	—	4,840	6	9,351
At 31 Dec 2025	27,116	(11,333)	15,783	(10,837)	(92)	4,854	6	15,789
Derivatives ¹ (Note 9)	2,633	(2,526)	107	(55)	(48)	4	—	107
Repos, stock lending and similar agreements classified as:								
– non-trading liabilities	4,303	(3,883)	420	(420)	—	—	—	420
Customer accounts ³	9,949	(2,067)	7,882	(3,310)	—	4,572	6	7,888
At 31 Dec 2024	16,885	(8,476)	8,409	(3,785)	(48)	4,576	6	8,415

1 At 31 December 2025, the amount of cash margin received that had been offset against the gross derivatives assets was £307m (2024: 7m). The amount of cash margin paid that had been offset against the gross derivatives liabilities was £74m (2024: £618m).

2 At 31 December 2025, the total amount of 'Loans and advances to customers' recognised on the balance sheet was £231,223m (2024: £217,604m) of which £4,658m (2024: £3,970m) was subject to offsetting.

3 At 31 December 2025, the total amount of 'Customer accounts' recognised on the balance sheet was £288,756m (2024: £280,366m) of which £9,345m (2024: £7,882m) was subject to offsetting.

4 This includes exposures that continue to be secured by financial collateral.

23 Called up share capital and other equity instruments

Called up share capital and share premium

HSBC UK Bank plc ordinary shares of £1.00 each, issued and fully paid

	2025		2024	
	Number	£m	Number	£m
At 1 Jan	50,002	—	50,002	—
Capitalisation of group reorganisation reserve through bonus share issuance	—	—	5,248,464,979	5,248
Less: Bonus shares cancelled	—	—	(5,248,464,979)	(5,248)
At 31 Dec	50,002	—	50,002	—

HSBC UK Bank plc share premium

	2025	2024
	£m	£m
At 1 Jan	—	9,015
Reclassification to retained earnings	—	(9,015)
At 31 Dec	—	—

Total called up share capital and share premium

	2025	2024
	£m	£m
At 31 Dec	—	—

The cancellation of the bonus shares and the share premium account was approved by the High Court of Justice in England and Wales on 19 November 2024 and it took effect upon the Court order being registered with Companies House on 12 December 2024, creating additional retained earnings of £14.2bn.

Other equity instruments

HSBC UK Bank plc additional tier 1 instruments

	2025	2024
	£m	£m
£1,096m Undated Subordinated Additional Tier 1 instrument issued 2014 (Callable December 2019 onwards)	1,096	1,096
£1,100m Undated Subordinated Additional Tier 1 instrument issued 2014 (Callable December 2024 onwards)	1,100	1,100
£500m Undated Subordinated Additional Tier 1 instruments issued 2025 (Callable June 2030 onwards)	495	—
At 31 Dec	2,691	2,196

The bank continues to issue capital instruments that are included in the group's capital base as fully CRR II-compliant additional tier 1 capital.

Interest on these instruments will be due and payable only at the sole discretion of the bank, and the bank has sole and absolute discretion at all times to cancel for any reason (in whole or in part) any interest payment that would otherwise be payable on any date. There are limitations on the payment of principal, interest or other amounts if such payments are prohibited under UK banking regulations or if the bank has insufficient distributable items or fails to meet the solvency conditions defined in the instruments' terms.

The instruments are undated and are repayable at the option of the bank, in whole typically at the the initial call date or on any interest payment date after this date. In addition, the instruments are repayable at the option of the bank in whole for certain regulatory or tax reasons. Any repayments require the prior consent of the PRA. These instruments rank pari passu with the bank's most senior class or classes of issued preference shares and therefore rank ahead of ordinary shares. The instruments will be written down in whole, together with any accrued but unpaid interest if either the group's solo or consolidated CET1 ratio breaches the 7.0% trigger.

24 Contingent liabilities, contractual commitments, guarantees and contingent assets

	The group		The bank	
	2025	2024	2025	2024
	£m	£m	£m	£m
Guarantees and other contingent liabilities:				
– financial guarantees ¹	1,197	1,046	1,194	1,038
– performance and other guarantees	2,822	2,416	2,798	2,400
At 31 Dec	4,019	3,462	3,992	3,438
Commitments ² :				
– documentary credits and short-term trade-related transactions	17	142	17	142
– forward asset purchases and forward deposits placed	574	1,641	286	1,386
– standby facilities, credit lines and other commitments to lend	81,615	75,776	64,940	58,760
At 31 Dec	82,206	77,559	65,243	60,288

1 Financial guarantees contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due, in accordance with the original or modified terms of a debt instrument. The amounts in the above table are nominal principal amounts.

