

HSBC UK Bank plc

Pillar 3 Disclosures at 31 December 2025



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Presentation of information

This document comprises the 2025 Pillar 3 disclosures for HSBC UK Bank plc ('the bank') and its subsidiaries (together 'HSBC UK' or 'the group'). 'We', 'us' and 'our' refer to HSBC UK Bank plc together with its subsidiaries.

'HSBC Group' or 'the Group' within this document refer to HSBC Holdings plc together with its subsidiaries.

When used in the terms 'shareholders' equity' and 'total shareholders' equity', 'shareholders' means holders of HSBC UK Bank plc ordinary shares and capital securities issued by HSBC UK Bank plc classified as equity.

The abbreviations '£m' and '£bn' represent millions and billions (thousands of millions) of pounds sterling respectively.

A full list of abbreviations is provided on page 79.

These Pillar 3 Disclosures at 31 December 2025 contain 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 'Strategic report – Risk overview' and 'Risk review – Top and emerging risks' on pages 7 to 7 and 8 to 9 of the Annual Report and Accounts 2025.

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

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Introduction

Pillar 3 Governance and disclosures

Regulatory framework for disclosure

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

The Basel III framework is structured around three 'pillars': the Pillar 1 minimum capital requirements and Pillar 2 supervisory review process are complemented by the requirements in Pillar 3 on market discipline. The aim of Pillar 3 is to produce disclosures that allow market participants to assess the scope of application by banks of the Basel III framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy. These disclosures are made in accordance with CRR II, and use the PRA's disclosure templates and instructions. They are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

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

Frequency and location

We publish our Pillar 3 disclosures quarterly on the Group website www.hsbc.com.

Regulatory reporting processes and controls

We have been advancing our programme aimed at strengthening our global regulatory reporting processes and making them more sustainable, including enhancing data, consistency, and controls. While this programme continues, there may be impacts on some of our regulatory ratios as we implement recommended changes and continue to enhance our controls across the process.

Comparatives and references

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

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

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

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

The table below references where disclosures have been enhanced.

Page ref	Table Reference	Activity
5, 13	Table 1 – KM1/IFRS9-FL Table 2 – UK CC2 Table 6 – UK CC1	Effective 30 June 2025, inclusion of accrued interest in tier 2.
31, 35	Table 27 – CR4 Table 30 – CR5	Moved a portfolio from the internal-ratings based approach to the standardised approach.
5,16, 52 and 53	Table 1 – KM1 Table 9 – LR2 Table 10 – LR1 Table 39 – CCR1 Table 41 – CCR3 Table 42 – CCR5	Enhanced counterparty credit calculation process for posted securities collateral.
37, 37	Table 31 – Wholesale IRB risk rating system Table 32 – Wholesale IRB models Table 33 – CR9 Wholesale IRB exposures	Enhancement for better representation of the underlying portfolio.
23, 24 and 42	Table 34 – Retail IRB risk rating system Table 35 – Retail IRB models Table 36 – CR9 Retail IRB exposures	Enhancement for better representation of the underlying portfolio and change in average calculation methodology for annual historical default rate.
23, 26 and 31	Table 18 – CR1 Table 21 – CQ1 Table 26 – CR3	Enhancement to incorporate certain unsupported financial guarantees received previously excluded.

Board Recruitment and Inclusion Policy

Pillar 3 requires information relating to the number of directorships held by the Board, the recruitment policy for the selection of members of the management body and their actual skills, knowledge and experience to be disclosed. This can be found in the Corporate Governance section on pages 61 to 65 of the Annual Report and Accounts 2025. Information on the Inclusion Policy with regard to the management body can be found under the Chairman's Nominations and Remuneration Committee section on page 63 of the Annual Report and Accounts 2025.

Pillar 3 Governance

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

The HSBC UK Bank plc Board of Directors continued to oversee the governance, operation and oversight of the group. This Pillar 3 disclosure report was approved by the HSBC UK Bank plc Board on 24 February 2026 and signed on its behalf by

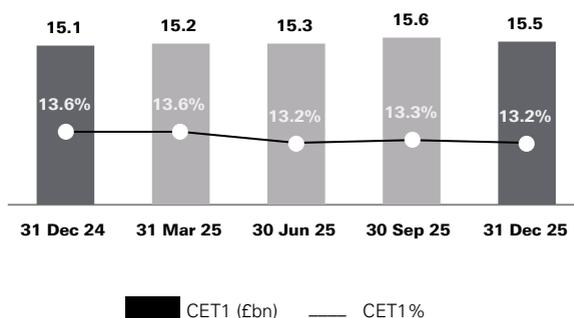
Claire Baird

Chief Financial Officer

Highlights

CET1 increased to £15.5bn from £15.1bn at December 2024. During the year, we generated £0.6bn capital from profits net of dividends partly offset by £0.2bn increase in regulatory deductions.

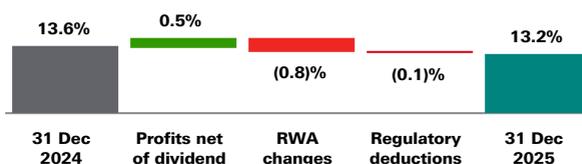
Common equity tier 1: £15.5bn and 13.2%



CET1 ratio movement %

CET1 capital ratio decreased to 13.2% from 13.6% at December 2024, mainly driven by increase in RWAs and regulatory deductions partly offset by capital generation through profits net of dividends.

Common equity tier 1 ratio movement, %



RWAs

RWAs increased by £7bn. Excluding £0.1bn reduction due to foreign currency translation differences, RWAs increased by £7.1bn, primarily due to lending growth of £10bn, increase in operational risk RWAs by £1.2bn and changes in asset quality by £0.9bn. This was partly offset by reductions from the execution of a new Collateralised Lending Obligation ('CLO') by £2.6bn, credit risk parameter refinements including methodology changes to undrawn exposures by £2bn and model updates of £0.4bn.

Risk-weighted assets by risk types £117,463m
(31 December 2024: £110,423m)

Risk-weighted Assets 31 Dec 2025	£m	%
Credit risk	100,297	85.4
Operational risk	16,814	14.3
Market risk	97	0.1
Counterparty credit risk	255	0.2

Liquidity

The average HSBC UK LCR and NSFR were 175% and 146% respectively, which is above the regulatory requirements. The 2025 average LCR has decreased by 15% as compared to 2024 average, due to customer lending (including facilities) increasing more than deposits. The 2025 average NSFR reduced by 8% as compared to 2024 average, mainly due to an increase in customer lending. Liquidity and funding remains stable as at 31 December 2025.

Liquidity

	At 31 Dec 2025	At 31 Dec 2024
LCR (%)	175	190
NSFR (%)	146	154

Leverage

Leverage ratio decreased to 5.6% from 5.8% at 31 December 2024. This was mainly driven by the increase in Leverage exposures due to growth in corporate and retail lending combined with increase in reverse repurchase agreements and financial investments partly offset by increase in capital mainly from Additional Tier 1 capital issuance and profits net of dividend.

Leverage

	At 31 Dec 2025	At 31 Dec 2024
Leverage ratio (%)	5.6	5.8

Key metrics

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

Table 1: Key metrics (KM1/IFRS9-FL)

		At				
		31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025	31 Dec 2024
Available capital (£m)						
1	Common equity tier 1 ('CET1') capital	15,509	15,626	15,255	15,211	15,059
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	15,509	15,626	15,255	15,211	15,048
2	Tier 1 capital	18,218	18,334	17,963	17,423	17,307
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	18,218	18,334	17,963	17,423	17,296
3	Total capital ¹	21,888	21,978	21,632	20,598	20,500
	Total capital as if IFRS 9 transitional arrangements had not been applied ¹	21,888	21,978	21,632	20,598	20,489
Risk-weighted assets (£m)						
4	Total RWAs	117,463	117,852	115,402	112,221	110,423
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	117,463	117,852	115,402	112,221	110,414
Capital ratios (%)						
5	CET1	13.2	13.3	13.2	13.6	13.6
	CET1 as if IFRS 9 transitional arrangements had not been applied	13.2	13.3	13.2	13.6	13.6
6	Tier 1	15.5	15.6	15.6	15.5	15.7
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	15.5	15.6	15.6	15.5	15.7
7	Total capital ¹	18.6	18.6	18.7	18.4	18.6
	Total capital as if IFRS 9 transitional arrangements had not been applied ¹	18.6	18.6	18.7	18.4	18.6
Additional own funds requirements based on Supervisory Review and Evaluation Process ('SREP') as a percentage of RWAs (%)						
UK-7a	Additional CET1 SREP requirements	2.1	2.1	2.1	2.1	2.1
UK-7b	Additional additional tier 1 ('AT1') SREP requirements	0.7	0.7	0.7	0.7	0.7
UK-7c	Additional tier 2 ('T2') SREP requirements	1.0	1.0	1.0	1.0	1.0
UK-7d	Total SREP own funds requirements	11.8	11.8	11.8	11.8	11.8
Combined buffer requirement as a percentage of RWAs (%)						
8	Capital conservation buffer requirement	2.5	2.5	2.5	2.5	2.5
9	Institution-specific countercyclical capital buffer	1.9	1.9	1.9	1.9	1.9
UK-10a	Other systemically important institution buffer	1.0	1.0	1.0	1.0	1.0
11	Combined buffer requirement	5.4	5.4	5.4	5.4	5.4
UK-11a	Overall capital requirements	17.2	17.2	17.2	17.2	17.2
12	CET1 available after meeting the total SREP own funds requirements	6.6	6.6	6.6	7.0	7.0
Leverage ratio²						
13	Total exposure measure excluding claims on central banks (£m)	325,950	321,229	314,452	302,368	297,157
14	Leverage ratio excluding claims on central banks (%)	5.6	5.7	5.7	5.8	5.8
Additional leverage ratio disclosure requirements²						
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.6	5.7	5.7	5.8	5.8
14b	Leverage ratio including claims on central banks (%)	4.8	5.0	5.0	4.9	4.9
14c	Average leverage ratio excluding claims on central banks (%)	5.8	5.8	5.8	6.0	6.0
14d	Average leverage ratio including claims on central banks (%)	5.0	5.0	5.0	5.0	5.0
14e	Countercyclical leverage ratio buffer (%)	0.7	0.7	0.7	0.7	0.7
EU-14d	Leverage ratio buffer requirement (%)	1.1	1.1	1.1	1.1	1.1
EU-14e	Overall leverage ratio requirements (%)	4.4	4.4	4.4	4.4	4.4
Liquidity coverage ratio ('LCR')						
15	Total high-quality liquid assets ('HQLA') (Weighted value -average) (£m)	93,670	94,418	93,913	93,020	91,348
UK-16a	Cash outflows – total weighted value (£m)	59,238	57,931	56,152	54,948	53,657
UK-16b	Cash inflows – total weighted value (£m)	5,767	5,790	5,785	5,721	5,600
16	Total net cash outflow (£m)	53,471	52,141	50,367	49,227	48,057
17	LCR (%)	175	181	186	189	190
Net stable funding ratio ('NSFR')						
18	Total available stable funding (£m)	270,620	268,217	266,919	266,112	264,704
19	Total required stable funding (£m)	184,732	181,045	176,742	173,303	171,500
20	NSFR (%)	146	148	151	154	154

1 From 30 June 2025, the regulatory valuation of Tier 2 capital includes the accrued interest. Comparatives have not been restated.

2 Effective 2Q25, we have enhanced our counterparty credit calculation processes related to the treatment of posted securities collateral to central banks for liquidity purposes and this has impacted the current period disclosures. Comparatives have not been restated.

Minimum capital requirements

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

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

Rows UK-7a to UK-7c in the table above show how the group's additional capital requirement (set by the PRA at 3.8% of RWAs) is allocated to each of these tiers of capital. Row UK-7d adds the total of these additional requirements to the CRR II minimum requirements to give a total capital SREP requirement of 11.8%.

Rows 8 to UK-10a set out buffer requirements to which the group is also subject (and which must be satisfied by CET1). The group's overall capital requirement in Row UK-11a, 17.2%, is the sum of these buffer requirements and the minimum capital requirements calculated above in Row UK-7d.

Our geographical breakdown and institution-specific countercyclical capital buffer ('CCyB') disclosure is provided on page 61 of this document.

Regulatory developments

Basel 3.1

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

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

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

We continue to assess the impact of these rules on our capital and associated implementation challenges including data provision.

UK Capital Framework Review

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

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

Environmental, social and governance risk

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

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

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

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

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

Linkage to the Annual Report and Accounts 2025

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

Structure of the regulatory group

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

- the regulatory consolidation excludes special purpose entities ('SPEs') where significant risk has been transferred to third parties. Exposures to these SPEs are risk weighted as securitisation positions for regulatory purposes.
- participating interests in banking associates are proportionally consolidated for regulatory purposes by including our share of assets, liabilities, profit and loss, and risk-weighted assets in accordance with the PRA's regulatory requirements.

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

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

Ref †	Accounting balance sheet £m	Deconsolidation of insurance/ other entities £m	Consolidation of banking associates £m	Regulatory balance sheet £m
Assets				
	40,369	—	42	40,411
Cash and balances at central banks				
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	175	—	—	175
Derivatives	167	—	—	167
Loans and advances to banks	6,636	—	—	6,636
Loans and advances to customers	231,223	—	—	231,223
– of which: expected credit losses on IRB portfolios	(1,422)	—	—	(1,422)
Reverse repurchase agreements – non-trading	21,560	—	—	21,560
Financial investments	41,638	(161)	—	41,477
Prepayments, accrued income and other assets	9,736	2	23	9,761
– of which: retirement benefit assets	5,262	—	—	5,262
Current tax assets	3	—	—	3
Interests in associates and joint ventures	10	—	(10)	—
Goodwill and intangible assets	4,413	—	—	4,413
Total assets at 31 Dec 2025	355,930	(159)	55	355,826
Liabilities				
	7,709	—	42	7,751
Deposits by banks				
Customer accounts	288,756	766	—	289,522
Repurchase agreements – non-trading	6,276	—	—	6,276
Derivatives	162	—	—	162
Debt securities in issue	3,019	(924)	—	2,095
Accruals, deferred income and other liabilities	3,524	—	12	3,536
Current tax liabilities	218	(1)	—	217
Provisions	264	—	—	264
– of which: credit-related contingent liabilities and contractual commitments on IRB portfolios	101	—	—	101
Deferred tax liabilities	1,318	—	—	1,318
Subordinated liabilities	16,423	—	—	16,423
– of which: included in tier 2	3,583	—	—	3,583
Total liabilities at 31 Dec 2025	327,669	(159)	54	327,564
Equity				
	—	—	—	—
Called up share capital				
Share premium account	—	—	—	—
Other equity instruments	2,691	—	—	2,691
Other reserves	2,387	—	1	2,388
Retained earnings	23,163	—	—	23,163
Total shareholders' equity	28,241	—	1	28,242
Non-controlling interests	20	—	—	20
Total equity at 31 Dec 2025	28,261	—	1	28,262
Total liabilities and equity at 31 Dec 2025	355,930	(159)	55	355,826

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

The table below lists the entities to which different treatments are applied under the regulatory scope of consolidation.

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

	Principal activities	Method of accounting consolidation	At 31 Dec 2025	
			Method of regulatory	
			Proportional consolidation	Neither consolidated nor deducted
Associates				
Vaultex UK Limited	Cash management services	Equity	◆	
SPEs excluded from the regulatory consolidation¹				
Neon Portfolio Distribution DAC	Securitisation	Fully consolidated		◆

1 These SPEs issued no or de minimis share capital.

Measurement of regulatory exposures

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

The Pillar 3 Disclosures at 31 December 2025 are prepared in accordance with regulatory capital and liquidity adequacy concepts and rules, while the Annual Report and Accounts 2025 are prepared in accordance with International Financial Reporting Standards ('IFRSs').

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

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

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

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

	Carrying values as reported in published financial statements £m	Carrying values under scope of regulatory consolidation ¹ £m	Carrying value of items				Not subject to own funds requirements or subject to deduction from own funds £m
			Subject to the credit risk framework £m	Subject to the counterparty credit risk framework £m	Subject to the securitisation framework £m	Subject to the market risk framework £m	
Assets							
Cash and balances at central banks	40,369	40,411	40,411	—	—	—	—
Financial assets designated and otherwise mandatorily measured at fair value	175	175	—	175	—	—	—
Derivatives	167	167	—	167	—	167	—
Loans and advances to banks	6,636	6,636	6,636	—	—	—	—
Loans and advances to customers	231,223	231,223	225,342	—	5,881	—	—
Reverse repurchase agreements – non-trading	21,560	21,560	—	21,560	—	—	—
Financial investments	41,638	41,477	41,217	—	260	—	—
Assets held for sale	14	14	14	—	—	—	—
Prepayments, accrued income and other assets	9,722	9,747	3,262	1,174	—	—	5,311
Current tax assets	3	3	3	—	—	—	—
Interests in associates and joint ventures	10	—	—	—	—	—	—
Goodwill and intangible assets	4,413	4,413	—	—	—	—	4,413
Total assets at 31 Dec 2025	355,930	355,826	316,885	23,076	6,141	167	9,724
Liabilities							
Deposits by banks	7,709	7,751	—	—	—	—	7,751
Customer accounts	288,756	289,522	—	—	—	—	289,522
Repurchase agreements – non-trading	6,276	6,276	—	6,276	—	—	—
Derivatives	162	162	—	162	—	162	—
Debt securities in issue	3,019	2,095	—	—	—	—	2,095
Accruals, deferred income, and other liabilities	3,524	3,536	—	28	—	—	3,508
Current tax liabilities	218	217	—	—	—	—	217
Provisions	264	264	108	—	—	—	156
Deferred tax liabilities	1,318	1,318	(183)	—	—	—	1,501
Subordinated liabilities	16,423	16,423	—	—	—	—	16,423
Total liabilities at 31 Dec 2025	327,669	327,564	(75)	6,466	—	162	321,173

1 The amounts shown in the column 'Carrying values under scope of regulatory consolidation' do not equal the sum of the amounts shown in the remaining columns of this table for line items 'Derivatives', as some of the assets in this column are subject to regulatory capital charges for counterparty credit risk ('CCR') and market risk.

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

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

	Total £m	of which items subject to:			
		Credit risk framework £m	CCR framework £m	Securitisation framework £m	Market risk framework £m
1 Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)	346,102	316,885	23,076	6,141	167
2 Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	6,391	(75)	6,466	—	162
3 Total net amount under the regulatory scope of consolidation	339,711	316,960	16,610	6,141	5
4 Off-balance-sheet amounts	85,535	81,756	(34)	3,814	
6 Differences due to different netting rules, other than those already included in row 2	1,578	1,378	200		
7 Differences due to consideration of provisions	1,474	1,474	—		
8 Differences due to the use of credit risk mitigation techniques ('CRMs')	(13,070)	—	(12,144)	(926)	
9 Differences due to credit conversion factors	(38,873)	(38,873)	—		
10 Differences due to Securitisation with risk transfer	(1,362)	—	—	(1,362)	
11 Other differences	1,017	(114)	1,131		
12 Exposure amounts considered for regulatory purposes 31 Dec 2025	376,010	362,581	5,763	7,667	5

Explanations of differences between accounting and regulatory exposure amounts

Differences in netting rules

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

Differences due to consideration of provisions

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

Differences due to the use of credit risk mitigation techniques ('CRM')

Exposure value under the standardised approach is calculated after deducting credit risk mitigation whereas the accounting value is before such deductions.

Differences due to credit conversion factors

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

Differences due to securitisation with risk transfer

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

Other differences

Other differences primarily relate to EAD modelling impacts, potential future exposures ('PFE') and adjustments relating to forward starting repos for counterparty credit risk.

Risk management

Our Risk Management Framework

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

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

- ▶ Further information on our RMF, and the management and mitigation of our top and emerging risks is set out from page 16 of our Annual Report and Accounts 2025.

Material risks

Pillar 3 requires that all material risks be disclosed to provide a comprehensive view of a bank's risk profile. In addition to the disclosure in this document, other information on material risks can be found in the Annual Report and Accounts 2025. This includes:

- Credit risk (refer to page 23 of the Annual Report and Accounts 2025).
- Treasury risk (refer to page 53 of the Annual Report and Accounts 2025).
- Market risk (refer to page 58 of the Annual Report and Accounts 2025).
- Resilience risk (refer to page 59 of the Annual Report and Accounts 2025).
- Regulatory compliance risk (refer to page 60 of the Annual Report and Accounts 2025).
- Financial crime risk (refer to page 60 of the Annual Report and Accounts 2025).
- Model risk (refer to page 61 of the Annual Report and Accounts 2025).
- Climate Risk (refer to page 59 of the Annual Report and Accounts 2025).

Culture

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

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

Information about the HSBC UK Chairman's Nominations and Remuneration Committee membership and activities is available on page 63 of the Annual Report and Accounts 2025.

Risk governance

Our Board has ultimate supervisory responsibility for the effective management of risk and approves HSBC UK's risk appetite.

It is advised on risk-related matters by the Risk Committee.

- ▶ Further information about the role of the Risk Committee is available on page 63 of the the Annual Report and Accounts 2025.

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

- ▶ Further information is available on page 14 of the Annual Report and Accounts 2025.

Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making. These senior managers are supported by global functions. All our people have a role to play in risk management. These roles are defined using the three lines of defence model, which takes into account our business and functional structures.

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

- ▶ Further information about our three lines of defence model and executive risk governance structures is available on page 14 of our Annual Report and Accounts 2025.

Risk appetite

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

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

- ▶ Further information about our risk appetite is set out from page 14 of our Annual Report and Accounts 2025.

Stress testing

HSBC UK operates a wide-ranging stress testing programme that supports our risk management and capital and liquidity planning by assessing potential financial risks to our business model. As well as undertaking regulatory-driven stress tests, we conduct our own internally defined stress tests to understand the nature of our potential vulnerabilities, quantify their impact and develop plausible mitigating actions. The outcome of a stress test provides management with key insights into the impact of severely adverse events on HSBC UK and provides an indication to regulators of HSBC UK's resilience to shocks and any consequences for financial stability.

Our stress testing programme is overseen by the Risk Committee. Where appropriate, results are also reported to the Finance Management Meeting ('FMM').

- ▶ Further information about stress testing is set out on page 15 of our Annual Report and Accounts 2025.

HSBC UK Risk function

We have a dedicated Risk function, headed by the HSBC UK CRCO, which is responsible for our RMF. This includes establishing policy, monitoring risk profiles, and providing forward-looking risk identification and management capabilities. HSBC UK Risk is made up of sub-functions covering both financial and non-financial risks. It is independent from the global businesses in order to provide challenge, oversight and balance in risk versus return decisions. Our Risk function operates in line with the three lines of defence model and plays an important role in reinforcing our culture and values. It focuses on creating an environment that encourages our people to speak up and do the right thing.

Risk management and internal control systems

The Board of Directors is responsible for maintaining and reviewing the effectiveness of risk management and internal control systems, and for determining the aggregate level and risk types it is willing to accept in achieving HSBC UK's business objectives. On behalf of the Board, the Audit Committee has responsibility for the oversight of matters relating to financial reporting and internal controls, including the effectiveness of internal control systems, subject to input from the Risk Committee where relevant to its responsibilities. The Risk Committee has responsibility for the oversight of risk related matters and the enterprise risks impacting the bank and its subsidiaries, and risk governance.

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

- ▶ HSBC UK's key risk management and internal control procedures are described on page 15 of the Annual Report and Accounts 2025.

Risk measurement and reporting systems

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

Risk measurement and reporting systems used are also subject to a governance framework designed to help ensure that their build and implementation are fit for purpose and functioning appropriately. Risk information system development is a responsibility of the Group's Global Risk and Compliance function, while the development and operation of risk rating and management systems and processes are ultimately subject to the oversight of the Group's Board.

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

We remain committed to investing in the reliability and resilience of our technology systems and critical services, which support all parts of our business. We assess our third parties to help ensure they

deliver the standard of services we require to provide resilient services to our customers. We do so to help protect our customers, affiliates and counterparties, and to help ensure that we minimise any disruption to services. In our approach to defending against these threats, we invest in business and technical controls to help us prevent, detect, manage and recover from issues in a timely manner within our risk appetite.

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

Risk analytics and model governance

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

The analytics functions formulate technical responses to industry developments and regulatory policy in the field of risk analytics, and develop HSBC UK's risk models. The HSBC UK Model Risk Committee ('MRC') is the primary committee responsible for the oversight of Model Risk within HSBC UK. It serves an important role in providing strategic direction on the management of models and their associated risks to HSBC UK's businesses and is an essential element of the governance structure for model risk management. The MRC is supported by Model Oversight Forums ('MOFs') which are responsible for model risk management within their functional areas, including Wholesale credit risk, Wealth and Personal banking risk, and Finance.

The MRC meets regularly and reports to HSBC UK RMM. It is chaired by the HSBC UK CRCO and membership includes senior executives from Risk, Finance, Compliance and the business. It is responsible for the identification of emerging risks for all aspects of the risk rating system, helping to ensure that model risk is managed within our risk appetite statement, and formally advises the HSBC UK RMM on any material model-related issues.

Models are subject to an independent validation process and governance oversight by the Model Risk Management team within Risk. The team provides challenge to the modelling approaches used across HSBC UK. It also helps to ensure that the performance of those models is transparent and that any limitations are visible to key stakeholders. The development and use of data and models to meet local requirements are the responsibility of our businesses or functions, as well as regional and/or local entities under the governance of our own management, subject to overall Group policy and oversight.

Regulatory and other expectations continue to evolve with regards to our capability and practice of model risk management. We continue to review and enhance our model risk management practices and to invest in developing and embedding these capabilities.

- ▶ Further information is available on page 61 of the Annual Report and Accounts 2025.

Treasury risk management

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

The CRCO is the accountable risk steward, and the Chief Financial Officer ('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 FMM, which is overseen by the CFO with input from Treasury Risk Management. Pension risk is overseen by a pension risk management meeting chaired by the accountable risk steward.

We use stress testing to guide the management of capital and liquidity needed to withstand internal and external shocks, including an economic downturn or a systems failure.

- ▶ For further details of our approach to treasury risk management including capital risk, liquidity risk, interest rate in the banking book, non-trading foreign exchange exposure and pension risk, see page 53 to 58 of the Annual Report and Accounts 2025.

Capital risk

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

HSBC Holdings plc is the sole provider of equity capital to the group and provides non-equity capital where necessary. Capital generated in excess of planned dividends is returned to the shareholder in the form of additional dividends. Capital securities are regularly reviewed for compliance with guidelines. A list of the main features of our capital instruments and eligible liabilities in accordance with Article 437 and 437a of CRR II is also published on our website at www.hsbc.com with reference to our balance sheet on 31 December 2025. The full terms and conditions of our securities are also available at www.hsbc.com.

Liquidity risk

We aim to ensure management oversight of our liquidity and funding risks through governance arrangements aligned with our risk management framework. We aim to maintain a strong liquidity base to support the risks inherent in our business and invest in accordance with our strategy, meeting both consolidated and local regulatory requirements at all times. We manage liquidity and funding risk in accordance with globally consistent policies, procedures and reporting standards.

Interest rate risk in the banking book

Interest rate risk in the banking book 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 with trading intent or in order to hedge positions held with trading intent.

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

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.

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 sensitivity; and
- Economic value of equity sensitivity.

- ▶ Further information regarding IRRBB can be found in the Liquidity risk section of this document on page 20.

Non-trading book foreign exchange exposures

Structural foreign exchange exposures occur when capital is invested or net assets are held in a foreign operation, such as a subsidiary, associate, joint venture or branch operating in a different 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 most constraining capital ratio is largely protected from the effect of exchange rates fluctuation.

Transactional foreign exchange risk arises primarily from day-to-day transactions in the banking book generating profit and loss or fair value through other comprehensive income ('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 other comprehensive income reserves is managed by Markets Treasury within the approved appetite.

Own funds

The table below provides a detailed breakdown of the key components of our CET1, tier 1 and tier 2 capital and the regulatory adjustments impacting our capital base. Effective 1 January 2025, the IFRS 9 transitional arrangements came to an end.

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

Ref †	At			
	31 Dec 2025 £m	31 Dec 2024 £m		
Common equity tier 1 ('CET1') capital: instruments and reserves				
1	Capital instruments and the related share premium accounts ¹	—	—	
	– ordinary shares ¹	a	—	
2	Retained earnings	b	21,494	20,154
3	Accumulated other comprehensive income (and other reserves)	c	2,388	1,580
UK-5a	Independently reviewed net profits net of any foreseeable charge or dividend	b	593	1,387
6	Common equity tier 1 capital before regulatory adjustments		24,475	23,121
Common equity tier 1 capital: regulatory adjustments				
7	Additional value adjustments(negative amount)		(11)	(14)
8	Intangible assets (net of related deferred tax liability) (negative amount)	e	(4,413)	(4,373)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	g	(79)	656
12	Negative amounts resulting from the calculation of expected loss amounts	h	(675)	(651)
15	Defined-benefit pension fund assets(negative amount)	j	(3,788)	(3,691)
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)		—	11
28	Total regulatory adjustments to common equity tier 1		(8,966)	(8,062)
29	Common equity tier 1 ('CET1') capital		15,509	15,059
Additional tier 1 ('AT1') capital: instruments				
30	Capital instruments and the related share premium accounts		2,691	2,196
31	– classified as equity under IFRSs	m	2,691	2,196
34	Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in CET1) issued by subsidiaries and held by third parties	n	18	52
36	Additional tier 1 capital before regulatory adjustments		2,709	2,248
44	Additional tier 1 capital		2,709	2,248
45	Tier 1 capital (T1 = CET1 + AT1)		18,218	17,307
Tier 2 capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	o	3,670	3,193
51	Tier 2 capital before regulatory adjustments		3,670	3,193
58	Tier 2 capital²		3,670	3,193
59	Total capital (TC = T1 + T2)		21,888	20,500
60	Total Risk exposure amount		117,463	110,423
Capital ratios and buffers (%)				
61	Common equity tier 1 (as a percentage of total risk exposure amount)		13.2	13.6
62	Tier 1 (as a percentage of total risk exposure amount)		15.5	15.7
63	Total capital(as a percentage of total risk exposure amount)		18.6	18.6
64	Institution CET1 overall capital requirement (per Article 92 (1) CRR II, plus additional requirement in accordance with point (a) of Article 104(1) CRR II, and combined buffer requirement in accordance with Article 128(6) CRR II as a percentage of risk exposure amount)		12.0	12.0
65	– capital conservation buffer requirement		2.5	2.5
66	– countercyclical buffer requirement		1.9	1.9
67	– systemic risk buffer requirement		1.0	1.0
68	Common equity tier 1 available to meet buffers		6.6	7.0
Amounts below the threshold for deduction (before risk weighting)				
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR II are met)		183	229
Applicable caps on the inclusion of provisions in tier 2				
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		161	139
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		516	495

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.

2 From 30 June 2025, the regulatory valuation of Tier 2 capital includes the accrued interest. Comparatives have not been restated.

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

At 31 December 2025, the 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 £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 profit net of dividends, partly offset by £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.

Pillar 1 minimum capital requirements and RWA flow

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

This table provides information on the scope of permissible approaches and our adopted approach by risk type.

Risk category	Scope of permissible approaches	Our approach
Credit risk	The Basel Committee's framework applies three approaches of increasing sophistication to the calculation of Pillar 1 credit risk capital requirements. The most basic level, the standardised approach, requires banks to use external credit ratings to determine the risk weightings applied to rated counterparties. Other counterparties are grouped into broad categories, and standardised risk weightings are applied to these categories. The next level, the Foundation IRB ('FIRB') approach, allows banks to calculate their credit risk capital requirements on the basis of their internal assessment of a counterparty's probability of default ('PD'), but subjects their quantified estimates of EAD and loss given default ('LGD') to standard supervisory parameters. Finally, the advanced IRB ('AIRB') approach allows banks to use their own internal assessment in both determining PD and quantifying EAD and LGD.	HSBC UK has adopted the IRB approach for the majority of its business. For Retail, Advanced IRB is primarily used, with FIRB used for most of the Wholesale portfolio. Some portfolios remain on the standardised approach: <ul style="list-style-type: none"> – following supervisory prescription of a non-advanced approach; or – under exemptions from IRB treatment.
Counterparty Credit Risk	CCR covers the risk of counterparty default and potential mark-to-market losses in derivatives and SFTs. The potential for mark-to-market losses is known as Credit valuation adjustments ('CVA') risk. The exposure value, for a given netting set, is determined either by the CRM approach, Standardised Approach for Counterparty Credit Risk ('SA-CCR'), or by internal model method ('IMM'). For SFTs either the simple or comprehensive approach is applied to recognition of collateral with SFTs or the Value at Risk ('VaR') approach. For CVA, permissible approaches are the Standardised Approach ('SA-CVA') and Advanced Approach ('AA-CVA').	HSBC UK primarily uses the SA-CCR for CCR and for CVA we apply SA-CVA.
Equity	Capital requirements for non-trading book holdings of equity can be assessed under the standardised or IRB approaches.	For HSBC UK, all equity exposures are assessed under the standardised approach.
Securitisation	The framework prescribes the following approaches: <ul style="list-style-type: none"> – internal ratings-based approach ('SEC-IRBA'); – standardised approach ('SEC-SA'); – external ratings-based approach ('SEC-ERBA'); and – internal assessment approach ('IAA'). 	Under the framework: <ul style="list-style-type: none"> – Our originated positions are reported under SEC-IRBA. – Where broader approach categorisation is required, 'SEC-IRBA' is mapped to the IRB approach and the remaining three approaches are mapped to the standardised category. – Our investments in third party follows the SEC-SA and the SEC-ERBA.
Market risk	Market risk capital requirements can be determined under either the standard rules or the internal models approach ('IMA'). The latter involves the use of internal value at risk ('VaR') models to measure market risks and determine the appropriate capital requirement. In addition to the VaR models, other internal models include stressed VaR, incremental risk charge ('IRC') and comprehensive risk measure.	For HSBC UK, the market risk capital requirement is measured using the standardised rules.
Operational risk	The PRA allows firms to calculate their operational risk capital requirement under the basic indicator approach, the standardised approach or the advanced measurement approach.	HSBC UK uses the standardised approach in determining operational risk capital requirements.

The table below shows total RWAs and the corresponding total own funds requirement split by risk type. Other counterparty credit risk includes RWAs on securities financing transactions. Amounts below the thresholds for deduction are included in row 2 of the table and include thresholds for the recognition of significant investments and deferred tax assets.

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

	At					
	31 Dec 2025	31 Dec 2025	30 Sep 2025	30 Sep 2025	31 Dec 2024	31 Dec 2024
	RWAs £m	Total own funds requirement £m	RWAs £m	Total own funds requirement £m	RWAs £m	Total own funds requirement £m
1 Credit risk (excluding counterparty credit risk)	98,705	7,896	100,847	8,068	93,519	7,481
2 – standardised approach	12,796	1,024	12,359	989	11,067	885
3 – foundation IRB approach	45,233	3,618	48,954	3,916	45,143	3,611
4 – slotting approach	6,074	486	5,957	477	5,012	401
5 – advanced IRB approach	34,602	2,768	33,577	2,686	32,297	2,584
6 Counterparty credit risk	255	21	262	21	243	19
7 – standardised approach	99	8	92	7	87	7
UK-8a – risk exposure amount for contributions to the default fund of a central counterparty	101	8	113	9	93	7
UK-8b – credit valuation adjustment	22	2	21	2	38	3
9 – Other counterparty credit risk	33	3	36	3	25	2
16 Securitisation exposures in the non-trading book(after the cap)	1,592	127	1,007	80	899	72
17 – internal ratings-based approach ('SEC-IRBA')	1,354	108	518	41	713	57
19 – standardised approach ('SEC-SA')	183	15	437	35	186	15
UK-19a – 1250%/deduction	55	4	52	4	—	—
20 Position, foreign exchange and commodities risks (Market risk)	97	8	147	12	173	14
21 – standardised approach	97	8	147	12	173	14
23 Operational risk	16,814	1,345	15,589	1,247	15,589	1,247
UK-23b – standardised approach	16,814	1,345	15,589	1,247	15,589	1,247
29 Total	117,463	9,397	117,852	9,429	110,423	8,833
24 – of which: Amounts below the thresholds for deduction (subject to 250% risk weight)	457	37	504	40	574	46

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

Credit risk, including amounts below the thresholds for deduction

Credit risk RWAs at 31 December 2025, decreased by £2.1bn compared to 30 September 2025.

Standardised approach RWAs increased by £0.4bn mainly due to increased lending to other HSBC Group entities.

Foundation approach RWAs decreased by £3.7bn mainly due to execution of a new CLO by £3.4bn (excluding securitisation RWAs) combined with decrease due to credit risk parameter refinements including methodology changes to undrawn exposures by £2.1bn. This was partly offset by increase in corporate lending by £1.2bn and asset quality movements by £0.6bn.

The table below presents the drivers of the quarterly movements of credit risk RWAs, excluding counterparty credit risk under the IRB approach. Securitisation positions and Non-credit obligation assets are not included in this table.

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

	Quarter ended			
	31 Dec 2025 £m	30 Sep 2025 £m	30 Jun 2025 £m	31 Mar 2025 £m
1 RWAs at the opening period	87,612	85,184	83,626	81,489
2 Asset size	1,803	2,521	4,158	1,053
3 Asset quality	629	597	(1,748)	1,258
4 Model updates	27	(425)	—	—
5 Methodology and policy	(5,126)	(417)	(620)	(54)
7 Foreign exchange movements	24	152	(232)	(120)
9 RWAs at the closing period	84,969	87,612	85,184	83,626

RWAs under the IRB approach decreased by £2.6bn during the quarter.

- Asset size movements increased RWAs by £1.8bn mainly due to increase in corporate lending.
- Asset quality changes led to a £0.6bn increase in RWAs due to changes in the underlying portfolio mix and CRR migrations.

Advanced approach RWAs increased by £1.0bn mainly due to growth in corporate specialized lending by £0.6bn and risk parameter refinements by £0.4bn.

Securitisation

RWAs increased by £0.6bn mainly due to execution of a new CLO.

Operational risk

RWAs increased by £1.2bn due to higher average revenue in the annual calculation of operational risk.

- Changes in methodology and policy caused £5.1bn decrease in RWAs mainly due to execution of a new CLO by £3.4bn (excluding securitisation RWAs) combined with decrease due to credit risk parameter refinements including methodology changes to undrawn exposures by £1.7bn.

Leverage ratio

The risk of excessive leverage is managed as part of the HSBC UK risk appetite framework and monitored using a leverage ratio metric within our risk appetite statement.

- Our approach to risk appetite is described on page 14 of the Annual Report and Accounts 2025.

Effective 2Q25, we have enhanced our counterparty credit calculation processes related to the treatment of posted securities collateral to central banks for liquidity purposes and this has impacted the current period disclosures in our tables below. Comparatives have not been restated.

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

Table 9: Leverage ratio common disclosure (UK LR2-LRCom)

		At	
		31 Dec 2025	31 Dec 2024
		£m	£m
On-balance sheet exposures (excluding derivatives and securities financing transactions ('SFTs'))			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	334,259	328,348
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	74	618
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(990)	(618)
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(8,877)	(8,704)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	324,466	319,644
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	277	262
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	633	647
13	Total derivative exposures	910	909
SFT exposures			
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	29,465	16,834
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(6,871)	(2,916)
16	Counterparty credit risk exposure for SFT assets	4,013	911
18	Total securities financing transaction exposures	26,607	14,829
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	85,939	79,654
20	(Adjustments for conversion to credit equivalent amounts)	(62,135)	(59,525)
22	Off-balance sheet exposures	23,804	20,129
Capital and total exposures measure			
23	Tier 1 capital (leverage)	18,218	17,307
24	Total exposure measure including claims on central banks	375,787	355,511
UK-24a	(-) Claims on central banks excluded	(49,837)	(58,354)
UK-24b	Total exposure measure excluding claims on central banks	325,950	297,157
Leverage ratios			
25	Leverage ratio excluding claims on central banks (%)	5.59	5.82
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.59	5.82
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	5.59	5.82
UK-25c	Leverage ratio including claims on central banks (%)	4.85	4.87
26	Regulatory minimum leverage ratio requirement (%)	3.25	3.25
Additional leverage ratio disclosure requirements – leverage ratio buffers			
27	Leverage ratio buffer (%)	1.1	1.1
UK-27a	– of which: G-SII or O-SII additional leverage ratio buffer (%)	0.4	0.4
UK-27b	– of which: countercyclical leverage ratio buffer (%)	0.7	0.7
Additional leverage ratio disclosure requirements – disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	19,745	10,540
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	22,594	13,918
UK-31	Average total exposure measure including claims on central banks	368,838	347,853
UK-32	Average total exposure measure excluding claims on central banks	318,781	289,607
UK-33	Average leverage ratio including claims on central banks	5.0	5.0
UK-34	Average leverage ratio excluding claims on central banks	5.8	6.0

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

Table 10: Summary reconciliation of accounting assets and leverage ratio exposures (UK LR1-LRSum)

		At	
		31 Dec 2025	31 Dec 2024
		£m	£m
1	Total assets as per published financial statements	355,930	340,877
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(104)	(89)
4	(Adjustment for exemption of exposures to central banks)	(49,837)	(58,354)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	(50)	(116)
7	Adjustment for eligible cash pooling transactions	1,722	2,067
8	Adjustment for derivative financial instruments	(173)	611
9	Adjustment for securities financing transactions ('SFTs')	5,046	3,053
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	23,804	20,129
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	(8,877)	(8,704)
12	Other adjustments	(1,511)	(2,317)
13	Total leverage ratio exposure	325,950	297,157

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

Table 11: Leverage ratio – split of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (UK LR3-LRSpI)

		At	
		31 Dec 2025	31 Dec 2024
		£m	£m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	283,432	269,376
UK-3	Banking book exposures, of which:	283,432	269,376
UK-4	– Covered bonds	936	645
UK-5	– Exposures treated as sovereigns	35,364	34,976
UK-6	– Exposures to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereigns	2	43
UK-7	– Institutions	2,353	3,331
UK-8	– Secured by mortgages of immovable properties	139,274	132,830
UK-9	– Retail exposures	16,287	15,392
UK-10	– Corporates	69,602	65,127
UK-11	– Exposures in default	2,286	2,467
UK-12	– Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	17,328	14,565

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 Additional Tier 1 capital issuance combined with £0.6bn capital generation mainly through profits net of dividend partly offset by £0.2bn increase in regulatory deductions.

At 31 December 2025, the UK minimum leverage ratio requirement of 3.25% under the PRA's UK leverage framework was supplemented by a leverage ratio buffer of 1.1%, which consists of an additional leverage ratio buffer of 0.4% and a countercyclical leverage ratio buffer of 0.7%. These buffers translated into capital values of £1.1bn and £2.3bn respectively. We exceeded these leverage requirements.

The average leverage ratio decreased to 5.8% from 6.0%, primarily due to increase in average leverage exposure of £29bn mainly driven by increase in corporate and retail lending, reverse repurchase agreements and financial investments.

Liquidity risk

Management of liquidity and funding risk

We aim to ensure that management has oversight of our liquidity and funding risks by maintaining comprehensive policies, metrics and controls.

Liquidity coverage ratio

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

At 31 December 2025, HSBC UK's LCR was above regulatory minimum. The average LCR for the 12 months to 31 December 2025 was 175% as compared to 190% at 31 December 2024. HSBC UK's liquid asset buffer is mainly comprised of central bank reserves and Level 1 securities.

2025 average LCR has decreased by 15% as compared to 2024 average, due to customer lending (including facilities) increasing more than deposits.

Cross currency management

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

Net stable funding ratio

We use the NSFR, alongside other appropriate metrics, as a basis for ensuring operating entities maintain a stable funding profile to support their business activities. The NSFR is defined as the ratio between the amount of stable funding available and the amount of stable funding required.

At 31 December 2025, HSBC UK's NSFR was above regulatory minimum. Average NSFR for the four quarters to 31 December 2025 was 146%, as compared to 154% as at 31 December 2024.