2 Includes £80bn (2024: £74bn) for the group and £63bn (2024: £57bn) for the bank of commitments to which the impairment requirements in IFRS 9 are applied where the group and bank has become party to an irrevocable commitment.

Notes on the financial statements

The preceding table discloses the nominal principal amounts of off-balance sheet liabilities and commitments for the group, which represents the maximum amounts at risk should the contracts be fully drawn upon and clients default. As a significant portion of guarantees and commitments are expected to expire without being drawn upon, the total of the nominal principal amounts is not indicative of future liquidity requirements. The expected credit loss provision relating to guarantees and commitments under IFRS 9 is disclosed in Note 19.

The majority of the guarantees have a term of less than one year, while guarantees with terms of more than one year are subject to the group's annual credit review process.

Contingent liabilities arising from legal proceedings, regulatory and other matters against group companies are excluded from this note but are disclosed in Note 26.

Financial Services Compensation Scheme ('FSCS')

The FSCS provides compensation, up to certain limits, to eligible customers of financial services firms that are unable, or likely to be unable, to pay claims against them. The FSCS may impose a further levy on the group to the extent the industry levies imposed to date are not sufficient to cover the compensation due to customers in any future possible collapse. The ultimate FSCS levy to the industry as a result of a collapse cannot be estimated reliably. It is dependent on various uncertain factors including the potential recovery of assets by the FSCS, changes in the level of protected products (including deposits and investments) and the population of FSCS members at the time.

25 Finance lease receivables

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

	2025			2024		
	Total future minimum payments £m	Unearned finance income £m	Present Value £m	Total future minimum payments £m	Unearned finance income £m	Present Value £m
Lease receivables ¹						
– No later than one year	1,567	(132)	1,435	1,485	(127)	1,358
– One to two years	1,069	(87)	982	1,070	(84)	986
– Two to three years	724	(54)	670	697	(50)	647
– Three to four years	411	(32)	379	375	(29)	346
– Four to five years	240	(19)	221	350	(46)	304
– Later than 5 years	365	(46)	319	189	(17)	172
31 Dec²	4,376	(370)	4,006	4,166	(353)	3,813

1 Finance leases receivables are disclosed within 'Loans and advances to customers' in the balance sheet.

2 ECL of £19m (2024: £22m) is held in respect of loans and advances under Finance lease receivables.

26 Legal proceedings and regulatory matters

The group is party to legal proceedings and regulatory matters arising out of its normal business operations. Apart from the matters described below, the group considers that none of these matters are material. The recognition of provisions is determined in accordance with the accounting policies set out in Note 1 of the Annual Report and Accounts 2025. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 December 2025. Where an individual provision is material, the fact that a provision has been made is stated and quantified. Any provision recognised does not constitute an admission of wrongdoing or legal liability. It is not practicable to provide an aggregate estimate of potential liability for our legal proceedings and regulatory matters as a class of contingent liabilities.

Payment Protection Insurance ('PPI')

Although the FCA deadline for bringing PPI complaints has passed, court cases are being brought alleging historic PPI mis-selling.

First Citizens litigation

In May 2023, First-Citizens Bank & Trust Company ('First Citizens') brought a lawsuit in the US District Court for the Northern District of California against HSBC UK and HINV, certain other HSBC companies and seven US-based HSBC employees who had previously worked for Silicon Valley Bank ('SVB'). The lawsuit seeks \$1bn in damages and alleges, among other things, that the various HSBC companies conspired with the individual defendants to solicit employees from First Citizens and that the individual defendants took confidential information belonging to SVB and/or First Citizens. In July 2024, the court dismissed several of First Citizens' claims and also dismissed HSBC UK and other defendants for lack of jurisdiction. The remaining claims are proceeding against certain defendants, including HINV. In January 2026, First Citizens amended its complaint to add claims purportedly assigned by the Federal Deposit Insurance Corporation ('FDIC'). These include claims concerning the period between SVB's entry into FDIC receivership and First Citizens' purchase of SVB's US assets. First Citizens also seeks to bring certain claims and defendants dismissed by the court in July 2024 back into the litigation, including HSBC UK. The defendants have filed a motion to dismiss the amended complaint.