Sources of funding

Our primary sources of funding are customer current accounts and customer savings deposits payable on demand or at short notice.

We issue secured and unsecured wholesale securities to supplement customer deposits, meet regulatory obligations and to change the currency mix, maturity profile or location of our liabilities.

- ▶ For further details on our approach to managing Liquidity Risk, see the Treasury Risk management section on page 12.
- ▶ More details on the concentration of funding and liquidity sources may be found on page 58 of the Annual Report and Accounts 2025.

The following tables present liquidity coverage and funding risk information on a HSBC UK Bank Domestic Liquidity Sub-group basis, reflecting 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.

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.

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

Table 12: Quantitative information of LCR (UK LIQ1)

		Quarter ended 31 Dec 2025		Quarter ended 30 Sep 2025		Quarter ended 30 Jun 2025		Quarter ended 31 Mar 2025	
		Total unweighted value £m	Total weighted value £m	Total unweighted value £m	Total weighted value £m	Total unweighted value £m	Total weighted value £m	Total unweighted value £m	Total weighted value £m
UK 1b	Number of data points used in the calculation of averages		12		12		12		12
High quality liquid assets									
1	Total high quality liquid assets ('HQLA')		93,670		94,418		93,913		93,020
Cash outflows									
2	Retail deposits and small business funding	196,476	16,368	195,526	16,255	194,396	16,074	193,374	15,970
	– of which:								
3	stable deposits	123,944	6,197	122,919	6,146	122,767	6,138	122,290	6,115
4	less stable deposits	72,532	10,171	72,607	10,109	71,629	9,935	71,084	9,855
5	Unsecured wholesale funding	77,654	32,648	76,063	32,024	74,002	30,678	72,793	29,796
6	– operational deposits (all counterparties) and deposits in networks of cooperative banks	26,224	6,186	24,982	5,890	24,410	5,750	23,890	5,626
7	– non-operational deposits (all counterparties)	51,274	26,306	50,911	25,965	49,418	24,753	48,731	23,999
8	– unsecured debt	156	156	170	170	174	174	171	171
9	Secured wholesale funding		–		–		1		2
10	Additional requirements	57,570	6,738	56,521	6,522	55,575	6,325	54,981	6,173
11	– outflows related to derivative exposures and other collateral requirements	871	871	886	886	883	882	864	862
13	– credit and liquidity facilities	56,698	5,867	55,634	5,636	54,692	5,443	54,118	5,311
14	Other contractual funding obligations	1,021	701	951	654	1,232	931	1,293	986
15	Other contingent funding obligations	30,100	2,783	29,280	2,476	28,549	2,144	28,083	2,021
16	Total cash outflows		59,238		57,931		56,152		54,948
Cash inflows									
17	Secured lending transactions (including reverse repos)	12,729	208	11,641	192	10,954	167	8,908	149
18	Inflows from fully performing exposures	3,964	3,262	4,026	3,339	4,080	3,377	4,094	3,410
19	Other cash inflows	10,278	2,297	10,057	2,259	10,045	2,241	9,896	2,162
20	Total cash inflows	26,972	5,767	25,724	5,790	25,078	5,785	22,898	5,721
UK-20c	Inflows Subject to 75% Cap	26,972	5,767	25,724	5,790	25,078	5,785	22,898	5,721
Liquidity coverage ratio (Adjusted value)									
UK-21	Liquidity Buffer		93,670		94,418		93,913		93,020
22	Total net cash outflows		53,471		52,141		50,367		49,227
23	Liquidity coverage ratio (%)		175		181		186		189

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

Table 13: Net stable funding ratio (UK LIQ2)

		31 Dec 2025				
		Unweighted value by residual maturity				Weighted value £m
		No maturity £m	< 6 months £m	6 months to < 1yr £m	≥ 1yr £m	
Available stable funding ('ASF') Items						
1	Capital items and instruments	26,078	540	40	3,211	29,288
2	– Own funds	26,078	540	40	3,211	29,288
4	Retail deposits		197,162	–	–	183,741
5	– Stable deposits		125,890	–	–	119,595
6	– Less stable deposits		71,273	–	–	64,146
7	Wholesale funding:		90,844	2,110	19,639	57,591
8	– Operational deposits		26,823	–	–	13,411
9	– Other wholesale funding		64,021	2,110	19,639	44,180
11	Other liabilities:	4	5,345	–	–	–
12	– NSFR derivative liabilities	4				
13	– All other liabilities and capital instruments not included in the above categories		5,345	–	–	–
14	Total available stable funding ('ASF')					270,620
Required stable funding ('RSF') Items						
15	Total high-quality liquid assets ('HQLA')					582
17	Performing loans and securities:		34,937	15,529	189,583	158,721
18	– Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		12,865	4,350	–	2,175
19	– Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		747	–	–	37
20	– Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		13,394	6,211	46,873	49,432
21	– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		567	345	1,064	1,147
22	– Performing residential mortgages		2,838	2,761	130,690	93,182
23	– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		2,786	2,711	128,307	91,106
24	– Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		5,093	2,207	12,020	13,895
26	Other assets:	–	4,990	–	13,566	17,834
28	– Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		1,864	–	–	1,584
29	– NSFR derivative assets		35	–	–	35
30	– NSFR derivative liabilities before deduction of variation margin posted		141	–	–	7
31	– All other assets not included in the above categories		2,949	–	13,566	16,208
32	Off-balance sheet items		31,689	8,431	47,074	7,594
33	Total RSF					184,732
34	Net stable funding ratio (%)					146

Table 13 : Net stable funding ratio (UK LIQ2) (continued)

		31 Dec 2024				Weighted value £m
		Unweighted value by residual maturity				
		No maturity £m	< 6 months £m	6 months to < 1yr £m	≥ 1yr £m	
Available stable funding ('ASF') Items						
1	Capital items and instruments	24,858	—	—	3,181	28,039
2	– Own funds	24,858	—	—	3,181	28,039
4	Retail deposits		192,808	—	—	179,639
5	– Stable deposits		122,232	—	—	116,120
6	– Less stable deposits		70,576	—	—	63,519
7	Wholesale funding:		80,442	2,592	20,689	57,026
8	– Operational deposits		24,044	—	—	12,022
9	– Other wholesale funding		56,398	2,592	20,689	45,004
11	Other liabilities:	—	6,749	—	—	—
13	– All other liabilities and capital instruments not included in the above categories		6,749	—	—	—
14	Total available stable funding ('ASF')					264,704
Required stable funding ('RSF') Items						
15	Total high-quality liquid assets ('HQLA')					416
17	Performing loans and securities:		36,058	11,970	175,710	147,502
18	– Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		10,187	966	—	483
19	– Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		582	—	—	29
20	– Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		16,869	6,026	39,406	44,518
21	– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		432	475	2,101	1,819
22	– Performing residential mortgages		2,830	2,724	125,858	90,183
23	– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		2,796	2,692	124,402	88,902
24	– Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		5,590	2,254	10,446	12,289
26	Other assets:	—	4,604	—	13,234	17,332
28	– Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		1,271	—	—	1,080
29	– NSFR derivative assets		120	—	—	120
30	– NSFR derivative liabilities before deduction of variation margin posted		86	—	—	4
31	– All other assets not included in the above categories		3,127	—	13,234	16,127
32	Off-balance sheet items		28,594	7,441	45,595	6,250
33	Total RSF					171,500
34	Net stable funding ratio (%)					154

Interest rate risk in the banking book

Banking net interest income sensitivity and Economic value of equity sensitivity

Banking Net Interest Income ('BNII') sensitivity is the sensitivity of our banking net interest income to interest rate shocks. This metric includes the sensitivity arising from the use of banking book liabilities to fund trading assets, as well as the impacts of vanilla foreign exchange swaps to optimise cash management.

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

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

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

Interest rate shock and stress scenarios applied

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

The BNII sensitivity calculations are done under the following shocks:

- parallel up;
- parallel down.

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

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

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

Key modelling assumptions

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

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

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

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

Table 14: Quantitative information on IRRBB (UK IRRBB1)

	ΔEVE		ΔNII		Tier 1 capital	
	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024
	£m	£m	£m	£m	£m	£m
10 Parallel shock up	(1,827)	(1,825)	723	533		
20 Parallel shock down	1,078	1,071	(999)	(761)		
30 Steeper shock	(12)	11				
40 Flattener shock	(326)	(380)				
50 Short rates shock up	(933)	(974)				
60 Short rates shock down	498	522				
70 Maximum	(1,827)	(1,825)	(999)	(761)		
80 Tier 1 capital					18,218	17,307

Asset encumbrance

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

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

HSBC UK has £29bn of encumbered assets, which represents 8.3% of the total assets. The carrying amount of encumbered other assets is £20bn which is predominantly loans and advances of £15bn and loans on demand of £5bn.

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

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

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

Quantitative information on IRRBB

The most adverse BNII sensitivity scenario over the next 12 months is the parallel down shock, resulting in a decrease in projected BNII of £999m as at 31 December 2025, compared with £761m as at 31 December 2024.

At 31 December 2025, the maximum decline in EVE was in the parallel up shock at £1,827m. This is equivalent to 10% of tier 1 capital.

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

The average repricing maturity for NMDs as at 31 December 2025 was 25 months. The longest repricing maturity for NMDs as at 31 December 2025 was 120 months.

HSBC UK has £319bn of unencumbered assets, which represents 91.7% of the total assets. The carrying amount of unencumbered other assets of £285bn is predominantly loans and advances of £243bn and loans on demand of £42bn.

The carrying amount of selected financial liabilities is £15bn which primarily relates to collateralised deposits other than repurchase agreements with central banks of £9bn.

HSBC UK has £2.2bn of collateral encumbered, which represents 10.1% of the total collateral received.

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

Table 15: Encumbered and unencumbered assets (UK AE1)

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	Total	of which: notionally eligible EHQLA and HQLA	Total	of which: notionally eligible EHQLA and HQLA	Total	of which: EHQLA and HQLA	Total	of which: EHQLA and HQLA
		010 £m		030 £m		040 £m		050 £m
2025								
010 Assets of the reporting institution	28,715	8,522			318,517	75,010		
030 Equity instruments	–	–	–	–	1	–	1	–
040 Debt securities	8,522	8,522	8,522	8,522	33,069	33,039	32,717	32,687
050 – of which:								
covered bonds	–	–	–	–	1,986	1,986	1,986	1,986
060 securitisations	–	–	–	–	269	269	269	269
070 issued by general governments	8,511	8,511	8,511	8,511	28,370	28,353	28,011	27,993
080 issued by financial corporations	11	11	11	11	4,375	4,363	4,383	4,370
120 Other assets	20,193	–			285,448	41,971		

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

Table 16: Collateral received and own debt securities issued (UK AE2)

	Fair value of encumbered collateral received or own debt securities issued	Unencumbered		
		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance
		Total	of which: notionally eligible EHQLA and HQLA	Total
010 £m	030 £m	040 £m	060 £m	
2025				
130 Collateral received by the reporting institution	2,246	2,246	19,988	19,988
160 Debt securities	2,246	2,246	19,988	19,988
170 – of which:				
covered bonds	–	–	613	613
190 issued by general governments	2,246	2,246	19,216	19,216
200 issued by financial corporations	–	–	772	772
250 Total assets, collateral received and own debt securities issued	30,961	10,768		

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

Table 17: Sources of encumbrance (UK AE3)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered	
		010	030
		£m	£m
2025			
010 Carrying amount of selected financial liabilities	14,980	25,110	

Importance of encumbrance

We are a deposit-led bank and hence the majority of our funding is from customer current accounts and customer savings deposits payable on demand or at short notice. Given this structural unsecured funding position, we have less requirement to fund ourselves in secured markets, and therefore our overall low level of encumbrance reflects this position. There is monitoring against a limit on the level of asset encumbrance.

Pillar 2 and ICAAP

Pillar 2

We conduct an Internal Capital Adequacy Assessment Process ('ICAAP') annually to determine a point-in-time and forward-looking assessment of our capital requirements and adequacy given our business strategy, risk profile, risk appetite and capital plan. The ICAAP supports the identification, measurement and monitoring of HSBC UK's risks and helps to ensure that capital resources are held

against those risks. It forms an integral part of HSBC UK's capital management and is embedded within the planning process and governance framework. Our base capital plan undergoes stress testing and in alignment with our economic capital framework and other risk management practices, is used to assess our internal capital adequacy requirements and inform our view of our internal capital planning buffer. The ICAAP is formally approved by the HSBC UK Board of Directors each year, which has the ultimate responsibility for the effective management of risk and approval of HSBC UK's risk appetite.

The ICAAP is reviewed by the PRA as part of the joint risk assessment and decision process, during the Supervisory Review and Evaluation Process. This process occurs periodically to enable the regulator to define the Total Capital Requirement ('TCR') or minimum capital requirements for HSBC UK (comprising Pillar 1 and Pillar 2A) and to define the PRA buffer also known as Pillar 2B, where required. The PRA buffer is not intended to duplicate the Capital Requirements Regulation and Directive (CRD IV) buffers and, where necessary, will be set according to vulnerability in a stress scenario, as identified and assessed through the annual PRA stress testing exercise.

Pillar 2 comprises Pillar 2A and Pillar 2B. Pillar 2A considers, in addition to the minimum capital requirements for Pillar 1 risks described above, any supplementary requirements for those risks and any further risks not captured by Pillar 1. The risk categories covered under Pillar 2A depend on the specific circumstances of a firm and the nature and scale of its business.

Pillar 2B consists of guidance from the PRA on the capital buffer a firm would require in order to remain above its TCR in adverse circumstances that may be largely outside the firm's normal and direct control; for example, during a period of severe but plausible downturn stress, when asset values and the firm's capital surplus may become strained. This is quantified via a PRA buffer requirement the PRA may consider necessary. The assessment of this is informed by stress tests and a rounded judgement of a firm's business model, also taking into account the PRA's view of a firm's options and capacity to protect its capital position under stress, such as, through capital generation. Where the PRA assesses that a firm's risk management and governance are significantly weak, it may also increase the PRA buffer to cover the risks posed by those weaknesses until they are addressed. The PRA buffer is intended to be drawn upon in times of stress, and its use is not of itself a breach of capital requirements that would trigger automatic restrictions on distributions. In specific circumstances, the PRA should agree a plan with a firm for its restoration over an agreed timescale.

Internal capital adequacy assessment

The HSBC UK Board manages the HSBC UK ICAAP and, together with the HSBC UK FMM and Risk Committee, it examines the bank's risk profile from a regulatory and economic capital viewpoint. They aim to ensure that capital resources:

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

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

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

Preserving our strong capital position remains a priority, and the level of integration of our risk and capital management helps to optimise our response to business demand for regulatory and economic capital. Risks that are explicitly assessed through economic capital are credit risk (including CCR), market risk, operational risk and IRRBB. Other risks are also assessed, including climate risk, pension risk and structural foreign exchange risk, model risk, group risk and strategic risk.

Credit risk

Overview

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

- ▶ Further explanation of the group's approach to managing credit risk (including details of past due and impaired exposures, and its approach to credit risk impairments) can be found from page 23 of the Annual Report and Accounts 2025.

Credit quality

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

The IFRS 9 stages have the following characteristics:

- Stage 1: These financial assets are unimpaired and without a significant increase in credit risk. A 12-month allowance for expected credit losses ('ECL') is recognised;
 - Stage 2: A significant increase in credit risk has been experienced on these financial assets since initial recognition. A lifetime ECL is recognised;
 - Stage 3: There is objective evidence of impairment and the financial assets are therefore considered to be in default or otherwise credit impaired. A lifetime ECL is recognised; and
 - Purchased or originated credit-impaired: Financial assets purchased or originated at a deep discount are seen to reflect incurred credit losses. A lifetime ECL is recognised. These exposures are included in stage 3 in the table below.
- ▶ Credit-impaired (stage 3) exposures are disclosed on page 38 to 52 of the Annual Report and Accounts 2025.

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

Households 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 mortgage portfolio.

Table 18: Performing and non-performing exposures and related provisions (CR1)

	Gross carrying amount/ nominal amount										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Collateral and financial guarantees received ¹	
	Performing exposures			Non- performing exposures			Performing exposures			Non- performing exposures			Accu- mulated partial write- off	On perform- ing expo- sures	On non- perform- ing expo- sures
	of which: stage 1	of which: stage 2	of which: stage 3	of which: stage 1	of which: stage 2	of which: stage 3	of which: stage 1	of which: stage 2	of which: stage 3	of which: stage 1	of which: stage 2	of which: stage 3			
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005 Cash balances at central banks and other demand deposits	46,090	46,090	—	—	—	—	—	—	—	—	—	—	—	—	—
010 Loans and advances	251,734	232,917	18,642	3,453	3,453	(761)	(284)	(477)	(752)	(752)	(924)	205,155	1,994		
030 General governments	6	6	—	—	—	—	—	—	—	—	—	—	—		
040 Credit institutions	9,924	9,919	—	—	—	—	—	—	—	—	—	9,407	—		
050 Other financial corporations	21,005	20,649	186	58	58	(10)	(8)	(2)	(53)	(53)	(16)	13,728	1		
060 Non-financial corporations	67,025	59,392	7,633	2,500	2,500	(367)	(127)	(240)	(508)	(508)	—	42,317	1,453		
070 – of which: SMEs	7,518	6,524	994	489	489	(78)	(14)	(64)	(86)	(86)	—	5,238	222		
080 Households	153,774	142,951	10,823	895	895	(384)	(149)	(235)	(191)	(191)	(908)	139,703	540		
090 Debt securities	41,477	41,477	—	—	—	(1)	(1)	—	—	—	—	928	—		
100 Central banks	849	849	—	—	—	—	—	—	—	—	—	—	—		
110 General governments	36,336	36,336	—	—	—	(1)	(1)	—	—	—	—	858	—		
120 Credit institutions	4,032	4,032	—	—	—	—	—	—	—	—	—	70	—		
130 Other financial corporations	260	260	—	—	—	—	—	—	—	—	—	—	—		
150 Off-balance-sheet exposures	85,898	78,216	2,512	327	239	(53)	(34)	(16)	(55)	(31)	—	15,534	49		
170 General governments	7	1	—	—	—	—	—	—	—	—	—	—	—		
180 Credit institutions	62	1	—	—	—	—	—	—	—	—	—	—	—		
190 Other financial corporations	4,733	4,497	117	—	—	(2)	(2)	—	—	—	—	139	—		
200 Non-financial corporations	39,028	32,249	1,795	295	207	(36)	(21)	(12)	(55)	(31)	—	5,321	44		
210 Households	42,068	41,468	600	32	32	(15)	(11)	(4)	—	—	—	10,074	5		
220 Total at 31 Dec 2025	425,199	398,700	21,154	3,780	3,692	(815)	(319)	(493)	(807)	(783)	(924)	221,617	2,043		
005 Cash balances at central banks and other demand deposits	58,363	58,363	—	2	2	—	—	—	(2)	(2)	—	—	—		
010 Loans and advances	228,533	193,241	35,156	3,532	3,532	(843)	(278)	(565)	(648)	(648)	(685)	184,918	2,379		
030 General governments	3	3	—	—	—	—	—	—	—	—	—	1	—		
040 Credit institutions	4,260	4,256	—	—	—	—	—	—	—	—	—	3,406	—		
050 Other financial corporations	16,812	16,357	323	37	37	(13)	(8)	(5)	(31)	(31)	—	9,605	1		
060 Non-financial corporations	61,049	51,187	9,862	2,638	2,638	(468)	(153)	(315)	(448)	(448)	(685)	38,686	1,847		
070 – of which: SMEs	8,414	7,202	1,212	727	727	(88)	(18)	(70)	(100)	(100)	(39)	5,938	581		
080 Households	146,409	121,438	24,971	857	857	(362)	(117)	(245)	(169)	(169)	—	133,220	531		
090 Debt securities	37,632	37,632	—	—	—	(1)	(1)	—	—	—	—	1,055	—		
100 Central banks	776	776	—	—	—	—	—	—	—	—	—	—	—		
110 General governments	32,771	32,771	—	—	—	(1)	(1)	—	—	—	—	896	—		
120 Credit institutions	3,805	3,805	—	—	—	—	—	—	—	—	—	159	—		
130 Other financial corporations	280	280	—	—	—	—	—	—	—	—	—	—	—		
150 Off-balance-sheet exposures	80,534	71,157	3,971	486	393	(54)	(25)	(29)	(66)	(48)	—	14,823	46		
170 General governments	7	1	—	—	—	—	—	—	—	—	—	—	—		
180 Credit institutions	1,331	1,306	1	—	—	—	—	—	—	—	—	—	—		
190 Other financial corporations	4,524	3,887	248	13	13	(2)	(1)	(1)	(1)	(1)	—	212	—		
200 Non-financial corporations	33,602	25,245	3,370	435	342	(48)	(20)	(28)	(63)	(45)	—	5,235	42		
210 Households	41,070	40,718	352	38	38	(4)	(4)	—	(2)	(2)	—	9,376	4		
220 Total at 31 Dec 2024	405,062	360,393	39,127	4,020	3,927	(898)	(304)	(594)	(716)	(698)	(685)	200,796	2,425		

1 The reporting process has been enhanced in 2025 to incorporate certain unsupported financial guarantees received previously excluded. The comparative period figures have been aligned.

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

Table 19: Maturity of exposures (CR1-A)

		Net exposure value				No stated maturity	Total
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years		
		£m	£m	£m	£m	£m	£m
1	Loans and advances	8,643	51,811	48,900	144,145	175	253,674
2	Debt securities	—	9,132	18,556	13,788	—	41,476
3	Total as at 31 Dec 2025	8,643	60,943	67,456	157,933	175	295,150
1	Loans and advances	8,316	41,449	42,473	138,201	135	230,574
2	Debt securities	—	8,907	14,765	13,959	—	37,631
3	Total at 31 Dec 2024	8,316	50,356	57,238	152,160	135	268,205

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

Table 20: Changes in the stock of non-performing loans and advances (CR2)

	Twelve months to 31 Dec	
	2025	2024
	Gross carrying value	Gross carrying value
	£m	£m
10	Initial stock of non-performing loans and advances	3,911
20	Inflows to non-performing portfolios	2,153
30	Outflows from non-performing portfolios	(673)
40	Outflows due to write-offs	(605)
50	Outflow due to other situations	(1,254)
60	Final stock of non-performing loans and advances	3,532

Non-performing and forborne exposures

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

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

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

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

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

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

The PRA acknowledged that, whilst they are not applicable to or in the UK, the prudential aspects of these guidelines broadly represent good credit risk management standards.