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

Other regulatory reviews and litigation

HSBC UK and/or certain of its affiliates are also subject to enquiries, requests for information, reviews by various regulators, competition and law enforcement authorities, as well as litigation, in connection with various matters arising out of their businesses and operations. At the present time, HSBC UK does not expect the ultimate resolution of any of these matters to be material to the group's financial position; however, given the uncertainties involved in legal proceedings and regulatory matters, there can be no assurance regarding the eventual outcome of a particular matter or matters.

27 Related party transactions

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

Copies of the Group financial statements may be obtained from the following address:

HSBC Holdings plc
8 Canada Square
London E14 5HQ

The group's related parties include the parent, fellow subsidiaries, joint ventures, post-employment benefit plans for HSBC UK employees, key management personnel ('KMP') of the Company and its ultimate parent company, HSBC Holdings plc, close family members of KMP and entities which are controlled, jointly controlled or significantly influenced by KMP or their close family members.

Particulars of transactions between the group and its related parties are tabulated below in accordance with IAS 24 'Related party disclosures'. The disclosure of the year-end balance and the highest amounts outstanding during the year are considered to be the most meaningful information to represent the amount of the transactions and outstanding balances during the year.

Key Management Personnel

The KMP of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company and the group, and include the Directors of the Company, certain senior executives of the Company, directors of HSBC Holdings plc and certain senior executives of HSBC Holdings plc. The emoluments of those KMP who are not directors or senior executives of the Company are paid by other Group companies who make no recharge to the Company. It is therefore not possible to make a reasonable apportionment of their emoluments in respect of services they have provided to the Company during the year. Accordingly, no emoluments in respect of these KMP are included in the following disclosure.

The table below represents the compensation for KMP (Directors and certain senior executives) of the Company in exchange for services rendered to the Company for the period they served during the year.

Compensation of KMP

	2025	2024
	£000	£000
Short-term employee benefits	12,271	10,726
Post-employment benefits	60	53
Other long-term employee benefits	1,327	917
Share-based payments	5,412	3,322
Year ended 31 Dec	19,070	15,018

Advances and credits, guarantees and deposit balances during the year with KMP¹

	2025		2024	
	Balance at 31 Dec	Highest amounts outstanding during year	Balance at 31 Dec	Highest amounts outstanding during year
	£m	£m	£m	£m
Advances and credits	7	10	10	13
Deposits	21	58	8	31

¹ Includes close family members and entities which are controlled or jointly controlled by KMP or their close family members.

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

In addition to the requirements of IAS 24, particulars of advances (loans and quasi-loans), credits and guarantees entered into by the bank and its subsidiaries with Directors of the Company are required to be disclosed pursuant to section 413 of the Companies Act 2006. Under the Companies Act, there is no requirement to disclose transactions with other KMP.

Transactions with Directors: advances, credits and guarantees (Companies Act 2006)

	2025	2024
	Balance at 31 Dec	Balance at 31 Dec
	£000	£000
Loans	3,966	5,096

Other related parties

Transactions and balances during the year with KMP of the bank's ultimate parent company^{1,2}

	2025		2024	
	Balance at 31 Dec £m	Highest amounts outstanding during the year £m	Balance at 31 Dec £m	Highest amounts outstanding during the year £m
Advances and credits	—	—	—	—
Deposits	—	—	16	33

1 Excludes those who are also KMP of the Company.

2 Includes close family members and entities which are controlled or jointly controlled by the KMP or their close family members.

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

Transactions and balances during the year with the associates and joint venture

	2025		2024	
	Balance at 31 Dec £m	Highest balance during the year £m	Balance at 31 Dec £m	Highest balance during the year £m
Unsubordinated amounts due from the joint venture	128	146	55	80
Amounts due to associates	28	102	33	90
Amounts due to joint venture	102	141	50	61
Guarantees and commitments	304	340	249	260

The group provides certain banking and financial services to its joint venture, including loans, overdrafts, interest and non-interest-bearing deposits and current accounts. Details of the interest in the joint venture are given in Note 12.

The group's transactions and balances during the year with HSBC Holdings plc and subsidiaries of HSBC Holdings plc

	2025				2024			
	Due to/from HSBC Holdings plc		Due to/from subsidiaries of HSBC Holdings plc		Due to/from HSBC Holdings plc		Due to/from subsidiaries of HSBC Holdings plc	
	31 Dec £m	Highest balance £m	31 Dec £m	Highest balance £m	31 Dec £m	Highest balance £m	31 Dec £m	Highest balance £m
Assets								
Derivatives	—	—	12	59	—	—	42	42
Loans and advances to banks	—	—	721	1,161	—	—	1,161	1,174
Reverse repos	—	—	1,424	1,867	—	—	1,048	1,400
Prepayments and accrued income	—	—	11	11	—	—	9	9
Other assets	1	2	739	776	1	1	641	677
Total related party assets at 31 Dec	1	2	2,907	3,874	1	1	2,901	3,302
Liabilities								
Deposits by banks	—	—	935	983	—	—	787	873
Customer accounts	4,660	6,776	3,077	3,077	6,776	6,776	2,369	2,399
Repos	—	—	—	265	—	—	265	533
Other liabilities	55	55	315	617	53	56	371	640
Accruals & Deferred Income	292	389	13	13	252	322	7	9
Derivatives	—	—	22	62	—	—	18	41
Subordinated liabilities	16,423	17,697	—	—	15,686	16,078	—	—
Total related party liabilities at 31 Dec	21,430	24,917	4,362	5,017	22,767	23,232	3,817	4,495

The group routinely enters into related party transactions with other entities in the HSBC Group. These include transactions to facilitate third-party transactions with customers, transactions for internal risk management, and other transactions relevant to HSBC Group processes. These transactions and the above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties. The group's income statement included interest payable to HSBC Holdings plc of £894m (2024: £735m) and general and administrative expenses payable to other subsidiaries of HSBC Holdings plc of £2,124m (2024: £1,964m).

Notes on the financial statements

The bank's transactions and balances during the year with HSBC UK Bank plc subsidiaries, HSBC Holdings plc and subsidiaries of HSBC Holdings plc

	2025						2024					
	Due to/from subsidiaries of HSBC UK Bank plc subsidiaries		Due to/from HSBC Holdings plc		Due to/from subsidiaries of HSBC Holdings plc		Due to/from subsidiaries of HSBC UK Bank plc subsidiaries		Due to/from HSBC Holdings plc		Due to/from subsidiaries of HSBC Holdings plc	
	31 Dec	Highest balance	31 Dec	Highest balance	31 Dec	Highest balance	31 Dec	Highest balance	31 Dec	Highest balance	31 Dec	Highest balance
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets												
Derivatives	—	—	—	—	12	59	—	—	—	—	42	42
Loans and advances to banks	6,691	6,751	—	—	719	1,159	5,809	5,920	—	—	1,159	1,173
Loans and advances to customers	9,717	9,717	—	—	—	5	8,703	8,703	—	—	—	—
Reverse repos	—	—	—	—	1,424	1,867	—	—	—	—	1,048	1,400
Prepayments and accrued income	114	122	—	—	9	9	105	107	—	—	8	8
Other assets	1,091	1,572	1	2	737	772	1,441	1,441	1	1	637	673
Total related party assets at 31 Dec	17,613	18,162	1	2	2,901	3,871	16,058	16,171	1	1	2,894	3,296
Liabilities												
Deposits by banks	4,387	4,759	—	—	935	983	3,637	4,034	—	—	787	873
Customer accounts	936	936	4,660	6,776	3,077	3,077	457	491	6,776	6,776	2,369	2,400
Repos	—	—	—	—	—	265	—	—	—	—	265	533
Derivatives	—	—	—	—	22	62	—	—	—	—	18	41
Other liabilities	35	70	55	55	310	609	45	45	51	56	350	626
Accruals & Deferred Income	57	65	292	389	13	13	51	60	252	322	8	10
Subordinated liabilities	—	—	16,423	17,697	—	—	—	—	15,686	16,078	—	—
Total related party liabilities at 31 Dec	5,415	5,830	21,430	24,917	4,357	5,009	4,190	4,630	22,765	23,232	3,797	4,483

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

Post-employment benefit plans

The HSBC Bank (UK) Pension Scheme has placed deposits of £78m (2024: £59m) with HSBC UK, earning interest of £1.6m (2024: £0.9m).