The table below breaks down performing and non-performing forborne exposures by FINREP counterparty sector and showing the gross carrying amount, accumulated impairments and collateral and financial guarantees received against these exposures.

Table 21: Credit quality of forborne exposures (CQ1)

		Gross carrying amount/ nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures ¹	
		Non-performing forborne				On performing forborne exposures	On non performing forborne exposures	Total	of which: forborne non- performing exposures
		Performing forborne	Total	of which: defaulted	of which: impaired				
		£m	£m	£m	£m	£m	£m	£m	£m
010	Loans and advances	967	1,515	1,515	1,515	(70)	(282)	1,715	1,026
050	Other financial corporations	—	—	—	—	—	—	—	—
060	Non-financial corporations	823	1,152	1,152	1,152	(59)	(195)	1,435	793
070	Households	144	363	363	363	(11)	(87)	280	233
090	Loan commitments given	96	147	147	147	—	(3)	89	58
100	Total at 31 Dec 2025	1,063	1,662	1,662	1,662	(70)	(285)	1,804	1,084
010	Loans and advances	997	1,779	1,779	1,779	(80)	(314)	1,801	1,140
050	Other financial corporations	3	3	3	3	—	(2)	1	1
060	Non-financial corporations	861	1,405	1,405	1,405	(68)	(219)	1,569	929
070	Households	133	371	371	371	(12)	(93)	231	210
090	Loan commitments given	144	179	179	179	—	(3)	53	26
100	Total at 31 Dec 2024	1,141	1,958	1,958	1,958	(80)	(317)	1,854	1,166

1 The reporting process has been enhanced in 2025 to incorporate certain unsupported financial guarantees received previously excluded. The comparative period figures have been aligned.

The table below presents an analysis of performing and non-performing exposures by days past due. The gross non-performing loan ratio at 31 December 2025 was 1.4% calculated in line with the EBA guidelines.

Table 22: Credit quality of performing and non-performing exposures by past due days (CQ3)

		Gross carrying amount/nominal amount											
		Performing exposures					Non-performing exposures						
		Total £m	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which: de- faulted
005	Cash balances at central banks and other demand deposits	46,090	46,090	—	—	—	—	—	—	—	—	—	—
010	Loans and advances	251,734	251,574	160	3,453	2,547	319	384	59	142	2	—	3,453
030	General governments	6	6	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	9,924	9,924	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	21,005	21,005	—	58	2	46	—	10	—	—	—	58
060	Non-financial corporations	67,025	66,978	47	2,500	2,068	103	267	41	19	2	—	2,500
070	– of which: SMEs	7,518	7,477	41	489	227	56	191	8	7	—	—	489
080	Households	153,774	153,661	113	895	476	170	116	9	124	—	—	895
090	Debt securities	41,477	41,477	—	—	—	—	—	—	—	—	—	—
100	Central banks	849	849	—	—	—	—	—	—	—	—	—	—
110	General governments	36,336	36,336	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	4,032	4,032	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	260	260	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	85,898	—	—	327	—	—	—	—	—	—	—	327
160	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
170	General governments	7	—	—	—	—	—	—	—	—	—	—	—
180	Credit institutions	62	—	—	—	—	—	—	—	—	—	—	—
190	Other financial corporations	4,733	—	—	—	—	—	—	—	—	—	—	—
200	Non-financial corporations	39,028	—	—	295	—	—	—	—	—	—	—	295
210	Households	42,068	—	—	32	—	—	—	—	—	—	—	32
220	Total at 31 Dec 2025	425,199	339,141	160	3,780	2,547	319	384	59	142	2	—	3,780

Table 22: Credit quality of performing and non-performing exposures by past due days (CQ3) (continued)

		Gross carrying amount/nominal amount											
		Performing exposures				Non-performing exposures							
		Total	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which: de-faulted
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	58,363	58,363	—	2	2	—	—	—	—	—	—	2
010	Loans and advances	228,533	228,357	176	3,532	2,529	260	547	30	156	10	—	3,532
030	General governments	3	3	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	4,260	4,260	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	16,812	16,812	—	37	7	—	30	—	—	—	—	37
060	Non-financial corporations	61,049	60,990	59	2,638	2,080	113	379	28	28	10	—	2,638
070	– of which: SMEs	8,414	8,361	53	727	305	64	340	8	10	—	—	727
080	Households	146,409	146,292	117	857	442	147	138	2	128	—	—	857
090	Debt securities	37,632	37,632	—	—	—	—	—	—	—	—	—	—
100	Central banks	776	776	—	—	—	—	—	—	—	—	—	—
110	General governments	32,771	32,771	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	3,805	3,805	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	280	280	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	80,534			486								486
160	Central banks	—			—								—
170	General governments	7			—								—
180	Credit institutions	1,331			—								—
190	Other financial corporations	4,524			13								13
200	Non-financial corporations	33,602			435								435
210	Households	41,070			38								38
220	Total at 31 Dec 2024	405,062	324,352	176	4,020	2,531	260	547	30	156	10	—	4,020

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

Table 23: Collateral obtained by taking possession and execution processes (CQ7)

		At 31 Dec 2025		At 31 Dec 2024	
		Collateral obtained by taking possession		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
		£m	£m	£m	£m
020	Other than property, plant and equipment	10	—	4	—
030	Residential immovable property	10	—	4	—
080	Total	10	—	4	—

Concentration risk

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

We have a number of businesses with a broad range of products. We use a number of controls and measures to minimise undue concentration of exposure in our portfolios across industries, countries and global businesses. These include portfolio and counterparty limits, approval and review controls, and stress testing. The following tables present information on the concentration of exposures by geography and industry.

The table below shows the credit quality of on and off-balance sheet exposures by geography. The geographical breakdown is based on the country of residence of the immediate counterparty. The on-balance sheet exposures exclude cash and balances at central banks. The table has been updated to only disclose countries that are contributing 1% or more of the total on-balance sheet and off-balance sheet exposures separately, with the remaining exposures aggregated within 'other countries'.

Table 24: Quality of non-performing exposures by geography (CQ4)

	Gross carrying/Nominal amount					Provisions on off-balance sheet commitments and financial guarantee given
	Total	of which: non-performing	of which: defaulted	of which: subject to impairment	Accumulated impairment	
	£m	£m	£m	£m	£m	£m
010 On balance sheet exposures	296,664	3,453	3,453	296,489	(1,514)	
020 United Kingdom	256,592	3,294	3,294	256,421	(1,420)	
030 United States	11,651	19	19	11,651	(20)	
040 France	6,937	—	—	6,933	—	
070 Other countries	21,484	140	140	21,484	(74)	
080 Off-balance sheet exposures	86,225	327	327			(108)
090 United Kingdom	80,982	326	326			(105)
110 Luxembourg	1,203	—	—			—
140 Other countries	4,040	1	1			(3)
150 Total at 31 Dec 2025	382,889	3,780	3,780	296,489	(1,514)	(108)
010 On balance sheet exposures	269,697	3,532	3,532	269,561	(1,492)	
020 United Kingdom	235,643	3,314	3,314	235,512	(1,444)	
030 United States	11,398	4	4	11,398	(6)	
070 Other countries	22,656	214	214	22,651	(42)	
080 Off-balance sheet exposures	81,020	486	486			(120)
090 United Kingdom	74,790	454	454			(113)
110 Luxembourg	1,254	—	—			—
140 Other countries	4,976	32	32			(7)
150 Total at 31 Dec 2024	350,717	4,018	4,018	269,561	(1,492)	(120)

The table below shows the gross carrying amount of loans and advances to non-financial corporations, the related accumulated impairment, and the accumulated changes in fair value to credit risk by industry types.

Table 25: Credit quality of loans and advances to non-financial corporations by industry (CQ5)

	Gross carrying amount				Accumulated impairment
	Total	of which: non-performing	of which: defaulted	of which: subject to impairment	
	£m	£m	£m	£m	£m
010 Agriculture, forestry and fishing	4,446	194	194	4,446	(51)
020 Mining and quarrying	487	83	83	487	(44)
030 Manufacturing	8,889	506	506	8,889	(99)
040 Electricity, gas, steam and air conditioning supply	1,733	6	6	1,733	(10)
050 Water supply	921	32	32	921	(12)
060 Construction	2,948	159	159	2,948	(81)
070 Wholesale and retail trade	11,071	463	463	11,071	(166)
080 Transport and storage	2,505	41	41	2,505	(11)
090 Accommodation and food service activities	5,827	282	282	5,827	(70)
100 Information and communication	3,759	200	200	3,759	(93)
120 Real estate activities	12,048	253	253	12,048	(108)
130 Professional, scientific and technical activities	4,730	79	79	4,730	(47)
140 Administrative and support service activities	5,225	59	59	5,225	(33)
160 Education	1,124	26	26	1,124	(16)
170 Human health services and social work activities	1,745	40	40	1,745	(13)
180 Arts, entertainment and recreation	986	28	28	986	(9)
190 Other services	1,081	49	49	1,081	(12)
200 Total at 31 Dec 2025	69,525	2,500	2,500	69,525	(875)

Table 25: Credit quality of loans and advances to non-financial corporations by industry (CQ5) (continued)

		Gross carrying amount				Accumulated impairment
		Total	of which:		of which: subject to impairment	
			non-performing	of which: defaulted		
		£m	£m	£m	£m	£m
010	Agriculture, forestry and fishing	4,317	192	192	4,317	(55)
020	Mining and quarrying	603	1	1	603	(5)
030	Manufacturing	7,974	341	341	7,974	(111)
040	Electricity, gas, steam and air conditioning supply	1,354	5	5	1,354	(3)
050	Water supply	946	14	14	946	(5)
060	Construction	2,835	138	138	2,835	(86)
070	Wholesale and retail trade	10,129	508	508	10,129	(158)
080	Transport and storage	2,155	67	67	2,155	(19)
090	Accommodation and food service activities	5,712	390	390	5,712	(80)
100	Information and communication	3,235	138	138	3,235	(78)
120	Real estate activities	10,499	375	375	10,499	(122)
130	Professional, scientific and technical activities	4,326	129	129	4,326	(80)
140	Administrative and support service activities	5,030	58	58	5,030	(36)
160	Education	725	31	31	725	(19)
170	Human health services and social work activities	1,801	98	98	1,801	(31)
180	Arts, entertainment and recreation	925	36	36	925	(8)
190	Other services	1,121	117	117	1,121	(20)
200	Total at 31 Dec 2024	63,687	2,638	2,638	63,687	(916)

Risk mitigation

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

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

Collateral

The most common method of mitigating credit risk is to take a charge over collateral. In our retail residential and commercial real estate ('CRE') businesses, a mortgage over the property is usually taken to help secure claims. Physical collateral is also taken in various forms of specialised lending and leasing transactions where income from the physical assets that are financed is also the principal source of facility repayment. In the commercial and industrial sectors, charges are created over business assets such as premises, stock and debtors. Loans to private banking clients may be made against a pledge of eligible marketable securities, cash or real estate. Facilities to small- and medium-sized enterprises ('SMEs') are commonly granted against guarantees given by their owners and/or directors.

- ▶ Further information regarding collateral held over CRE and residential property is provided on pages 44 and 52, respectively, of the Annual Report and Accounts 2025.

Financial collateral

HSBC UK provides customers with working capital management products. In some cases, these products combine loans and advances to customers with customer accounts over which we have right of offset which comply with the regulatory requirements for on-balance sheet netting. Where this applies, the customer accounts are treated as cash collateral and are reflected in our LGD estimates. For risk management purposes, the net amounts of such exposures are subject to limits and the relevant customer agreements are subject to review to ensure the legal right of offset remains appropriate.

Other forms of credit risk mitigation

Facilities to SMEs are commonly granted against guarantees given by their owners and/or directors. Guarantees may be taken from third parties where the group extends facilities without the benefit of any alternative form of security e.g. where it issues a bid or performance bond in favour of a non-customer at the request of another bank.

In our corporate lending, we also take guarantees from corporates, banks and export credit agencies. Corporates normally provide guarantees as part of a parent/subsidiary or common parent relationship and span a number of credit grades. Export credit agencies will normally be investment grade.

Policy and procedures

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

Valuing collateral

Valuation strategies are established to monitor collateral mitigants to ensure that they will continue to provide the anticipated secure secondary repayment source. The frequency of valuation increases with the volatility of the collateral. In the residential mortgage business HSBC UK policy prescribes revaluation at intervals of up to three years, or more frequently as the need arises; for example, where market conditions are subject to significant change. Residential property collateral values are determined through a combination of professional appraisals, house price indices or statistical model.

For commercial real estate, where the facility exceeds regulatory threshold requirements, HSBC UK policy requires an independent review of the valuation at least every three years, or more frequently as the need arises. Revaluations are sought where, for example, material concerns arise in relation to the performance of the collateral. CRE revaluation also occurs commonly in circumstances where an obligor's credit quality has declined sufficiently to cause concern that the principal payment source may not fully meet the obligation.

Recognition of risk mitigation under the IRB approach

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

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

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

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

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

EAD and LGD values, in the case of individually assessed exposures, are determined by reference to internal risk parameters based on the nature of the exposure. For retail portfolios, credit risk mitigation data is incorporated into the internal risk parameters for exposures and feeds into the calculation of the expected loss ('EL') band value summarising both customer delinquency and product or facility risk. Credit and credit risk mitigation data form inputs submitted by all HSBC UK offices to centralised databases. A range of collateral recognition approaches are applied to IRB capital treatments:

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

Table 26 sets out the exposure value and the effective value of credit risk mitigation expressed as the exposure value covered by the credit risk mitigants.

Recognition of risk mitigation under the standardised approach

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

The value of exposure fully or partially covered by eligible financial collateral is adjusted under the financial collateral comprehensive method using supervisory volatility adjustments (including those for currency mismatch) which are determined by the specific type of collateral (and its credit quality, in the case of eligible debt securities) and its liquidation period. The adjusted exposure value is subject to the risk weight of the obligor.

The table below provides a breakdown of loans and advances and debt securities by different credit risk mitigation techniques. HSBC UK does not have any exposures secured by credit derivatives.

Table 26: Credit risk mitigation techniques – overview (CR3)

	Total Exposure: secured and unsecured	Exposures unsecured: carrying amount ¹	Exposures secured: carrying amount ¹	of which: Exposures secured by collateral	of which: Exposures secured by financial guarantees ¹	of which: Exposures secured by credit derivatives
	£m	£m	£m	£m	£m	£m
1 Loans and advances	299,764	92,616	207,148	191,267	15,881	—
2 Debt securities	41,476	40,548	928	—	928	—
3 Total at 31 Dec 2025	341,240	133,164	208,076	191,267	16,809	—
4 – of which: non-performing exposures	2,700	706	1,994	1,449	545	—
5 – of which: defaulted	2,700	706	1,994	—	—	—
1 Loans and advances	288,937	101,641	187,296	171,910	15,386	—
2 Debt securities	37,631	36,576	1,055	—	1,055	—
3 Total at 31 Dec 2024	326,568	138,217	188,351	171,910	16,441	—
4 – of which: non-performing exposures	2,884	505	2,379	1,657	722	—
5 – of which: defaulted	2,884	505	2,379	—	—	—

1 The reporting process has been enhanced in 2025 to incorporate certain unsupported financial guarantees received previously excluded. The comparative period figures have been aligned.

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

Table 27: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4)

	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
	£m	£m	£m	£m	£m	%
Asset classes						
1 Central governments or central banks	70,486	1	72,988	106	487	1
2 Regional governments or local authorities	193	—	454	—	—	—
3 Public sector entities	371	—	—	—	—	—
4 Multilateral development banks	1,743	—	1,743	—	—	—
5 International organisations	506	—	506	—	—	—
6 Institutions	878	—	878	—	270	31
7 Corporates ¹	9,403	4,701	9,051	1,750	10,101	94
8 Retail	2,410	130	2,391	8	1,740	73
9 Secured by mortgages on immovable property	120	—	120	—	42	35
10 Exposures in default	65	3	60	—	78	131
15 Equity	1	—	1	—	1	100
16 Other items	213	—	213	—	77	36
17 Total at 31 Dec 2025	86,389	4,835	88,405	1,864	12,796	14
1 Central governments or central banks	79,038	1	82,924	20	574	1
2 Regional governments or local authorities	147	—	491	—	—	—
3 Public sector entities	703	—	—	—	—	—
4 Multilateral development banks	1,520	—	1,520	—	—	—
5 International organisations	428	—	428	—	—	—
6 Institutions	1,342	—	1,342	—	455	34
7 Corporates	7,578	3,519	7,567	1,033	8,249	96
8 Retail	2,146	231	2,099	15	1,508	71
9 Secured by mortgages on immovable property	143	—	143	—	50	35
10 Exposures in default	74	18	67	7	90	122
15 Equity	39	—	40	—	40	100
16 Other items	319	—	319	—	101	32
17 Total at 31 Dec 2024	93,477	3,769	96,940	1,075	11,067	11

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

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

Table 28: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A)

		Funded credit Protection ('FCP')									
		Total exposures £m	Part of exposures covered by financial collateral		Part of exposures covered by Other eligible collateral (%)			Unfunded credit Protection		Credit risk mitigation methods in the calculation of RWAs	
			%	Total	Part of exposures covered by immovable property collateral	Part of exposures covered by receivables	Part of exposures covered by other physical collateral	Part of exposures covered by guarantees	Part of exposures covered by credit derivatives	RWA post-All CRM assigned to the obligor exposure class	RWA with substitution effects
				%	%	%	%	%	%	%	%
AIRB											
1	Central governments and central banks	11,902	—	—	—	—	—	—	—	978	978
2	Institutions	2,425	—	—	—	—	—	—	—	200	200
3	Corporates	3,199	13.5	6.7	6.6	—	0.2	23.3	—	1,658	1,658
3.2	– of which: Corporates – specialised lending	1,945	—	—	—	—	—	20.9	—	1,075	1,075
3.3	Corporates – other	1,254	34.5	17.1	16.7	—	0.4	27.0	—	583	583
4	Retail	183,818	0.8	79.5	79.5	—	—	—	—	30,826	30,826
4.1	– of which: Retail – immovable property SMEs	1	—	84.2	84.2	—	—	2.8	—	3	3
4.2	Retail – immovable property non-SMEs	146,611	—	99.7	99.7	—	—	—	—	17,979	17,979
4.3	Retail – qualifying revolving	27,386	—	—	—	—	—	—	—	6,028	6,028
4.4	Retail – other SMEs	3,169	—	—	—	—	—	—	—	1,975	1,975
4.5	Retail – other non-SMEs	6,651	20.7	—	—	—	—	—	—	4,841	4,841
5	Total at 31 Dec 2025	201,344	0.9	72.7	72.7	—	—	0.4	—	33,662	33,662
FIRB											
1	Central governments and central banks	—	—	—	—	—	—	—	—	—	14
3	Corporates	62,978	9.4	29.2	18.8	6.5	3.9	—	—	45,233	45,220
3.1	– of which: Corporates – SMEs	4,914	0.1	56.0	41.7	9.6	4.7	—	—	2,916	2,916
3.3	Corporates – other	58,064	10.2	26.9	16.9	6.2	3.8	—	—	42,317	42,304
4	Total at 31 Dec 2025	62,978	9.4	29.2	18.8	6.5	3.9	—	—	45,233	45,234
IRB											
	Specialised lending under the slotting approach at 31 Dec 2025	9,046	—	—	—	—	—	—	—	6,074	6,074
1	Central governments and central banks	11,495	—	—	—	—	—	—	—	1,007	1,007
2	Institutions	2,735	—	—	—	—	—	—	—	280	280
3	Corporates	2,805	3.6	2.6	2.5	—	—	5.4	—	1,560	1,560
3.1	– of which: Corporates – SMEs	3	—	40.9	40.9	—	—	—	—	1	1
3.2	Corporates – specialised lending	1,320	—	—	—	—	—	2.8	—	951	951
3.3	Corporates – other	1,482	25.0	18.0	17.7	—	0.3	35.4	—	608	608
4	Retail	175,892	0.5	79.2	79.2	—	—	—	—	28,487	28,485
4.1	– of which: Retail – immovable property SMEs	1	0.6	75.7	75.7	—	—	8.6	—	2	2
4.2	Retail – immovable property non-SMEs	139,597	—	99.8	99.8	—	—	—	—	15,960	15,959
4.3	Retail – qualifying revolving	25,786	—	—	—	—	—	—	—	6,158	6,158
4.4	Retail – other SMEs	4,115	—	—	—	—	—	—	—	1,796	1,796
4.5	Retail – other non-SMEs	6,393	12.6	—	—	—	—	0.1	—	4,569	4,569
5	Total at 31 December 2024	192,927	0.6	69.6	69.6	—	—	0.3	—	31,334	31,333
FIRB											
3	Corporates	65,737	9.0	33.2	22.8	5.9	4.5	—	—	45,143	45,143
3.1	– of which: Corporates – SMEs	5,233	0.2	65.0	49.8	9.9	5.3	—	—	2,988	2,988
3.3	Corporates – other	60,504	9.8	30.5	20.5	5.5	4.5	—	—	42,155	42,156
4	Total at 31 Dec 2024	65,737	9.0	33.2	22.8	5.9	4.5	—	—	45,143	45,143
IRB											
	Specialised lending under the slotting approach at 31 Dec 2024	7,629	—	—	—	—	—	—	—	5,012	5,012

The table below shows exposures and percentages covered by the IRB and SA portfolio. This table excludes counterparty credit risk exposures and securitisation exposures.