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

28 Events after the balance sheet date

These accounts were approved by the Board of Directors on 24 February 2026 and authorised for issue.

On 17 February 2026, the Directors resolved to pay an interim dividend to ordinary shareholders of £1,076m in respect of the financial year ending 31 December 2025. No liability is recognised in the financial statements in respect of this dividend.

In its assessment of events after the balance sheet date, HSBC UK has considered and concluded that no material events have occurred resulting in adjustments to the financial statements.

29 HSBC UK Bank plc's subsidiaries and joint ventures

In accordance with section 409 of the Companies Act 2006 a list of HSBC UK Bank plc subsidiaries and joint ventures, the registered office address and the effective percentage of equity owned at 31 December 2025 is disclosed below.

Unless otherwise stated, the share capital comprises ordinary or common shares which are held by HSBC UK Bank plc subsidiaries. The ownership percentage is provided for each undertaking. The undertakings below are consolidated by HSBC UK Bank plc unless otherwise indicated.

HSBC UK Bank plc's registered office address is:

HSBC UK Bank plc
1 Centenary Square
Birmingham B1 1HQ
United Kingdom

Notes on the financial statements

Subsidiaries

The undertakings below are consolidated by HSBC UK Bank plc. Unless otherwise stated the place of incorporation is England and Wales.

Subsidiaries	% of share class held by immediate parent company (or by HSBC UK Bank plc where this varies)	Footnotes
Assetfinance December (F) Limited	100.00	5
Assetfinance June (D) Limited (In Liquidation)	100.00	11
Assetfinance March (D) Limited	100.00	5
Assetfinance September (G) Limited (In Liquidation)	100.00	11
B&Q Financial Services Limited (In Liquidation)	100.00	2,11
Canada Square Nominees (UK) Limited	100.00	2,6
HSBC Bank Pension Trust (UK) Limited	100.00	2,6
HSBC Branch Nominee (UK) Limited	100.00	2,5
HSBC UK Covered Bonds LLP	N/A	0,5
HSBC Equipment Finance (UK) Limited	100.00	2,5
HSBC Finance Limited (In Liquidation)	100.00	2,11
HSBC Innovation Bank Limited	100.00	2,9
HSBC Invoice Finance (UK) Limited	100.00	2,5
HSBC Private Bank (UK) Limited	100.00	2,6
HSBC UK Client Nominee Limited	100.00	2,5
HSBC UK Societal Projects Limited (In Dissolution)	N/A	2,4,5
HSBC Wealth Client Nominee Limited	100.00	2,5
Marks and Spencer Financial Services plc	100.00	2,7
Marks and Spencer Unit Trust Management Limited	100.00	2,7
Midland Bank (Branch Nominees) Limited	100.00	2,5
Midland Nominees Limited	100.00	2,5
St Cross Trustees Limited	100.00	2,5
Turnsonic (Nominees) Limited	100.00	2,5

Associates

The undertakings below are associates and equity accounted.

Associates	% of share class held by immediate parent company (or by HSBC UK where this varies)	Footnotes
HSBC UK Covered Bonds (LM) Limited	20.00	1,10

Joint venture

The undertaking below is a Joint Venture and equity accounted.

Joint venture	% of share class held by immediate parent company (or by HSBC UK Bank plc where this varies)	Footnotes
Vaultex UK Limited	50.00	3,8

Footnotes

- Where an entity is governed by voting rights, HSBC consolidates when it holds – directly or indirectly – the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities, and whether power is held as an agent or principal. HSBC's consolidation policy is described in Note 1.2(a)
- Management has determined that these undertakings are excluded from consolidation in the Group accounts as these entities do not meet the definition of subsidiaries in accordance with IFRS. HSBC's consolidation policy is described in Note 1.2(a)
- Directly held by HSBC UK Bank plc
- Financial year ended 3 October 2025
- Limited by guarantee and therefore no share capital. HSBC UK Bank plc is the sole member.

Registered Offices

- 1 Centenary Square, Birmingham, United Kingdom, B1 1HQ
- 8 Canada Square, London, United Kingdom, E14 5HQ
- Kings Meadow Chester Business Park, Chester, United Kingdom, CH99 9FB
- All Saints Triangle, Caledonian Road, London, United Kingdom, N1 9UT
- Alphabeta, 14-18 Finsbury Square, London, United Kingdom, EC2A 1BR
- 10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU
- C/O Teneo Financial Advisory Limited The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT

Reconciliation of alternative performance measures

Return on average ordinary shareholders' equity and return on average tangible equity

RoTE is measured as reported profit attributable to the ordinary shareholder, excluding impairment of goodwill and other intangible assets for the period, divided by average reported equity adjusted for goodwill and intangibles. The adjustment to reported results and reported equity excludes amounts attributable to non-controlling interests. We provide RoTE in addition to Return on average ordinary shareholder's equity ('RoE') as a way of assessing our performance, which is closely aligned to our capital position. The measures are calculated in US dollars in line with the standard HSBC Group-wide calculation methodology.

The following table details the adjustments made to the reported results and equity:

Return on average ordinary shareholders' Equity and Return on average Tangible Equity

	Year ended	
	31 Dec 2025	31 Dec 2024
	\$m	\$m
Profit		
Profit attributable to the ordinary shareholder	5,128	4,989
Profit attributable to the ordinary shareholder, excluding goodwill and other intangible assets impairment	5,128	4,989
Equity		
Average shareholder's equity	35,752	33,100
Effect of average preference shares, additional Tier 1 and other equity instruments	(3,300)	(2,808)
Average ordinary shareholder's equity	32,452	30,292
Effect of goodwill and other intangibles (net of deferred tax)	(5,777)	(5,549)
Average tangible ordinary shareholder's equity	26,675	24,743
Ratio	%	%
Return on average ordinary shareholders' equity	15.8	16.5
Return on average tangible equity ¹	19.2	20.2

¹ Under IAS 19 HSBC UK holds a pension fund surplus, and records pension income in the Income Statement. The IAS 19 pension fund surplus increases Tangible Equity but not CET1. In the event that the IAS 19 pension fund surplus was zero, RoTE would be 21.4%(2024: 22.8%).

Other information

Abbreviations

Currencies			
£	British pound sterling	FMM	Finance Management Meeting
€	Euro	FRC	Financial Reporting Council
\$	United States dollar	FSCS	Financial Services Compensation Scheme
Abbreviations		FTE	Full-time equivalent staff
1Q25	First Quarter of 2025	FVOCI	Fair value through other comprehensive income
2Q25	Second Quarter of 2025	FY	Full Year
3Q25	Third Quarter of 2025	FY24	Full Year 2024
4Q25	Fourth quarter of 2025	FY25	Full Year 2025
A		G	
AGM	Annual General Meeting	GDP	Gross domestic product
AI	Artificial Intelligence	GenAI	Generative Artificial Intelligence
AIEA	Average interest-earning assets	group	HSBC UK Bank plc together with its subsidiary undertakings
AT1	Additional tier 1	Group	HSBC Holdings plc together with its subsidiary undertakings
B		GTRF	Global Trade and Receivables Finance
Basel	Basel Committee on Banking Supervision	H	
Basel III	Basel Committee's reforms to strengthen global capital and liquidity rules	HMRC	HM Revenue and Customs
BoE	Bank of England	HMT	His Majesty's Treasury
Bps	Basis points. One basis point is equal to one hundredth of a percentage point	HSBC Group	HSBC Holdings plc together with its subsidiary undertakings
BNII	Banking Net Interest Income	HSBC Holdings plc	HSBC Holdings plc, the parent company of HSBC UK
BSO	Business Service Owners	HSBC UK	HSBC UK Bank plc together with its subsidiary undertakings
C		HINV	HSBC Innovation Bank Limited, formerly Silicon Valley Bank UK Limited
CAP	Consolidated Action Plan	HR	Human Resources
CAPM	Capital asset pricing model	I	
CBDC	Central Bank Digital Currency	IAS	International Accounting Standards
CEO	Chief Executive Officer	IASB	International Accounting Standards Board
CET1	Common equity tier 1	IBOR	Interbank offered rate
CFO	Chief Financial Officer	IBS	Important Business Services
CGU	Cash-generating Unit	ICAAP	Internal capital adequacy assessment process
CIB	Corporate and Institutional Banking	IFRS [®] Accounting Standards	International Financial Reporting Standards as issued by the IASB
CLO	Collateralised Lending Obligation	IFRS [®] Sustainability Disclosure Standards	Standards issue by the International Sustainability Standards Board ('ISSB')
CMB	Commercial Banking	ILAAP	Internal liquidity adequacy assessment process
CMI	Continuous Mortality Investigation	IMA	Internal Models Approach
CODM	Chief Operating Decision Maker	IMM	Internal Models Method
CPI	Consumer Price Index	IRB	Internal ratings-based
CRE	Commercial Real Estate	IRRBB	Interest rate risk in the banking book
CRCO	Chief Risk and Compliance Officer	ISSB	International Sustainability Standards Board
CRR	Customer risk rating	ISRE	International Standards on Review Engagements
CRR II	The regulatory requirements of the Capital Requirements Regulation and Directive, the CRR II regulation and the Prudential Regulation Authority Rulebook	IT	Information technology
D		ITOL	Associated Impact Tolerance
DBO	Defined Benefit Obligation	J	
DBS	Digital Business Services	Jan	January
DCF	Discounted cash flows	K	
Dec	December	KMP	Key management personnel
DPD	Days past due	KPI	Key performance indicator
DRA	Dynamic Risk Assessment	KPMG	Klynveld Peat Marwick Goerdeler
DQM	Deterministic Quantitative Methods	L	
DTR	Disclosure Guidance and Transparency Rules	LC	Large Corporates
E		LCR	Liquidity coverage ratio
EAD	Exposure at default	LFRF	Liquidity and Funding Risk management Framework
EBA	European Banking Authority	LGD	Loss given default
EC	European Commission	LTI	Long-term incentive
ECL	Expected credit losses. In the income statement, ECL is recorded as a change in expected credit losses and other credit impairment charges. In the balance sheet, ECL is recorded as an allowance for financial instruments to which only the impairment requirements in IFRS 9 are applied.	LTV	Loan to value
EIR	Effective interest rate	M	
ESG	Environmental, social and governance	MI	Management Information
EU	European Union	MME	Mid-Market Enterprises
EVE	Economic value of equity	MREL	Minimum requirements for own funds and eligible liabilities
ETR	Effective Tax Rate	MRM	Model Risk Management
F		M&S	Marks and Spencer
FCA	Financial Conduct Authority (UK)	MSFS	Marks and Spencer Financial Services plc
FDIC	Federal Deposit Insurance Corporation	N	
		NII	Net interest income