Table 29: Scope of the use of IRB and SA approaches (UK CR6-A)

	Exposure value as defined in Article 166 CRR II for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach ¹	Percentage of total exposure value subject to the permanent partial use of the SA	Percentage of total exposure value subject to IRB Approach	Percentage of total exposure value subject to a roll-out plan ²
	£m	£m	%	%	%
1 Central governments or central banks	11,902	85,200	81	14	5
1.1 – of which: Regional governments or local authorities		410	—	53	47
1.2 – of which: Public sector entities		669	—	45	55
2 Institutions	2,425	3,304	26	73	—
3 Corporates	75,223	85,633	4	87	10
3.1 – of which: Corporates – Specialised lending, excluding slotting approach		1,787	—	100	—
3.2 – of which: Corporates – Specialised lending under slotting approach		8,736	—	100	—
4 Retail	183,818	163,553	1	98	1
4.1 – of which: Retail – Secured by real estate SMEs		—	—	100	—
4.2 – of which: Retail – Secured by real estate non-SMEs		142,419	—	100	—
4.3 – of which: Retail – Qualifying revolving		9,589	—	100	—
4.4 – of which: Retail – Other SMEs		2,917	13	87	—
4.5 – of which: Retail – Other non-SMEs		8,628	4	76	21
5 Equity	—	1	100	—	—
6 Other non-credit obligation assets	1,406	1,619	11	87	3
7 Total at 31 Dec 2025	274,774	339,310	22	74	4
1 Central governments or central banks	11,495	93,330	84	12	3
1.1 – of which: Regional governments or local authorities		308	—	53	48
1.2 – of which: Public sector entities		703	—	—	100
2 Institutions	2,735	4,055	33	67	—
3 Corporates	76,171	80,074	2	89	10
3.1 – of which: Corporates – Specialised lending, excluding slotting approach		1,300	—	100	—
3.2 – of which: Corporates – Specialised lending under slotting approach		7,454	—	100	—
4 Retail	175,892	157,606	—	99	1
4.1 – of which: Retail – Secured by real estate SMEs		1	—	100	—
4.2 – of which: Retail – Secured by real estate non-SMEs		136,468	—	100	—
4.3 – of which: Retail – Qualifying revolving		9,225	—	100	—
4.4 – of which: Retail – Other SMEs		3,980	—	87	13
4.5 – of which: Retail – Other non-SMEs		7,932	5	78	17
5 Equity	—	39	100	—	—
6 Other non-credit obligation assets	1,508	1,827	15	83	3
7 Total at 31 Dec 2024	267,801	336,931	24	72	4

1 The key driver for difference in IRB exposure value is mainly due to the CCF applied to the off-balance sheet exposures.

2 Percentage of total exposure value subject to a roll-out plan, includes other SA exposures which are not subject to permanent partial use.

Standardised approach

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

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

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

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

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

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

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

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

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

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

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

Table 30 provides further details of the risk weighting of our standardised non-counterparty credit exposures. For information about the risk weighting of our standardised counterparty credit risk exposures, refer to Table 41.

CQS Reference table

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

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

Table 30: Standardised approach – exposures by asset classes and risk weights (CR5)

Risk weight ('RW%')	0%	20%	35%	50%	75%	100%	150%	250%	Total credit exposure amount (post-CCF and CRM)	of which: unrated
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Asset classes										
1 Central governments or central banks	72,851	—	—	60	—	—	—	183	73,094	—
2 Regional governments or local authorities	454	—	—	—	—	—	—	—	454	—
4 Multilateral development banks	1,743	—	—	—	—	—	—	—	1,743	—
5 International organisations	506	—	—	—	—	—	—	—	506	—
6 Institutions	—	609	—	242	—	27	—	—	878	27
7 Corporates ¹	—	556	—	464	—	9,781	—	—	10,801	9,734
8 Retail exposures	—	—	—	—	2,399	—	—	—	2,399	2,399
9 Secured by mortgages on immovable property	—	—	120	—	—	—	—	—	120	120
10 Exposures in default	—	—	—	—	—	23	37	—	60	60
15 Equity exposures	—	—	—	—	—	1	—	—	1	1
16 Other items	—	171	—	—	—	42	—	—	213	213
17 Total at 31 Dec 2025	75,554	1,336	120	766	2,399	9,874	37	183	90,269	12,554

Asset classes										
1 Central governments or central banks	82,715	—	—	—	—	—	—	229	82,944	—
2 Regional governments or local authorities	491	—	—	—	—	—	—	—	491	—
4 Multilateral development banks	1,520	—	—	—	—	—	—	—	1,520	—
5 International organisations	428	—	—	—	—	—	—	—	428	—
6 Institutions	—	767	—	547	—	28	—	—	1,342	31
7 Corporates	—	426	—	5	—	8,169	—	—	8,600	8,144
8 Retail exposures	—	—	—	—	2,114	—	—	—	2,114	2,114
9 Secured by mortgages on immovable property	—	—	143	—	—	—	—	—	143	143
10 Exposures in default	—	—	—	—	—	42	32	—	74	74
15 Equity exposures	—	—	—	—	—	40	—	—	40	40
16 Other items	—	272	—	—	—	47	—	—	319	319
17 Total at 31 Dec 2024	85,154	1,465	143	552	2,114	8,326	32	229	98,015	10,865

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

Application of the IRB approach

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

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

Roll-out of the IRB approach

With the PRA's permission, we have adopted the advanced IRB approach for the majority of our retail business, while our wholesale business mainly uses the Foundation IRB approach. This is subject to the roll out of new models with the remainder treated as permanently exempt and covers non-significant business units and immaterial exposure classes.

EL and credit risk adjustments

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

When comparing regulatory EL with measures of ECL under IFRS 9, differences in the definition and scope of each are considered.

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

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

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

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

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

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

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

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

Model performance

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

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

Models are monitored using a series of metrics and triggers approved by relevant parties. Model performance metrics, and material remedial actions in the event of a trigger breach, are reported at the corresponding Wholesale and Retail MOFs that are responsible for overseeing the models used within HSBC UK.

We also disclose model performance reports for our retail IRB models to the PRA, quarterly.

Wholesale risk

The wholesale risk rating system

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

PDs for wholesale customer segments (i.e. central governments and central banks, financial institutions and corporate customers) and for certain individually assessed personal customers are derived from a customer risk rating master scale of 23 grades. Of these, 21 are non-default grades representing varying degrees of strength of financial condition, and two are default grades. Each customer risk rating has a PD range associated with it as well as a mid-point PD.

The score generated by a credit risk rating model for the obligor is mapped to a master-scale customer risk rating and corresponding PD. Relationship managers may by exception, propose a different customer risk rating from that indicated through an override process which must be approved by the Credit function. Overrides for each model are recorded and monitored as part of the model management process. The customer risk rating is then reviewed by a credit approver who, taking into account information such as the most recent financial events and market data, makes the final decision on the rating. The rating assigned reflects the rating calculated by the model and the approver's overall view of the obligor's credit standing.

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

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

also influence the final assignment of a customer risk rating to an obligor.

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

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

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

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

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

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

Legacy models were not designed to comply with these new requirements and a pipeline for model re-development and/or model demise is underway with future planned submissions agreed with the regulator. The impact on RWAs and Expected Loss relating to the non-compliance with the new regulations has been assessed and additional Post Model Adjustments ('PMAs') have been implemented. The PMAs were submitted to the regulator and are subject to regular review to ensure they remain appropriate given changes in economic conditions and the composition of the portfolios.

Wholesale models

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

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

Our approach to EAD and LGD also encompasses use of HSBC Group's global models for central governments and central banks, and for institutions.

The PRA requires all firms to apply an LGD floor of 45% for senior unsecured exposure to sovereign entities. This floor was applied to reflect the relatively few loss observations across all firms in relation to these obligors. This floor is applied for the purposes of regulatory capital reporting.

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

Table 31 sets out the key characteristics of the significant wholesale credit risk models that drive the capital calculation split by regulatory wholesale asset class, with their associated RWAs, including the number of models for each component, the model method or approach and the number of years of loss data used. Corporates –

Other excludes specialised lending exposures subject to supervisory slotting approach. The reporting process and exposure classification have been enhanced in 2025, with the aim of covering the full corporate IRB portfolio to provide a better representation of the underlying portfolios, and including clients internally rated by reference to their parent company.

HSBC UK uses the HSBC Group's global models for exposures to central governments and central banks, and institutions. The number of defaults in these models relating to HSBC UK customers is immaterial. Information on the performance of these global models can be found in the HSBC Holdings plc Pillar 3 Disclosures at 31 December 2025 published at www.hsbc.com/investors.

Table 31: Wholesale IRB credit risk models

IRB exposure class	Portfolio	RWA £m	Component model	Number of material component models	Model description and methodology	Number of years loss data	Regulatory Floors
Corporates- Other	Large corporates	46,877	PD	1	A statistical model built on over 10 years of data. The model uses financial information, macroeconomic information and market-driven data, and is complemented by a qualitative assessment.	>10	PD floor of 0.03%
	UK corporates		PD	3	Corporates that fall below the global large corporate threshold are rated through UK PD models, which reflect UK specific circumstances and cover mid-sized and small corporates. These models use financial information, behavioural data and qualitative information to derive a statistically built PD.	>10	PD floor of 0.03%
	All Corporates		EAD	1	A statistical model covering all corporates types, including global large corporates, developed using historical utilisation information and various data inputs, including product type.	>10	EAD must be at least equal to the current utilisation of the balance at account level.

Table 32 below provides a consolidated overview of wholesale PD model performance for HSBC UK IRB exposures based upon data that represents an annual view as of 30 September each year. The table shows the estimated PD (including modelled and judgemental input) and actual default rate for the Corporate portfolio. The estimated PD for all Corporate PD models is calculated based on the total number of obligors covered by the models. The actuals are the observed default rate for the specified period. The reporting process and exposure classification have been enhanced in 2025 with the aim of covering the full corporate IRB portfolio to provide a better representation of the underlying portfolios, including clients internally rated by reference to their parent company, and removing obligors with zero exposures. The comparative results from previous periods have been aligned.

The observed Corporate default rate has been below the estimate throughout the last three years. The estimated PD and actual default rates in 2025 had remained stable in comparison to 2024.

Table 32: IRB PD models – estimated and actual values (wholesale)

	2025		2024		2023	
	Estimated (%)	Actuals (%)	Estimated (%)	Actuals (%)	Estimated (%)	Actuals (%)
Corporates ¹	1.67	1.03	1.64	0.93	1.62	0.93

1 Corporates covers the combined populations of all models used for the corporate asset class, including corporate SME, corporate specialised lending and corporate other.

The table below validates the reliability of PD calculations by comparing the PD used in IRB calculations with actual default experience, based on obligors with non-zero exposures as of 30 September 2024 observed over a one-year period. The tables includes the combined populations of all models used for the corporate asset class, including corporate SME, corporate specialised lending and corporate other. The reporting process and exposure classification have been enhanced in 2025, with the aim of covering the full corporate IRB portfolio to provide a better representation of the underlying portfolios, split by AIRB and FIRB, and including clients internally rated by reference to their parent company. The comparative results from previous period have been aligned.

The total number of corporate obligors with exclusively short-term contracts (i.e. where residual maturity is less than 12 months for all contracts) as of 30 September 2024 was approximately 4,805 representing 8% of obligors.

Table 33: Wholesale IRB exposure – back-testing of probability of default ('PD') per portfolio (CR9)

PD range	Number of obligors		Observed average default rate %	Exposures weighted average PD %	Average PD %	Average historic annual default rate %
	End of previous year	of which: number which defaulted in the year				
2025						
A-IRB						
Corporates						
0.00 to <0.15	56	—	—	0.10	0.07	0.77
– 0.00 to <0.10	36	—	—	0.04	0.04	—
– 0.10 to <0.15	20	—	—	0.13	0.13	1.54
0.15 to <0.25	49	—	—	0.22	0.22	1.71
0.25 to <0.50	57	1	1.75	0.37	0.36	0.38
0.50 to <0.75	65	—	—	0.63	0.63	0.01
0.75 to <2.50	6,186	4	0.06	1.33	1.72	0.27
– 0.75 to <1.75	5,115	3	0.06	1.18	1.63	0.49
– 1.75 to <2.5	1,071	1	0.09	2.21	2.13	0.06
2.5 to <10.00	1,098	47	4.28	4.62	3.31	2.96
– 2.5 to <5	978	33	3.37	4.19	2.81	0.27
– 5 to <10	120	14	11.67	7.33	7.43	5.66
10.00 to <100.00	51	8	15.69	78.37	25.79	13.06
– 10 to <20	34	5	14.71	11.17	15.88	17.28
– 20 to <30	6	—	—	26.95	26.95	—
– 30.00 to <100.00	11	3	27.27	91.14	55.81	11.04
100.00 (Default)	801					
F-IRB						
Corporates						
0.00 to <0.15	6,446	6	0.09	0.10	0.12	0.02
– 0.00 to <0.10	890	1	0.11	0.06	0.06	—
– 0.10 to <0.15	5,556	5	0.09	0.13	0.13	0.04
0.15 to <0.25	6,070	10	0.16	0.22	0.22	0.12
0.25 to <0.50	6,021	11	0.18	0.37	0.37	0.35
0.50 to <0.75	4,876	22	0.45	0.63	0.63	0.74
0.75 to <2.50	25,776	188	0.73	1.40	1.55	1.12
– 0.75 to <1.75	23,009	156	0.68	1.19	1.46	0.74
– 1.75 to <2.5	2,767	32	1.16	2.25	2.25	1.49
2.5 to <10.00	5,590	169	3.02	4.15	4.32	4.02
– 2.5 to <5	4,158	103	2.48	3.48	3.57	2.63
– 5 to <10	1,432	66	4.61	6.38	6.50	5.40
10.00 to <100.00	1,156	187	16.18	18.99	16.33	17.74
– 10 to <20	1,015	150	14.78	12.26	12.06	14.61
– 20 to <30	—	—	—	—	—	—
– 30.00 to <100.00	141	37	26.24	55.09	47.06	20.87
100.00 (Default)	1,751					

Table 33: Wholesale IRB exposure – back-testing of probability of default (PD) per portfolio (CR9) (continued)

PD range	Number of obligors		Observed average default rate %	Exposures weighted average PD %	Average PD %	Average historic annual default rate %
	End of previous year	of which: number which defaulted in the year				
2024						
AIRB						
Corporates						
0.00 to <0.15	63	—	—	0.10	0.07	0.78
– 0.00 to <0.10	41	—	—	0.06	0.04	0.00
– 0.10 to <0.15	22	—	—	0.13	0.13	1.56
0.15 to <0.25	45	3	6.67	0.22	0.22	0.42
0.25 to <0.50	55	—	—	0.38	0.38	0.44
0.50 to <0.75	57	—	—	0.62	0.62	0.09
0.75 to <2.50	10,243	1	0.01	1.25	1.64	0.50
– 0.75 to <1.75	9,953	1	0.01	1.20	1.62	0.62
– 1.75 to <2.5	290	—	—	2.29	2.29	0.37
2.5 to <10.00	150	2	1.33	4.93	4.98	3.73
– 2.5 to <5	106	1	0.94	4.30	3.98	0.45
– 5 to <10	44	1	2.27	5.76	7.39	7.00
10.00 to <100.00	68	1	1.47	65.72	24.78	17.44
– 10 to <20	43	1	2.33	12.90	13.90	18.56
20 to <30	5	—	—	23.23	24.14	0.00
– 30.00 to <100.00	20	—	—	71.01	48.34	16.04
100.00 (Default)	25					
FIRB						
Corporates						
0.00 to <0.15	6,016	2	0.03	0.10	0.12	0.01
– 0.00 to <0.10	759	—	—	0.07	0.06	—
– 0.10 to <0.15	5,257	2	0.04	0.13	0.13	0.03
0.15 to <0.25	5,736	12	0.21	0.22	0.22	0.08
0.25 to <0.50	6,365	18	0.28	0.37	0.37	0.32
0.50 to <0.75	4,809	18	0.37	0.63	0.63	0.82
0.75 to <2.50	27,018	188	0.70	1.43	1.55	1.31
– 0.75 to <1.75	24,156	150	0.62	1.20	1.47	1.02
– 1.75 to <2.5	2,862	38	1.33	2.25	2.25	1.59
2.5 to <10.00	5,495	194	3.53	4.40	4.39	4.19
– 2.5 to <5	3,995	102	2.55	3.62	3.60	2.57
– 5 to <10	1,500	92	6.13	6.40	6.49	5.80
10.00 to <100.00	1,070	187	17.48	12.63	16.10	17.87
– 10 to <20	955	173	18.12	11.17	11.99	12.85
20 to <30	—	—	—	—	—	—
– 30.00 to <100.00	115	14	0.12	44.30	50.24	22.88
100.00 (Default)	1,871					

Retail risk

Retail risk rating systems

We disclose information on our Retail IRB models, which covers 95% of the total retail AIRB RWAs. Lending to Private Banking clients are excluded as they use a Wholesale IRB model.

The residential mortgage portfolio PD is modelled using a hybrid approach. This method combines recent and historical default rates observed across various economic conditions, both favourable and adverse, to reflect the long-term nature of these loans. The EAD is modelled under logical calculation that uses the sum of the balance at observation for fixed term loans and a simple CCF method is applied for offset mortgages where there is a revolving facility available. The LGD model is structured around components such as the probability of repossession, charge-off, cure, and anticipated shortfall. Each component is subject to a downturn adjustment, involving a decrease in house valuation and a haircut adjustment to forced sale discounts.

For unsecured portfolios, including credit cards, overdrafts, and personal loans, the PD is modelled using a Point-in-Time approach. A PD 'buffer' is incorporated to generate long-run average estimates,

accounting for historically observed misalignments in the underlying model. The EAD refers to the current outstanding balance observed, along with potential future exposure from any undrawn credit facility that may be utilised before default. This statistical model directly calculates the EAD for various portfolio segments, utilising either balance or limit as the primary input. The LGD is a statistical model designed to predict the amount of expected future recoveries represented as a percentage of the EAD. It is calibrated using data representative of downturn economic conditions.

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

Table 34: Retail IRB risk rating systems

Portfolio	Exposure class	RWA £m	Component model	Number of material component models	Model description and methodology	Number of years loss data ¹	Applicable Pillar 1 regulatory thresholds and overlays
Mortgage	Retail – secured by mortgages on immovable property non- SME	17,150	PD	1	Statistical model built on internal behavioural data, credit bureau information and application data for new to bank customers. The model uses a hybrid approach where the PD estimates represent a combination of recent and historic default rates observed over a mix of good and bad economic periods reflecting the longer-term nature of these loans. The PD also includes a Margin of Conservatism in accordance with regulatory requirement. Properties are allocated to calibration segments based on mortgage type. PD risk grades are then assigned for each calibration segment based on a master score produced from internal behaviour and application score inputs.	> 10	PD floor of 0.03%
			LGD	1	Component based model incorporating; probability of repossession, charge-off and cure; and predicted shortfall. The model is segmented based on default status at observation. A downturn adjustment is applied to each component including a haircut adjustment to forced sale discount and a 25% reduction from peak house valuation. For LGD purposes the time lapse between default event and the closure of the exposure is between 48 months and 72 months.	> 10	LGD floor of 5% at loan level and a LGD floor of 10% at portfolio level
			EAD	1	Logical calculation that uses the sum of the balance at observation for fixed term loans. A simple CCF method is applied for offset mortgages where there is a revolving facility available.	> 10	EAD must at least be equal to current balance
HSBC credit cards	Retail – qualifying revolving	3,318	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future recoveries, segmented by default status. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	Statistical model that directly estimates EAD for different segments of the portfolio using either balance or limit as the key input.	7–10	EAD must at least be equal to current balance
HSBC personal loans	Retail – other non-SME	3,413	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future recoveries, segmented by default status. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	EAD is equal to current balance as this provides a conservative estimate.	7–10	EAD must at least be equal to current balance
HSBC current accounts	Retail – qualifying revolving	1,020	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future recoveries, segmented by default status. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	Statistical model that directly estimates EAD for different segments of the portfolio using either balance or limit as the key input.	7–10	EAD must at least be equal to current balance
first direct credit cards	Retail – qualifying revolving	161	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future recoveries, segmented by default status. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	Statistical model that directly estimates EAD for different segments of the portfolio using either balance or limit as the key input.	7–10	EAD must at least be equal to current balance

Table 34: Retail IRB risk rating systems (continued)

Portfolio	Exposure class	RWA £m	Component model	Number of material component models	Model description and methodology	Number of years loss data ¹	Applicable Pillar 1 regulatory thresholds and overlays
first direct personal loans	Retail – other non-SME	809	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future recoveries, segmented by default status. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	EAD is equal to current balance as this provides a conservative estimate.	7–10	EAD must at least be equal to current balance
first direct current accounts	Retail – qualifying revolving	89	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future recoveries, segmented by default status. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	Statistical model that directly estimates EAD for different segments of the portfolio using either balance or limit as the key input.	7–10	EAD must at least be equal to current balance
M&S credit cards	Retail – qualifying revolving	1,442	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future recoveries, segmented by default status. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	Statistical model that directly estimates EAD for different segments of the portfolio using either balance or limit as the key input.	7–10	EAD must at least be equal to current balance
Business Banking (Retail SME)	Retail – other SME	1,978	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	The model estimates the amount of future recoveries and undrawn portion for unsecured products. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	Statistical model using segmentation according to limit and utilisation and estimation of the undrawn exposure.	7–10	EAD must at least be equal to current balance

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

Retail credit models

Retail IRB models are regularly monitored to make sure they are working as expected. This involves back-testing model estimates against actual results, using the latest data to confirm ongoing compliance and performance.

In 2025, the observed default rates across retail exposures were consistently below PD estimates except for HSBC current accounts. This is attributable to low-balance accounts; however this does not result in any RWA shortfall and therefore there is no PMA in place for this.

The notable variance between the HSBC credit cards and the HSBC personal loans PD is primarily due to differences in the default definition, the HSBC personal loans is using 90 days past due while the HSBC credit cards is using 180 days past due criteria. The models that are non-compliant with the current regulatory standards are addressed by applying post-model adjustments to reported RWAs, ensuring the capital levels reflect the existing capital requirements.

The table below provides an overview of Retail PD model performance for IRB exposures, it shows the estimated vs actuals movements across asset classes. The data represents an annual view as of 30 September 2025. The table shows pure modelled PD percentage and does not reflect adjustments for capital requirements. The reporting process and exposure classification have been enhanced in 2025, providing a better representation of the underlying Retail – qualifying revolving and Retail – other non-SME portfolios. The comparative results from previous periods have been aligned.

Table 35: IRB PD models – estimated and actual values (Retail)

	2025		2024		2023	
	Estimated (%)	Actuals (%)	Estimated (%)	Actuals (%)	Estimated (%)	Actuals (%)
Mortgage	0.61	0.18	0.60	0.23	0.57	0.21
HSBC credit card ¹	1.00	0.83	0.80	0.82	0.75	0.79
HSBC personal loans	2.27	1.90	2.54	2.07	2.46	1.89
HSBC current accounts	0.51	0.66	0.66	1.01	0.80	1.06
first direct credit card	0.77	0.52	0.71	0.52	0.64	0.46
first direct personal loans	2.13	1.39	1.83	1.37	1.54	1.08
first direct current accounts	0.42	0.41	0.42	0.47	0.36	0.37
M&S credit card ¹	0.69	0.49	0.53	0.46	0.43	0.43
Business Banking (Retail SME)	3.54	3.49	3.63	3.66	4.09	4.02

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

The table below provides an overview of the performance of the retail IRB models by conducting a back-testing assessed by PD ranges. The data represents an annual view, analysed at 30 September 2025. The PD represents the model estimates at the start of the disclosure period for obligors that are not in default. The reporting process and exposure classification have been enhanced in 2025, providing a better representation of the underlying Retail – qualifying revolving and Retail – other non-SME portfolios. The comparative results from previous period have been aligned.

The total number of obligors with short term exposures (contracts whose residual maturity is less than 12 months) are 7,577 for secured by real estate non-SME, 91,827 for other non-SME and 32,361 for other SME.

Table 36: Retail IRB exposure – back-testing of probability of default ('PD') per portfolio (CR9)

PD range	Number of obligors		Observed average default rate %	Exposures weighted average PD %	Average PD %	Average historic annual default rate %
	End of previous year	of which: number which defaulted in the year				
2025						
Retail – Secured by real estate non-SME						
0.00 to <0.15	113,334	17	0.01	0.12	0.12	0.02
– 0.00 to <0.10	0	0		0.00	0.00	0.00
– 0.10 to <0.15	113,334	17	0.01	0.12	0.12	0.02
0.15 to <0.25	89,000	26	0.03	0.17	0.17	0.03
0.25 to <0.50	420,430	182	0.04	0.31	0.31	0.05
0.50 to <0.75	171,273	170	0.10	0.51	0.51	0.12
0.75 to <2.50	163,389	472	0.29	1.01	1.02	0.33
– 0.75 to <1.75	147,058	321	0.22	0.92	0.92	0.26
– 1.75 to <2.5	16,331	151	0.92	1.96	2.00	0.89
2.50 to <10.00	14,868	224	1.51	4.16	4.29	1.93
– 2.5 to <5	13,222	153	1.16	3.81	3.86	1.58
– 5 to <10	1,646	71	4.31	7.83	7.75	4.67
10.00 to <100.00	3,354	696	20.75	32.93	28.45	20.13
– 10 to <20	1,921	128	6.66	14.38	14.13	7.05
– 20 to <30	97	9	9.28	23.15	23.97	7.47
– 30.00 to <100.00	1,336	559	41.84	47.44	49.35	42.48
100.00 (Default)	6,245			100.00	100.00	
Retail – qualifying revolving						
0.00 to <0.15	11,841,504	8,399	0.07	0.06	0.06	0.07
– 0.00 to <0.10	10,203,958	5,621	0.06	0.04	0.05	0.06
– 0.10 to <0.15	1,637,546	2,778	0.17	0.12	0.12	0.19
0.15 to <0.25	2,080,516	5,425	0.26	0.19	0.19	0.27
0.25 to <0.50	1,745,590	9,432	0.54	0.35	0.35	0.56
0.50 to <0.75	615,004	5,297	0.86	0.61	0.61	1.09
0.75 to <2.50	1,246,155	21,980	1.76	1.39	1.40	2.00
– 0.75 to <1.75	940,682	13,430	1.43	1.17	1.17	1.70
– 1.75 to <2.5	305,473	8,550	2.80	2.09	2.11	2.89
2.50 to <10.00	678,927	28,627	4.22	4.46	4.44	5.88
– 2.5 to <5	463,193	16,852	3.64	3.38	3.36	5.36
– 5 to <10	215,734	11,775	5.46	6.86	6.75	7.12
10.00 to <100.00	172,269	37,301	21.65	26.41	25.29	26.58

Table 36: Retail IRB exposure – back-testing of probability of default ('PD') per portfolio (CR9) (continued)

PD range	Number of obligors		Observed average default rate %	Exposures weighted average PD %	Average PD %	Average historic annual default rate %
	End of previous year	of which: number which defaulted in the year				
– 10 to <20	107,647	11,379	10.57	14.11	14.22	15.42
– 20 to <30	27,784	6,671	24.01	24.26	24.39	30.09
– 30.00 to <100.00	36,838	19,251	52.26	63.20	58.33	56.32
100.00 (Default)	187,133			100.00	100.00	
Retail – other non-SME						
0.00 to <0.15	23,226	14	0.06	0.07	0.07	0.06
– 0.00 to <0.10	17,425	7	0.04	0.06	0.06	0.05
– 0.10 to <0.15	5,801	7	0.12	0.12	0.12	0.09
0.15 to <0.25	125,929	264	0.21	0.21	0.20	0.18
0.25 to <0.50	84,711	275	0.32	0.42	0.42	0.29
0.50 to <0.75	47,576	228	0.48	0.55	0.56	0.43
0.75 to <2.50	241,277	2,398	0.99	1.29	1.30	0.96
– 0.75 to <1.75	192,722	1,531	0.79	1.11	1.11	0.76
– 1.75 to <2.5	48,555	867	1.79	2.04	2.05	1.66
2.50 to <10.00	75,957	2,930	3.86	4.54	4.66	3.75
– 2.5 to <5	51,066	1,594	3.12	3.43	3.45	2.94
– 5 to <10	24,891	1,336	5.37	7.09	7.14	5.20
10.00 to <100.00	17,449	4,936	28.29	36.39	35.76	26.78
– 10 to <20	8,902	928	10.42	13.69	13.72	10.25
– 20 to <30	1,857	351	18.90	24.29	24.32	17.67
– 30.00 to <100.00	6,690	3,657	54.66	69.43	68.27	50.61
100.00 (Default)	4,177			100.00	100.00	
Retail – other SME						
0.00 to <0.15	19,412	7	0.04	0.12	0.12	0.07
– 0.00 to <0.10	5,263	2	0.04	0.08	0.09	0.07
– 0.10 to <0.15	14,149	5	0.04	0.13	0.13	0.08
0.15 to <0.25	31,640	44	0.14	0.20	0.20	0.17
0.25 to <0.50	69,679	241	0.35	0.38	0.38	0.40
0.50 to <0.75	64,832	343	0.53	0.61	0.62	0.66
0.75 to <2.50	231,326	2,719	1.18	1.61	1.47	1.34
– 0.75 to <1.75	160,499	1,478	0.92	1.33	1.19	1.09
– 1.75 to <2.5	70,827	1,241	1.75	2.11	2.11	1.97
2.50 to <10.00	143,258	6,849	4.78	5.11	4.92	4.87
– 2.5 to <5	84,637	3,000	3.54	3.60	3.62	3.71
– 5 to <10	58,621	3,849	6.57	6.79	6.80	6.52
10.00 to <100.00	49,059	11,037	22.50	21.00	21.15	24.46
– 10 to <20	30,298	5,272	17.40	14.05	13.87	19.26
– 20 to <30	10,612	2,224	20.96	24.76	24.30	21.08
– 30.00 to <100.00	8,149	3,541	43.45	43.26	44.13	44.68
100.00 (Default)	15,152			100.00	100.00	
2024						
Retail – Secured by real estate non-SME						
0.00 to <0.15	115,767	22	0.02	0.12	0.12	0.02
– 0.10 to <0.15	115,767	22	0.02	0.12	0.12	0.02
0.15 to <0.25	92,813	28	0.03	0.17	0.17	0.02
0.25 to <0.50	412,182	223	0.05	0.31	0.31	0.05
0.50 to <0.75	166,259	188	0.11	0.51	0.51	0.13
0.75 to <2.50	160,884	512	0.32	0.99	1.02	0.35
– 0.75 to <1.75	144,850	344	0.24	0.91	0.91	0.29
– 1.75 to <2.5	16,034	168	1.05	1.97	2.00	0.85
2.50 to <10.00	14,549	336	2.31	4.13	4.29	2.12
– 2.5 to <5	12,838	247	1.92	3.78	3.84	1.75
– 5 to <10	1,711	89	5.20	7.79	7.74	5.10
10.00 to <100.00	3,927	917	23.35	32.91	28.02	20.19
– 10 to <20	2,290	182	7.95	14.57	14.20	7.25
– 20 to <30	125	7	5.60	23.42	23.98	6.82
– 30.00 to <100.00	1,512	728	48.15	48.91	49.28	43.82
100.00 (Default)	6,230			100.00	100.00	

Table 36: Retail IRB exposure – back-testing of probability of default ('PD') per portfolio (CR9) (continued)

PD range	Number of obligors		Observed average default rate %	Exposures weighted average PD %	Average PD %	Average historic annual default rate %
	End of previous year	of which: number which defaulted in the year				
Retail – qualifying revolving						
0.00 to <0.15	11,124,549	9,036	0.08	0.05	0.05	0.07
– 0.00 to <0.10	9,804,229	6,170	0.06	0.04	0.05	0.06
– 0.10 to <0.15	1,320,320	2,866	0.22	0.12	0.12	0.19
0.15 to <0.25	1,789,059	5,859	0.33	0.19	0.20	0.29
0.25 to <0.50	1,518,813	9,965	0.66	0.35	0.35	0.64
0.50 to <0.75	554,211	5,592	1.01	0.61	0.61	1.28
0.75 to <2.50	1,233,036	27,620	2.24	1.35	1.41	2.16
– 0.75 to <1.75	921,304	15,843	1.72	1.15	1.17	1.82
– 1.75 to <2.5	311,732	11,777	3.78	2.09	2.12	3.10
2.50 to <10.00	674,391	37,111	5.50	4.48	4.52	6.55
– 2.5 to <5	446,937	23,091	5.17	3.33	3.34	6.05
– 5 to <10	227,454	14,020	6.16	6.92	6.85	7.85
10.00 to <100.00	165,666	47,307	28.56	28.59	26.23	29.11
– 10 to <20	96,690	16,788	17.36	13.35	13.77	17.69
– 20 to <30	30,576	9,026	29.52	24.18	24.36	32.01
– 30.00 to <100.00	38,400	21,493	55.97	64.80	59.10	58.65
100.00 (Default)	193,060			100.00	100.00	
Retail – other non-SME						
0.00 to <0.15	28,423	17	0.06	0.08	0.08	0.08
– 0.00 to <0.10	19,147	9	0.05	0.05	0.05	0.05
– 0.10 to <0.15	9,276	8	0.09	0.13	0.13	0.10
0.15 to <0.25	115,207	218	0.19	0.18	0.18	0.19
0.25 to <0.50	119,302	500	0.42	0.38	0.38	0.32
0.50 to <0.75	15,218	57	0.37	0.62	0.62	0.51
0.75 to <2.50	231,659	2,478	1.07	1.34	1.35	1.09
– 0.75 to <1.75	181,561	1,522	0.84	1.14	1.15	0.88
– 1.75 to <2.5	50,098	956	1.91	2.09	2.09	1.85
2.50 to <10.00	78,260	3,100	3.96	4.66	4.80	4.11
– 2.5 to <5	49,490	1,573	3.18	3.47	3.49	3.27
– 5 to <10	28,770	1,527	5.31	7.00	7.06	5.55
10.00 to <100.00	19,203	5,390	28.07	36.06	36.07	27.76
– 10 to <20	9,653	994	10.30	13.60	13.70	10.98
– 20 to <30	2,094	425	20.30	24.24	24.28	18.70
– 30.00 to <100.00	7,456	3,971	53.26	69.49	68.35	50.92
100.00 (Default)	5,344			100.00	100.00	
Retail – other SME						
0.00 to <0.15	33,486	23	0.07	0.12	0.11	0.08
– 0.00 to <0.10	8,330	4	0.05	0.08	0.08	0.07
– 0.10 to <0.15	25,156	19	0.08	0.13	0.13	0.09
0.15 to <0.25	25,922	34	0.13	0.20	0.20	0.17
0.25 to <0.50	84,122	239	0.28	0.37	0.36	0.40
0.50 to <0.75	71,919	390	0.54	0.61	0.61	0.67
0.75 to <2.50	228,399	2,852	1.25	1.56	1.42	1.35
– 0.75 to <1.75	163,527	1,646	1.01	1.33	1.16	1.12
– 1.75 to <2.5	64,872	1,206	1.86	2.06	2.09	1.99
2.50 to <10.00	136,468	6,151	4.51	5.08	4.95	4.67
– 2.5 to <5	78,890	2,548	3.23	3.53	3.53	3.59
– 5 to <10	57,578	3,603	6.26	6.84	6.88	6.28
10.00 to <100.00	52,355	13,449	25.69	23.38	23.24	23.85
– 10 to <20	30,433	6,305	20.72	14.88	14.68	18.29
– 20 to <30	10,354	2,323	22.44	25.13	24.77	20.40
– 30.00 to <100.00	11,568	4,821	41.68	43.72	44.37	44.00
100.00 (Default)	16,920			100.00	100.00	

Credit risk

Additional tables

The table below discloses the detailed key parameters used for the calculation of capital requirements of credit risk exposure under the IRB approach, broken down by exposure class and PD range. The risk parameters within this table do not reflect the application of PMAs. The table excludes securitisation positions and non-credit obligation assets. The number of obligors disclose the single obligor with multiple PD ratings counted separately for every PD band. We count these on the basis of our exposure to the original counterparty, reported in the first two columns of this table. The disclosures across all PD ranges are modelled LGD. Deferred tax RWAs reported on IRB approach are not included in this table. Slotting exposures are disclosed in table 38 for the specialised lending and equity exposures, under the simple risk-weight approach (CR10).

Table 37: IRB – Credit risk exposures by portfolio and PD range (CR6)

PD scale	On-balance sheet exposures £m	Off-balance sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post-CCF and post-CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
AIRB – Central government and central banks												
0.00 to <0.15	11,901	—	—	11,901	0.01	62	45.0	2.6	978	8.2	1	—
– 0.00 to <0.10	11,901	—	—	11,901	0.01	62	45.0	2.6	978	8.2	1	—
Sub-total	11,901	—	—	11,901	0.01	62	45.0	2.6	978	8.2	1	—
AIRB – Institutions												
0.00 to <0.15	2,412	62	20.4	2,336	0.05	240	20.0	1.8	199	8.5	—	—
– 0.00 to <0.10	1,999	18	16.8	1,914	0.04	73	19.9	1.8	136	7.1	—	—
– 0.10 to <0.15	413	44	21.9	422	0.13	167	20.7	1.6	63	15.0	—	—
0.25 to <0.50	1	1	2.6	1	0.37	198	45.0	1.1	—	54.6	—	—
2.50 to <10.00	—	2	—	—	3.05	8	45.1	1.0	1	142.3	—	—
– 2.5 to <5	—	2	—	—	3.05	8	45.1	1.0	1	142.3	—	—
Sub-total	2,413	65	19.5	2,337	0.05	446	20.0	1.8	200	8.5	—	—
AIRB – Corporate – specialised lending (excluding slotting)												
0.00 to <0.15	1	21	57.0	13	0.13	1	18.0	1.0	1	7.3	—	—
– 0.10 to <0.15	1	21	57.0	13	0.13	1	18.0	1.0	1	7.3	—	—
0.15 to <0.25	281	254	72.4	465	0.22	5	31.3	4.1	201	43.2	—	—
0.25 to <0.50	383	140	66.5	477	0.37	10	27.4	3.8	207	43.5	1	—
0.50 to <0.75	135	15	56.9	94	0.63	3	18.7	4.1	32	33.8	—	—
0.75 to <2.50	557	295	70.1	650	1.25	13	33.2	4.4	531	81.7	3	5
– 0.75 to <1.75	422	275	70.6	520	1.00	9	35.0	4.4	434	83.6	2	1
– 1.75 to <2.5	135	20	63.4	130	2.25	4	25.7	4.6	97	74.4	1	4
2.50 to <10.00	63	37	75.0	43	5.75	1	53.5	4.8	102	238.9	1	1
– 5 to <10	63	37	75.0	43	5.75	1	53.5	4.8	102	238.9	1	1
Sub-total	1,420	762	69.7	1,742	0.80	33	30.7	4.1	1,074	61.7	5	6
AIRB – Corporate – Other												
0.00 to <0.15	298	606	1.1	304	0.05	242	31.2	2.6	56	18.5	—	2
– 0.00 to <0.10	260	592	—	260	0.04	105	30.3	2.7	42	16.3	—	2
– 0.10 to <0.15	38	14	47.1	44	0.13	137	36.5	2.3	14	31.3	—	—
0.15 to <0.25	108	3	26.8	109	0.22	34	30.6	2.6	43	39.6	—	—
0.25 to <0.50	152	49	2.5	153	0.34	83	12.2	1.8	27	17.7	—	—
0.50 to <0.75	143	32	1.9	143	0.61	356	20.8	2.4	67	46.4	—	—
0.75 to <2.50	413	265	15.2	444	1.88	5,418	64.0	1.5	235	53.0	2	—
– 0.75 to <1.75	123	54	61.2	147	1.32	3,873	36.5	1.4	112	76.0	1	—
– 1.75 to <2.5	290	211	3.4	297	2.15	1,545	77.7	1.6	123	41.6	1	—
2.50 to <10.00	58	2	55.6	58	3.27	707	40.0	2.1	79	135.8	1	—
– 2.5 to <5	57	1	84.8	58	3.21	599	39.4	2.1	76	132.9	1	—
– 5 to <10	1	1	17.8	—	8.44	108	91.6	2.5	3	388.4	—	—
10.00 to <100.00	25	5	3.1	25	16.10	282	40.2	1.8	48	194.9	2	1
– 10 to <20	25	—	—	25	15.92	240	39.3	1.8	46	189.4	2	1
– 20 to <30	—	—	—	—	22.80	—	92.4	2.0	2	520.0	—	—

Table 37: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

	On- balance sheet expo- sures	Off- balance- sheet expo- sures pre-CCF	Expo- sure weight- ed average CCF	Expo- sure post-CCF and post- CRM	Expo- sure weight- ed average PD	Number of obligors	Expo- sure weight- ed average LGD	Expo- sure weight- ed average matur- ity	Risk weighted exposure amount after support- ing factors	Density of risk weight- ed expo- sure amount	Expect- ed loss amount	Value adjust- ments and provi- sions
PD scale	£m	£m	%	£m	%		%	years	£m	%	£m	£m
– 30 to <100	–	5	0.1	–	38.07	42	88.2	1.0	–	477.2	–	–
100.00 (Default)	9	–	–	11	100.00	958	28.8	1.2	28	247.3	1	1
Sub-total	1,206	962	5.3	1,247	2.20	8,080	39.9	2.0	583	46.8	6	4
Wholesale AIRB – Total at 31 Dec 2025	16,940	1,789	32.6	17,227		8,623		2.6	2,835	16.5	12	10
AIRB – Secured by mortgages on immovable property SME												
100.00 (Default)	1	–	–	1	100.00	24	63.6	–	2	215.0	–	1
Sub-total	1	–	–	1	77.80	24	68.4	–	2	235.2	–	1
AIRB – Secured by mortgages on immovable property non- SME												
0.00 to <0.15	12,308	6,000	79.6	17,091	0.11	115,557	14.3	–	971	5.7	5	–
– 0.00 to <0.10	170	2,912	100.1	3,087	0.06	28	19.5	–	284	9.2	2	–
– 0.10 to <0.15	12,138	3,088	60.3	14,004	0.12	115,529	13.1	–	687	4.9	3	–
0.15 to <0.25	11,557	1,504	51.2	12,336	0.18	93,323	12.6	–	721	5.8	4	1
0.25 to <0.50	59,258	1,530	38.8	59,859	0.31	435,285	14.7	–	5,284	8.8	28	6
0.50 to <0.75	25,961	211	73.4	26,152	0.51	181,944	15.6	–	3,447	13.2	21	6
0.75 to <2.50	28,277	314	71.1	28,691	1.02	181,995	14.7	–	5,692	19.8	43	22
– 0.75 to <1.75	25,870	240	80.0	26,242	0.94	157,182	14.5	–	4,850	18.5	35	17
– 1.75 to <2.5	2,407	74	42.0	2,449	1.96	24,813	16.8	–	842	34.4	8	5
2.50 to <10.00	1,532	263	24.0	1,602	4.19	14,861	16.6	–	851	53.1	12	4
– 2.5 to <5	1,395	225	24.6	1,457	3.83	13,335	16.3	–	726	49.9	10	3
– 5 to <10	137	38	20.7	145	7.78	1,526	19.8	–	125	85.8	2	1
10.00 to <100.00	305	20	35.8	315	34.45	3,018	9.9	–	167	53.1	11	4
– 10 to <20	121	17	23.7	125	14.08	1,603	10.0	–	68	54.5	2	1
– 20 to <30	4	–	–	4	22.52	92	13.1	–	3	79.0	–	–
– 30 to <100	180	3	99.0	186	48.46	1,323	9.8	–	96	51.6	9	3
100.00 (Default)	564	2	99.0	565	100.00	5,170	16.2	–	846	149.6	33	55
Sub-total	139,762	9,844	67.0	146,611	0.95	1,031,153	14.6	–	17,979	12.3	157	98
AIRB – Qualifying revolving retail exposures												
0.00 to <0.15	1,764	20,755	74.7	17,271	0.06	12,437,040	75.6	–	684	4.0	10	16
– 0.00 to <0.10	1,271	16,885	78.9	14,598	0.05	10,431,307	74.6	–	473	3.2	7	10
– 0.10 to <0.15	493	3,870	56.3	2,673	0.12	2,005,733	81.5	–	211	7.9	3	6
0.15 to <0.25	591	3,918	52.2	2,639	0.19	1,657,537	84.6	–	333	12.6	6	9
0.25 to <0.50	781	2,427	52.3	2,052	0.35	1,221,052	81.2	–	393	19.2	8	10
0.50 to <0.75	544	1,006	49.7	1,047	0.61	502,088	83.1	–	327	31.3	7	9
0.75 to <2.50	1,805	1,209	65.3	2,543	1.37	1,007,885	84.0	–	1,498	58.9	39	51
– 0.75 to <1.75	1,373	1,024	63.1	1,962	1.16	778,478	83.9	–	1,014	51.7	25	38
– 1.75 to <2.5	432	185	77.7	581	2.09	229,407	84.6	–	484	83.2	14	13
2.50 to <10.00	1,058	516	65.3	1,406	4.40	563,157	81.7	–	1,751	124.5	63	70
– 2.5 to <5	721	433	58.4	982	3.37	380,069	83.2	–	1,092	111.2	36	37
– 5 to <10	337	83	101.0	424	6.78	183,088	78.0	–	659	155.3	27	33
10.00 to <100.00	281	112	72.4	369	25.92	173,855	80.5	–	950	257.1	103	43
– 10 to <20	177	96	72.8	250	14.12	112,693	79.2	–	633	253.1	35	19
– 20 to <30	36	6	85.5	43	23.84	28,087	81.3	–	134	309.5	11	5
– 30 to <100	68	10	60.6	76	65.65	33,075	84.1	–	183	240.1	57	19
100.00 (Default)	58	8	17.8	59	100.00	54,244	81.8	–	92	155.8	26	89
Sub-total	6,882	29,951	68.6	27,386	1.02	17,616,858	78.4	–	6,028	22.0	262	297
AIRB – Other SME												
0.00 to <0.15	3	15	80.5	15	0.11	22,305	95.2	–	3	20.8	–	–
– 0.00 to <0.10	1	4	87.8	4	0.08	6,075	94.7	–	1	17.8	–	–
– 0.10 to <0.15	2	11	77.9	11	0.13	16,230	95.3	–	2	21.9	–	–
0.15 to <0.25	12	43	57.5	34	0.21	36,129	95.8	–	11	31.5	–	–