Other information

NIM	Net interest margin
NPS	Net Promoter Score
NSFR	Net stable funding ratio
O	
OCI	Other comprehensive income
OECD	Organisation of Economic Co-operation and Development
P	
PB	Private Bank
PBT	Profit before tax
PD	Probability of default
PLCA	Purpose Led Conduct Approach
POCI	Purchased or originated credit impaired
PPA	Power Purchase Agreement
PPI	Payment protection insurance
PRA	Prudential Regulation Authority
PSR	Payment Systems Regulator
PIV	Pooled Investment Vehicles
PwC	PricewaterhouseCoopers LLP and its network of firms
R	
RAS	Risk Appetite Statement
RBS	Royal Bank of Scotland
RBW	Retail Banking and Wealth
Revenue	Net operating income before change in expected credit losses and other credit impairment charges/Loan impairment charges and other credit provisions, also referred to as revenue
RMF	Risk Management Framework
RMM	Risk Management Meeting
ROC	Resilience Oversight Committee
RoE	Return on average ordinary shareholders' equity
RoTE	Return on average tangible equity
RPI	Retail Price Index
RWA	Risk-weighted asset

S	
SAF	Subsidiary Accountability Framework
SAPS	Self-administered pension scheme
Sep	September
SICR	Significant increase in credit risk
SME	Small and medium-sized enterprise
SOFR	Secured Overnight Financing Rate
SONIA	Sterling Overnight Index Average
SPPI	Solely payments of principal and interest
STD	Standardised Approach
STR	Statutory Tax Rate
SVB	Silicon Valley Bank
T	
TCFD	Taskforce on Climate-Related Financial Disclosures
U	
UK	United Kingdom
US	United States of America
UCB	UK-Corporate Banking
UPW	UK- Personal Banking and Wealth
UTP	Unlikely to pay
V	
VaR	Value at risk
VAT	Value-added tax
VIU	Value in use
W	
WPB	Wealth and Personal Banking
Y	
YoY	Year-on-year

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