Table 37: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

	On- balance sheet expos- ures	Off- balance- sheet expos- ures pre-CCF	Expo- sure weight- ed average CCF	Expo- sure post CCF and post- CRM	Expo- sure weight- ed average PD	Number of obligors	Expo- sure weight- ed average LGD	Expo- sure weight- ed average matur- ity	Risk weighted exposure amount after support- ing factors	Density of risk weight- ed expo- sure amount	Expect- ed loss amount	Value adjust- ments and provi- sions
PD scale	£m	£m	%	£m	%		%	years	£m	%	£m	£m
0.25 to <0.50	27	112	59.6	89	0.37	75,738	95.6	—	47	52.7	—	—
0.50 to <0.75	27	107	66.0	93	0.60	69,045	95.2	—	63	68.0	1	1
0.75 to <2.50	1,009	765	50.3	926	1.58	371,956	89.6	—	847	91.4	17	18
– 0.75 to <1.75	796	623	49.7	761	1.47	281,693	89.2	—	621	81.6	10	16
– 1.75 to <2.5	213	142	52.7	165	2.10	90,263	91.1	—	226	137.1	7	2
2.50 to <10.00	684	217	51.3	456	5.08	187,143	88.4	—	551	121.0	30	17
– 2.5 to <5	367	137	50.3	253	3.61	106,581	89.1	—	306	120.9	13	5
– 5 to <10	317	80	53.0	203	6.91	80,562	87.6	—	245	121.0	17	12
10.00 to <100.00	536	54	56.9	213	20.50	98,155	87.5	—	367	172.1	57	27
– 10 to <20	394	41	54.8	137	14.00	70,310	87.1	—	204	148.2	22	14
– 20 to <30	78	8	64.7	40	24.32	15,249	87.9	—	80	202.2	13	6
– 30 to <100	64	5	60.1	36	41.15	12,596	88.5	—	83	229.9	22	7
100.00 (Default)	221	5	72.8	32	100.00	10,011	65.6	—	86	271.8	55	55
Sub-total	2,519	1,318	53.5	1,858	6.14	870,482	89.4	—	1,975	106.3	160	118
AIRB – Other non-SME												
0.00 to <0.15	496	1,524	24.0	862	0.11	23,068	17.3	—	44	5.1	—	1
– 0.00 to <0.10	152	1,085	0.2	154	0.04	7,992	18.1	—	6	3.7	—	—
– 0.10 to <0.15	344	439	82.9	708	0.13	15,076	17.2	—	38	5.4	—	1
0.15 to <0.25	339	50	7.1	342	0.21	59,885	75.5	—	113	33.2	1	2
0.25 to <0.50	1,260	192	4.0	1,264	0.37	138,788	71.3	—	573	45.4	3	8
0.50 to <0.75	1,332	44	7.6	1,331	0.63	110,871	83.5	—	959	72.1	7	11
0.75 to <2.50	1,937	353	30.4	2,037	1.49	212,087	80.2	—	1,996	98.0	24	30
– 0.75 to <1.75	1,219	171	9.3	1,229	1.18	122,012	80.9	—	1,132	92.1	12	14
– 1.75 to <2.5	718	182	50.2	808	1.96	90,075	79.1	—	864	107.0	12	16
2.50 to <10.00	648	3	34.9	646	4.62	111,631	88.0	—	879	136.0	27	30
– 2.5 to <5	475	3	34.0	474	3.71	86,970	88.6	—	635	133.9	16	21
– 5 to <10	173	—	—	172	7.13	24,661	86.3	—	244	141.6	11	9
10.00 to <100.00	125	5	1.4	123	38.31	17,643	86.5	—	211	170.6	40	26
– 10 to <20	62	—	—	61	13.60	8,905	86.1	—	106	171.9	7	7
– 20 to <30	12	—	—	12	24.14	1,724	86.2	—	25	218.0	2	2
– 30 to <100	51	5	0.3	50	71.62	7,014	87.0	—	80	157.9	31	17
100.00 (Default)	45	—	—	45	100.00	3,648	69.6	—	66	143.3	35	33
Sub-total	6,182	2,171	22.5	6,650	2.53	677,621	71.6	—	4,841	72.8	137	141
Retail AIRB – Total at 31 Dec 2025												
	155,346	43,283	65.4	182,507		20,196,137		—	30,826	16.9	717	654
FIRB – Corporate – SME												
0.00 to <0.15	253	112	8.2	264	0.13	573	40.4	2.8	74	28.2	—	—
– 0.00 to <0.10	253	112	8.2	264	0.13	573	40.4	2.8	74	28.2	—	—
0.15 to <0.25	668	241	8.1	680	0.22	1,384	39.4	2.8	242	35.6	1	1
0.25 to <0.50	886	241	7.7	891	0.37	1,405	39.5	2.8	421	47.1	2	1
0.50 to <0.75	729	137	9.7	733	0.63	1,006	39.2	2.9	439	60.0	2	1
0.75 to <2.50	1,486	321	10.4	1,490	1.35	2,079	39.2	2.7	1,111	74.6	11	5
– 0.75 to <1.75	1,241	255	8.7	1,242	1.17	1,709	39.3	2.7	896	72.1	8	4
– 1.75 to <2.5	245	66	17.4	248	2.25	370	39.2	2.7	215	87.0	3	1
2.50 to <10.00	381	60	7.5	377	4.47	681	39.2	2.6	388	103.1	9	6
– 2.5 to <5	276	45	9.2	277	3.70	431	39.5	2.7	276	99.8	6	4
– 5 to <10	105	15	2.3	100	6.58	250	38.5	2.5	112	112.0	3	2
10.00 to <100.00	164	15	5.0	161	18.67	192	39.5	2.2	241	149.1	16	8
– 10 to <20	141	13	3.0	138	12.74	166	39.2	2.2	206	148.5	9	6
– 30 to <100	23	2	16.9	23	54.78	26	41.5	2.5	35	153.2	7	2
100.00 (Default)	241	19	27.3	233	100.00	274	41.4	2.6	—	—	96	40
Sub-total	4,808	1,146	9.1	4,829	6.42	7,594	39.5	2.7	2,916	60.4	137	62

Table 37: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures £m	Off-balance sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post CCF and post-CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
FIRB – Corporate – Other												
0.00 to <0.15	7,788	8,169	45.2	11,687	0.10	6,287	36.8	2.5	3,360	28.8	10	4
– 0.00 to <0.10	3,892	3,985	48.6	5,978	0.06	1,208	38.3	2.8	1,590	26.6	4	2
– 0.10 to <0.15	3,896	4,184	41.8	5,709	0.13	5,079	35.2	2.2	1,770	31.0	6	2
0.15 to <0.25	5,423	4,739	34.7	7,060	0.22	5,453	38.4	2.0	3,033	43.0	10	5
0.25 to <0.50	5,256	3,029	27.6	6,029	0.37	4,674	36.4	1.9	3,201	53.1	13	5
0.50 to <0.75	4,815	2,506	30.0	5,702	0.63	4,093	37.3	2.2	4,192	73.5	19	8
0.75 to <2.50	15,139	7,317	33.8	17,049	1.41	32,703	38.4	2.1	16,859	98.9	123	106
– 0.75 to <1.75	11,322	5,494	32.3	13,145	1.16	29,727	39.0	2.1	12,605	96.0	82	84
– 1.75 to <2.5	3,817	1,823	39.3	3,904	2.25	2,976	36.3	2.1	4,254	109.0	41	22
2.50 to <10.00	5,755	3,294	42.9	6,819	4.24	5,147	38.3	2.2	9,255	135.7	135	63
– 2.5 to <5	4,290	2,698	44.3	5,358	3.60	3,857	38.7	2.4	7,108	132.6	92	38
– 5 to <10	1,465	596	35.6	1,461	6.61	1,290	37.2	1.7	2,147	147.0	43	25
10.00 to <100.00	1,127	232	41.3	1,145	18.14	808	41.4	1.9	2,404	210.1	109	41
– 10 to <20	989	214	42.6	1,012	12.92	716	41.3	2.0	2,157	213.1	67	37
– 30 to <100	138	18	8.5	133	57.99	92	42.2	1.4	247	186.6	42	4
100.00 (Default)	1,725	258	39.9	1,745	100.00	1,466	40.9	1.8	–	–	714	413
Sub-total	47,028	29,544	37.3	57,236	4.49	60,631	37.9	2.2	42,304	73.9	1,133	645
FIRB – Total at 31 Dec 2025	51,836	30,690	36.2	62,124		68,227		2.2	45,233	72.8	1,270	707
AIRB – Central government and central banks												
0.00 to <0.15	11,495	—	—	11,495	0.01	60	45.0	2.8	1,007	8.8	1	—
– 0.00 to <0.10	11,479	—	—	11,479	0.01	12	45.0	2.8	1,003	8.7	1	—
– 0.10 to <0.15	16	—	—	16	0.13	48	45.0	1.0	4	23.8	—	—
Sub-total	11,495	—	—	11,495	0.01	60	45.0	2.8	1,007	8.8	1	—
AIRB – Institutions												
0.00 to <0.15	2,679	122	45.0	2,557	0.05	395	22.0	2.1	279	10.9	—	2
– 0.00 to <0.10	2,228	20	89.0	2,069	0.03	299	20.2	2.1	175	8.5	—	—
– 0.10 to <0.15	451	102	37.0	488	0.13	96	29.8	2.0	104	21.4	—	2
0.75 to <2.50	—	1	52.0	1	0.88	33	45.0	1.3	1	114.5	—	—
– 0.75 to <1.75	—	1	51.0	1	0.87	33	45.0	1.3	1	114.5	—	—
Sub-total	2,679	123	46.0	2,558	0.05	428	22.0	2.1	280	11.0	—	2
AIRB – Corporate – specialised lending (excluding slotting)												
0.00 to <0.15	—	17	57.0	10	0.13	1	18.0	1.3	1	8.1	—	—
– 0.10 to <0.15	—	17	57.0	10	0.13	1	18.0	1.3	1	8.1	—	—
0.15 to <0.25	243	93	57.0	297	0.22	4	26.2	3.8	85	28.6	—	1
0.25 to <0.50	151	86	58.0	201	0.37	6	28.6	3.8	84	41.8	—	—
0.50 to <0.75	307	59	68.0	282	0.63	13	28.6	4.1	183	65.0	1	1
0.75 to <2.50	197	233	74.0	369	1.14	6	33.8	4.8	363	98.3	1	1
– 0.75 to <1.75	163	225	74.0	329	1.00	4	33.5	4.8	318	96.7	1	1
– 1.75 to <2.5	34	8	71.0	40	2.25	2	35.7	4.7	45	111.6	—	—
2.50 to <10.00	90	10	75.0	96	5.75	1	53.5	5.0	235	242.3	4	8
– 5 to <10	90	10	75.0	96	5.75	1	53.5	5.0	235	242.3	4	8
Sub-total	988	498	67.0	1,255	1.03	31	31.4	4.2	951	75.8	6	11

Table 37: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures £m	Off-balance sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post-CCF and post-CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after support-ing factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
AIRB – Corporate – SME												
0.15 to <0.25	2	1	97.0	3	0.22	2	47.9	1.5	1	34.0	—	—
Sub-total	2	1	97.0	3	0.22	2	47.9	1.5	1	34.0	—	—
AIRB – Corporate – Other												
0.00 to <0.15	327	488	2.0	335	0.06	106	30.1	3.1	77	23.0	—	—
– 0.00 to <0.10	242	477	—	242	0.04	84	29.8	3.3	46	19.0	—	—
– 0.10 to <0.15	85	11	65.0	93	0.13	22	31.1	2.7	31	33.3	—	—
0.15 to <0.25	314	10	51.0	332	0.22	31	14.6	1.8	42	12.8	—	—
0.25 to <0.50	127	39	1.0	127	0.34	64	9.9	1.4	12	9.7	—	—
0.50 to <0.75	63	22	4.0	64	0.62	58	25.2	1.9	26	40.9	—	—
0.75 to <2.50	316	248	59.0	347	1.56	5,509	16.0	1.8	143	40.9	1	1
– 0.75 to <1.75	227	220	56.0	278	1.40	4,788	10.2	1.5	62	22.0	—	—
– 1.75 to <2.5	89	28	84.0	69	2.23	721	39.7	2.8	81	118.1	1	1
2.50 to <10.00	40	32	79.0	65	4.03	1,337	20.1	1.1	40	62.6	1	4
– 2.5 to <5	39	30	81.0	63	3.93	1,224	19.3	1.1	37	59.3	1	4
– 5 to <10	1	2	55.0	2	7.90	113	48.1	1.3	3	190.9	—	—
10.00 to <100.00	29	24	—	29	85.30	65	14.3	1.0	6	20.6	2	—
– 10 to <20	5	—	23.0	4	10.48	55	41.8	1.2	6	126.3	—	—
– 30 to <100	24	24	—	25	98.66	10	9.4	1.0	—	1.5	2	—
100.00 (Default)	73	—	19.0	72	100.00	809	34.1	1.1	262	360.9	8	9
Sub-total	1,289	863	22.0	1,371	7.78	7,979	20.1	2.0	608	44.3	12	14
Wholesale AIRB – Total at 31 Dec 2024	16,453	1,485	38.7	16,682		8,500		2.7	2,847	17.1	19	27
AIRB – Secured by mortgages on immovable property SME												
2.50 to <10.00	1	—	10.0	1	37.51	25	64.5	—	2	217.4	—	—
– 2.5 to <5	1	—	10.0	1	37.51	25	64.5	—	2	217.4	—	—
Sub-total	1	—	10.0	1	37.51	25	64.5	—	2	217.4	—	—
AIRB – Secured by mortgages on immovable property non-SME												
0.00 to <0.15	12,565	5,671	76.0	16,876	0.11	119,743	13.9	—	842	5.0	4	1
– 0.00 to <0.10	27	2,547	100.0	2,575	0.05	20	19.5	—	207	8.0	1	—
– 0.10 to <0.15	12,538	3,124	56.0	14,301	0.12	119,723	12.9	—	635	4.4	3	1
0.15 to <0.25	11,735	1,496	48.0	12,457	0.18	95,935	12.6	—	681	5.5	3	1
0.25 to <0.50	55,831	1,625	38.0	56,451	0.31	424,172	13.8	—	4,704	8.3	25	11
0.50 to <0.75	24,400	219	69.0	24,579	0.51	174,588	14.8	—	3,098	12.6	19	11
0.75 to <2.50	26,475	253	73.0	26,798	1.02	172,771	13.9	—	5,002	18.7	39	26
– 0.75 to <1.75	24,330	180	87.0	24,616	0.93	156,487	13.8	—	4,341	17.6	33	21
– 1.75 to <2.5	2,145	73	39.0	2,182	1.98	16,284	14.5	—	661	30.3	6	5
2.50 to <10.00	1,414	272	32.0	1,506	4.15	14,846	14.7	—	700	46.5	9	5
– 2.5 to <5	1,286	230	34.0	1,369	3.79	13,186	14.8	—	615	44.9	7	4
– 5 to <10	128	42	22.0	137	7.77	1,660	14.5	—	85	62.0	2	1
10.00 to <100.00	326	25	44.0	339	33.45	3,335	9.1	—	170	50.2	11	4
– 10 to <20	130	22	37.0	138	14.13	1,833	8.5	—	65	46.9	2	1
– 20 to <30	5	—	—	5	23.63	109	7.0	—	2	42.0	—	—
– 30 to <100	191	3	99.0	196	47.25	1,393	9.5	—	103	52.7	9	3
100.00 (Default)	586	1	107.0	590	100.00	5,847	15.5	—	762	129.4	31	51
Sub-total	133,332	9,562	63.0	139,596	0.99	1,011,237	13.9	—	15,959	11.4	141	110
AIRB – Qualifying revolving retail exposures												
0.00 to <0.15	1,730	21,070	70.0	16,586	0.05	11,887,223	76.6	—	644	3.9	9	17
– 0.00 to <0.10	1,323	17,712	73.0	14,312	0.04	10,075,956	75.7	—	448	3.1	6	14
– 0.10 to <0.15	407	3,358	56.0	2,274	0.12	1,811,267	82.7	—	196	8.6	3	3
0.15 to <0.25	525	3,263	51.0	2,198	0.19	1,478,538	84.6	—	299	13.6	5	5

Table 37: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post-CCF and post-CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
0.25 to <0.50	733	2,305	51.0	1,903	0.35	1,134,372	81.3	—	401	21.1	8	7
0.50 to <0.75	494	948	48.0	952	0.61	465,880	83.5	—	331	34.8	7	9
0.75 to <2.50	1,741	1,226	62.0	2,450	1.37	985,374	83.7	—	1,611	65.7	43	44
– 0.75 to <1.75	1,324	1,054	59.0	1,897	1.17	765,466	83.6	—	1,106	58.3	28	33
– 1.75 to <2.5	417	172	77.0	553	2.09	219,908	84.1	—	505	91.3	15	11
2.50 to <10.00	984	478	65.0	1,302	4.43	547,668	82.0	—	1,804	138.6	67	66
– 2.5 to <5	665	401	59.0	909	3.37	371,374	83.5	—	1,120	123.2	38	32
– 5 to <10	319	77	92.0	393	6.90	176,294	78.6	—	684	174.1	29	34
10.00 to <100.00	252	86	68.0	318	26.45	157,666	80.8	—	939	295.7	104	22
– 10 to <20	151	67	71.0	202	14.08	99,001	79.8	—	591	292.4	34	5
– 20 to <30	38	7	79.0	46	23.99	26,407	80.0	—	154	335.5	12	4
– 30 to <100	63	12	43.0	70	64.02	32,258	84.5	—	194	279.0	58	13
100.00 (Default)	75	11	26.0	77	100.00	136,898	81.5	—	129	167.8	35	80
Sub-total	6,534	29,387	66.0	25,786	1.08	16,793,619	78.9	—	6,158	23.9	278	250
AIRB – Other SME												
0.00 to <0.15	2	22	85.0	20	0.12	36,633	94.1	—	4	21.4	—	—
– 0.00 to <0.10	—	5	93.0	5	0.08	9,701	94.2	—	1	17.0	—	—
– 0.10 to <0.15	2	17	83.0	15	0.13	26,932	94.1	—	3	22.9	—	—
0.15 to <0.25	6	37	55.0	24	0.20	27,459	93.4	—	8	32.0	—	—
0.25 to <0.50	17	129	64.0	98	0.37	87,903	94.7	—	50	50.7	—	1
0.50 to <0.75	18	101	71.0	89	0.62	76,162	94.5	—	59	67.2	1	—
0.75 to <2.50	1,388	771	51.0	894	1.58	383,867	84.4	—	782	87.4	15	6
– 0.75 to <1.75	1,096	643	51.0	754	1.48	304,195	83.5	—	609	80.7	10	3
– 1.75 to <2.5	292	128	52.0	140	2.12	79,672	88.8	—	173	123.6	5	3
2.50 to <10.00	911	214	51.0	467	5.13	184,525	85.4	—	525	112.5	26	33
– 2.5 to <5	500	139	50.0	254	3.59	110,613	86.7	—	285	112.3	11	10
– 5 to <10	411	75	52.0	213	6.96	73,912	83.8	—	240	112.7	15	23
10.00 to <100.00	738	56	60.0	204	21.41	111,000	86.3	—	334	163.9	49	27
– 10 to <20	530	41	57.0	124	14.06	74,193	85.2	—	175	140.9	18	21
– 20 to <30	118	10	65.0	45	24.56	19,984	88.1	—	84	188.9	12	6
– 30 to <100	90	5	68.0	35	43.63	16,823	88.1	—	75	213.9	19	—
100.00 (Default)	381	6	46.0	36	100.00	11,003	63.7	—	34	93.6	32	61
Sub-total	3,461	1,336	55.0	1,832	6.48	918,552	85.7	—	1,796	98.0	123	128
AIRB – Other non-SME												
0.00 to <0.15	406	1,497	26.0	791	0.11	26,727	18.3	—	38	4.9	—	—
– 0.00 to <0.10	150	1,072	4.0	189	0.04	18,615	25.8	—	8	4.4	—	—
– 0.10 to <0.15	256	425	82.0	602	0.13	8,112	15.9	—	30	5.0	—	—
0.15 to <0.25	494	90	66.0	553	0.22	85,606	75.0	—	189	34.1	1	3
0.25 to <0.50	1,037	139	4.0	1,039	0.34	129,858	79.5	—	501	48.2	3	7
0.50 to <0.75	1,010	34	5.0	1,007	0.63	90,472	84.3	—	736	72.8	5	9
0.75 to <2.50	2,055	186	22.0	2,088	1.40	233,464	76.0	—	1,892	90.6	22	36
– 1.75 to <2.5	1,580	101	21.0	1,596	1.20	137,297	75.8	—	1,377	86.3	14	19
– 0.75 to <1.75	475	85	23.0	492	2.04	96,167	76.4	—	515	104.5	8	17
2.50 to <10.00	678	63	76.0	722	4.59	112,274	82.0	—	913	126.5	27	28
– 2.5 to <5	492	60	79.0	537	3.67	87,415	82.5	—	668	124.4	16	20
– 5 to <10	186	3	12.0	185	7.26	24,859	80.5	—	245	132.3	11	8
10.00 to <100.00	152	11	11.0	153	38.46	18,108	77.9	—	232	152.9	43	25
– 10 to <20	79	—	80.0	79	13.23	9,244	78.7	—	123	155.8	8	6
– 20 to <30	13	—	100.0	13	24.21	1,908	86.4	—	28	223.2	3	2
– 30 to <100	60	11	9.0	61	74.21	6,956	75.0	—	81	134.5	32	17
100.00 (Default)	37	2	85.0	39	100.00	4,258	79.5	—	71	183.9	25	24
Sub-total	5,869	2,022	27.0	6,392	2.69	700,767	71.4	—	4,572	71.5	126	132
Retail AIRB – Total at 31 Dec 2024	149,197	42,307	62.93	173,607		19,424,200		—	28,487	16.4	668	620

Table 37: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures £m	Off-balance sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post-CCF and post-CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
FIRB – Corporate – SME												
0.00 to <0.15	257	146	17.0	279	0.13	619	39.4	2.4	71	25.4	—	—
– 0.00 to <0.10	—	1	1.0	—	0.07	7	35.3	2.3	—	14.4	—	—
– 0.10 to <0.15	257	145	17.0	279	0.13	612	39.5	2.4	71	25.4	—	—
0.15 to <0.25	714	256	13.0	735	0.22	1,391	38.1	2.7	257	35.0	1	1
0.25 to <0.50	943	234	15.0	958	0.37	1,470	37.7	2.9	439	45.8	2	2
0.50 to <0.75	724	166	19.0	737	0.63	1,141	38.9	2.9	445	60.4	2	3
0.75 to <2.50	1,466	350	19.0	1,479	1.36	2,145	38.5	2.7	1,101	74.4	11	8
– 0.75 to <1.75	1,228	292	19.0	1,244	1.19	1,711	38.5	2.6	892	71.7	8	6
– 1.75 to <2.5	238	58	15.0	235	2.25	434	38.6	3.0	209	88.8	3	2
2.50 to <10.00	438	89	24.0	437	4.74	773	39.0	2.3	452	103.4	10	8
– 5 to <10	271	57	28.0	274	3.66	470	39.5	2.6	270	98.4	5	4
– 2.5 to <5	167	32	17.0	163	6.56	303	38.2	1.9	182	111.8	5	4
10.00 to <100.00	167	25	28.0	162	26.79	239	38.3	2.0	223	137.8	22	13
– 10 to <20	124	16	24.0	117	12.46	193	38.1	2.0	167	142.6	7	5
– 30 to <100	43	9	36.0	45	64.33	46	38.8	2.0	56	125.4	15	8
100.00 (Default)	303	17	29.0	284	100.00	292	39.3	2.0	—	—	112	60
Sub-total	5,012	1,283	17.0	5,071	7.47	8,070	38.5	2.7	2,988	58.9	160	95
FIRB – Corporate – Other												
0.00 to <0.15	7,395	7,489	63.0	12,939	0.10	6,057	36.4	2.5	3,555	27.5	5	51
– 0.00 to <0.10	2,520	3,569	68.0	5,556	0.06	875	36.3	2.5	1,169	21.0	1	42
– 0.10 to <0.15	4,875	3,920	59.0	7,383	0.13	5,182	36.5	2.4	2,386	32.3	4	9
0.15 to <0.25	6,010	4,284	52.0	8,110	0.22	4,909	37.3	2.1	3,358	41.4	8	12
0.25 to <0.50	5,128	3,232	46.0	6,596	0.37	4,554	40.3	2.3	3,934	59.6	12	15
0.50 to <0.75	6,045	2,736	39.0	6,921	0.63	3,944	37.7	2.1	4,805	69.4	20	29
0.75 to <2.50	13,231	6,583	44.0	15,445	1.43	36,584	38.5	2.3	15,344	99.3	104	55
– 0.75 to <1.75	9,930	5,208	43.0	11,875	1.18	34,032	38.4	2.3	11,224	94.5	66	50
– 1.75 to <2.5	3,301	1,375	47.0	3,570	2.25	2,552	38.7	2.3	4,120	115.4	38	5
2.50 to <10.00	5,086	2,877	57.0	6,494	4.22	4,854	35.5	2.2	8,132	125.2	117	71
– 2.5 to <5	3,658	2,379	57.0	4,831	3.49	3,684	36.4	2.4	6,002	124.2	75	36
– 5 to <10	1,428	498	57.0	1,663	6.34	1,170	32.8	1.6	2,130	128.1	42	35
10.00 to <100.00	1,473	584	39.0	1,614	19.35	1,036	38.5	1.9	3,027	187.5	147	98
– 10 to <20	1,304	516	35.0	1,399	12.77	932	38.3	1.9	2,668	190.7	82	70
– 30 to <100	169	68	71.0	215	62.07	104	40.1	1.5	359	166.9	65	29
100.00 (Default)	1,603	373	61.0	1,757	100.00	1,469	40.2	1.7	—	—	705	335
Sub-total	45,971	28,158	52.0	59,876	4.45	63,407	37.7	2.2	42,155	70.4	1,118	665
FIRB – Total at 31 Dec 2024	50,983	29,441	50.0	64,947		71,477		2.3	45,143	69.5	1,278	760

The table below sets out the specialised lending exposures by different regulatory slotting categories split by remaining maturity.

Table 38: Specialised lending and equity exposures under the simple risk-weight approach (CR10)

Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)		On-balance sheet amount £m	Off-balance sheet amount £m	Risk weight %	Exposure amount £m	RWAs £m	Expected loss £m
Regulatory categories	Remaining maturity						
Category 1	Less than 2.5 years	3,830	419	50	4,082	2,055	—
	Equal to or more than 2.5 years	2,060	404	70	2,343	1,630	10
Category 2	Less than 2.5 years	1,078	161	70	1,197	838	5
	Equal to or more than 2.5 years	692	145	90	797	718	6
Category 3	Less than 2.5 years	130	13	115	138	159	4
	Equal to or more than 2.5 years	23	—	115	23	26	1
Category 4	Less than 2.5 years	255	6	250	258	648	20
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	196	3	—	198	—	99
	Equal to or more than 2.5 years	5	7	—	10	—	5
Total at 31 Dec 2025	Less than 2.5 years	5,489	602	—	5,873	3,700	128
	Equal to or more than 2.5 years	2,780	556	—	3,173	2,374	22

Table 38: Specialised lending and equity exposures under the simple risk-weight approach (CR10) (continued)

Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected loss
Regulatory categories	Remaining maturity	£m	£m	%	£m	£m	£m
Category 1	Less than 2.5 years	2,984	553	50	3,327	1,663	—
	Equal to or more than 2.5 years	1,098	139	70	1,189	833	5
Category 2	Less than 2.5 years	1,575	93	70	1,628	1,140	6
	Equal to or more than 2.5 years	637	92	90	705	634	5
Category 3	Less than 2.5 years	338	7	115	342	393	10
	Equal to or more than 2.5 years	56	2	115	57	65	2
Category 4	Less than 2.5 years	73	55	250	114	284	9
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	209	2	—	209	—	105
	Equal to or more than 2.5 years	50	10	—	58	—	29
Total at 31 Dec 2024	Less than 2.5 years	5,179	710	—	5,620	3,480	130
	Equal to or more than 2.5 years	1,841	243	—	2,009	1,532	41

Counterparty credit risk

Counterparty credit risk management

CCR is the risk that a counterparty may default before completing the satisfactory settlement of the transaction. It arises on derivatives, securities financing transactions and exposures to central counterparties ('CCPs') in both the trading and non-trading books.

Limits for CCR exposures, including to central counterparties, are assigned within the overall credit risk management process. The credit risk function assigns a limit against each counterparty to cover exposure which may arise as a result of a counterparty default.

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

- the Internal Model Method ('IMM');

- the Standardised Approach (SA-CCR) – for derivatives and long settlement transactions;
- the simple/comprehensive approach to recognition of collateral with SFTs; and
- the Value at Risk models approach, applicable for SFTs. HSBC UK uses the standardised approach to determine CCR exposures. Under the SA-CCR approach, the EAD is calculated as the sum of Replacement Cost and PFE multiplied by an alpha factor of 1.4.

We enhanced our counterparty credit calculation processes related to the treatment of posted securities collateral to central banks for liquidity purposes in 2Q25 and this has impacted the current period disclosures in our tables below. Comparatives have not been restated.

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

Table 39: Analysis of counterparty credit risk exposure by approach (excluding centrally cleared exposures) (CCR1)

	Replacement cost	Potential future exposure	Effective expected positive exposure ¹	Alpha used for computing regulatory exposure value	EAD pre-CRM	EAD post-CRM	Exposure Value	RWAs
	£m	£m	£m		£m	£m	£m	£m
1 SA-CCR (for derivatives)	17	150	—	1.40	290	233	233	99
4 Financial collateral comprehensive method (for SFTs)					28,043	4,006	4,006	33
6 Total at 31 Dec 2025					28,333	4,239	4,239	132
1 SA-CCR (for derivatives)	28	174	—	1.40	283	283	283	87
4 Financial collateral comprehensive method (for SFTs)					254	255	255	25
6 Total at 31 Dec 2024					537	538	538	112

1 Effective expected positive exposure column is not relevant for HSBC UK, as the exposures are calculated under SA-CCR.

Credit valuation adjustment

CVA represent the risk of mark-to-market losses on the expected counterparty risk to over-the-counter ('OTC') derivatives and SFTs that are subject to fair-value accounting.

HSBC UK applies the standardised approach for CVA. Certain qualifying central counterparties are exempt from CVA.

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

Table 40: Credit valuation adjustment capital charge (CCR2)

	At 31 Dec 2025		At 31 Dec 2024	
	Exposure value	RWAs	Exposure value	RWAs
	£m	£m	£m	£m
4 Transactions subject to the Standardised method	116	22	174	38
5 Total transactions subject to own funds requirements for CVA risk	116	22	174	38

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

Table 41: Standardised approach – CCR exposures by regulatory exposure class and risk weights (CCR3)

Risk weight		0%	4%	20%	50%	100%	150%	Total exposure value
		£m	£m	£m	£m	£m	£m	£m
1	Central Government and Central Banks	3,756	—	—	—	—	—	3,756
6	Institutions	—	—	62	21	—	—	83
	Total at 31 Dec 2025	3,756	—	62	21	—	—	3,839
1	Central Government and Central Banks	—	—	—	—	—	—	—
6	Institutions	—	—	68	11	—	—	79
	Total at 31 Dec 2024	—	—	68	11	—	—	79

Collateral arrangements

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

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

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

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

► Further information on gross fair value exposure and the offset due to legally enforceable netting and collateral is set out on page 116 of the Annual Report and Accounts 2025.

Table 42: Composition of collateral for CCR exposure (CCR5)

	Collateral used in derivative transactions				Collateral used in SFTs		
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	£m	£m	
	£m	£m	£m	£m	£m	£m	
1	Cash	—	292	—	252	—	—
2	Debt	7	—	2,271	—	28,786	18,247
5	Total at 31 Dec 2025	7	292	2,271	252	28,786	18,247
1	Cash	—	247	—	819	—	—
2	Debt	12	—	2,244	—	15,979	5,590
5	Total at 31 Dec 2024	12	247	2,244	819	15,979	5,590

Central counterparties

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

To manage the significant concentration of risk in CCPs that results from this, we have developed a risk appetite framework at an

individual CCP and global level. A dedicated CCP risk team has been established to manage the interface with CCPs and undertake in-depth due diligence of the unique risks associated with these organisations.

The table below provides the exposures and RWAs breakdown related to CCPs.

Table 43: Exposures to central counterparties (CCR8)

		At			
		31 Dec 2025		31 Dec 2024	
		Exposure value	RWAs	EAD post-CRM	RWAs
		£m	£m	£m	£m
1	Exposures to qualifying central counterparties ('QCCPs') (total)		101		93
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	1,525	31	1,826	37
3	– OTC derivatives	659	13	615	12
5	– securities financing transactions	866	18	1,211	24
7	Segregated initial margin	2,224		2,180	
9	Pre-funded default fund contributions	175	70	135	57
10	Unfunded default fund contributions	524	–	406	–

Wrong-way risk

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

There are two types of wrong-way risk:

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

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

Credit rating downgrade

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

There were no credit rating downgrade trigger events impacting HSBC UK Bank plc in 2025.

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

Table 44: IRB - CCR exposures by portfolio and PD scale (CCR4)

PD scale	Exposure value £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	RWAs £m	Density of risk weighted exposure amounts %
AIRB – Institutions							
PD scale							
0.00 to <0.15	274	0.04	31	45.0	0.57	43	16
0.15 to <0.25	—	0.22	2	45.0	1.00	—	45
0.25 to <0.50	—	—	—	—	—	—	—
0.50 to <0.75	—	—	—	—	—	—	—
0.75 to <2.50	—	—	—	—	—	—	—
Sub-total	274	0.04	33	45.0	0.57	43	16
FIRB – Corporates							
0.00 to <0.15	54	0.08	119	45.0	0.36	8	16
0.15 to <0.25	16	0.22	142	45.0	1.06	6	39
0.25 to <0.50	8	0.37	103	45.0	1.01	4	52
0.50 to <0.75	8	0.63	76	45.0	1.03	6	70
0.75 to <2.50	35	1.50	193	45.0	0.98	36	104
2.50 to <10.00	2	4.34	35	45.0	1.00	3	149
10.00 to <100.00	1	17.02	16	45.0	1.01	2	226
100.00 (Default)	—	100.00	10	45.0	1.00	—	—
FIRB – Total at 31 Dec 2025	125	0.89	694	45.0	0.72	66	53
Total (all portfolio) at 31 Dec 2025	399	0.31	727	45.0	0.62	109	27
PD scale							
AIRB – Institutions							
0.00 to <0.15	498	0.05	21	45.0	0.56	64	13
0.15 to <0.25							
0.25 to <0.50							
0.50 to <0.75	—	0.63	1	45.0	1.00	—	62
0.75 to <2.50	—	—	—	—	—	—	—
Sub-total	498	0.05	22	45.0	0.56	64	13
FIRB – Corporates							
0.00 to <0.15	12	0.13	105	45.0	1.04	3	27
0.15 to <0.25	16	0.22	152	45.0	1.02	6	38
0.25 to <0.50	10	0.37	115	45.0	1.01	5	53
0.50 to <0.75	10	0.63	79	45.0	1.03	7	70
0.75 to <2.50	25	1.36	190	45.0	1.00	23	93
2.50 to <10.00	5	4.16	40	45.0	1.00	7	140
10.00 to <100.00	—	21.09	11	45.0	1.00	1	219
100.00 (Default)	—	100.00	12	45.0	1.00	—	—
FIRB – Total at 31 Dec 2024	78	1.25	704	45.0	1.02	52	67
Total (all portfolio) at 31 Dec 2024	576	0.21	726	45.0	0.63	117	20

Securitisation

Securitisation strategy

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

Securitisations follow a detailed due diligence framework in accordance with the securitisation framework. Wholesale Credit Risk conducts the credit approval process for securitisations in the banking book. HSBC UK does not provide support to its originated or sponsored securitisation transactions as a policy, other than through any interest it has retained in the securitised exposures.

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

SPE	Underlying assets	Start date	Maturity date	EAD (£m)	Capital requirement before securitisation (£m)	Capital requirement after securitisation (£m)
Neon Portfolio Distribution DAC	Corporate loans	Dec-19	Dec-26	177	23	11
Neon Portfolio Distribution DAC	Corporate loans	Dec-23	Dec-30	1,788	156	35
Neon Portfolio Distribution DAC	Corporate loans	Dec-25	Dec-32	4,515	291	67

HSBC UK as originator

We are originator of three securitisation programmes outstanding as at 31 December 2025. We have used SPE (Neon Portfolio Distribution) to securitise customer loans and advances and other debt that we have originated in order to diversify our sources of funding for asset origination and for capital efficiency purposes.

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

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

HSBC UK maintains an unhedged holding of at least 5% in each reference obligation. None of these transactions are categorised as Simple Transparent and Standardised ('STS') as per securitisation framework.

▶ Further details are available in Note 14 of the Financial Statements in the Annual Report and Accounts 2025.

HSBC UK as investor

We have exposure to third-party securitisations across sectors in the form of investments and liquidity facilities.

Monitoring of securitisation positions

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

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

Securitisation accounting treatment

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

Securitisation activity

Our roles in the securitisation process are as follows:

- originator: where we originate the assets being securitised, either directly or indirectly; and
- investor: where we invest in a securitisation transaction directly or provide derivatives or liquidity facilities to a securitisation.

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

▶ Full details of these assessments and our accounting policy on structured entities may be found in Note 1.2(a) and Note 14 on the Financial Statements respectively of the Annual Report and Accounts 2025.

Valuation of securitisation positions

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

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

Securitisation regulatory treatment

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

For all securitisation positions we follow the hierarchy of RWA calculation approaches as described in the securitisation framework. Our originated positions are all reported under the Sec-IRBA.

Analysis of securitisation exposures

Our involvement in securitisation activities during the year include:

- £6.5bn positions held as synthetic transactions (31 December 2024: £2.5bn).
- no assets awaiting securitisation and no material realised losses on securitisation asset disposals, and no material unrealised losses on asset-backed disposals; and
- off-balance sheet exposure of £1.5bn (31 December 2024: £0.5bn), mainly related to contingent liquidity lines provided to securitisation vehicles. The exposures types are spread across multiple products.

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

Table 45: IRB – Securitisation exposures in the non-trading book (SEC1)

	Bank acts as originator						Bank acts as sponsor				Bank acts as investor				
	Traditional			Synthetic			Traditional				Traditional				
	STS		Non-STS		of which:		Sub-total	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total
	Total	of which: SRT	Total	of which: SRT	Total	of which: SRT									
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
1 Total at 31 Dec 2025	–	–	–	–	6,480	6,480	6,480	–	–	–	–	260	927	–	1,187
2 Retail (total)	–	–	–	–	–	–	–	–	–	–	–	260	386	–	646
3 – residential mortgage	–	–	–	–	–	–	–	–	–	–	–	260	–	–	260
5 – other retail exposures	–	–	–	–	–	–	–	–	–	–	–	–	386	–	386
7 Wholesale (total)	–	–	–	–	6,480	6,480	6,480	–	–	–	–	–	541	–	541
8 – loans to corporates	–	–	–	–	6,480	6,480	6,480	–	–	–	–	–	300	–	300
10 – lease and receivables	–	–	–	–	–	–	–	–	–	–	–	–	75	–	75
11 – other wholesale	–	–	–	–	–	–	–	–	–	–	–	–	166	–	166
1 Total at 31 Dec 2024	–	–	–	–	2,538	2,538	2,538	–	–	–	–	264	951	–	1,215
2 Retail (total)	–	–	–	–	–	–	–	–	–	–	–	264	676	–	940
3 – residential mortgage	–	–	–	–	–	–	–	–	–	–	–	264	–	–	264
5 – other retail exposures	–	–	–	–	–	–	–	–	–	–	–	–	676	–	676
7 Wholesale (total)	–	–	–	–	2,538	2,538	2,538	–	–	–	–	–	275	–	275
8 – loans to corporates	–	–	–	–	2,538	2,538	2,538	–	–	–	–	–	200	–	200
10 – lease and receivables	–	–	–	–	–	–	–	–	–	–	–	–	75	–	75
11 – other wholesale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

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

Table 46: Securitisation exposures in the non-trading book and associated regulatory capital requirements – bank acting as originator or as sponsor (SEC3)

	Exposure values (by risk weight bands/deductions)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charge after cap			
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 Total at 31 Dec 2025	6,453	–	–	23	4	6,476	–	–	4	1,354	–	–	55	108	–	–	4
9 Synthetic transactions	6,453	–	–	23	4	6,476	–	–	4	1,354	–	–	55	108	–	–	4
10 Securitisation	6,453	–	–	23	4	6,476	–	–	4	1,354	–	–	55	108	–	–	4
12 – wholesale	6,453	–	–	23	4	6,476	–	–	4	1,354	–	–	55	108	–	–	4
1 Total at 31 Dec 2024	2,522	–	–	16	–	2,538	–	–	–	713	–	–	–	57	–	–	–
9 Synthetic transactions	2,522	–	–	16	–	2,538	–	–	–	713	–	–	–	57	–	–	–
10 Securitisation	2,522	–	–	16	–	2,538	–	–	–	713	–	–	–	57	–	–	–
12 – wholesale	2,522	–	–	16	–	2,538	–	–	–	713	–	–	–	57	–	–	–

The table below presents RWAs and exposures by type, risk-weight bands and regulatory approach in the non-trading book and associated regulatory capital requirements where we act as an investor.

Table 47: Securitisation exposures in the non-trading book and associated capital requirements – bank acting as investor (SEC4)

	Exposure values (by risk weight bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charge after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to 1250% RW	1250%/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/deductions
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Total at 31 Dec 2025	841	300	–	46	–	–	1,187	–	–	–	183	–	–	–	15	–
2	Traditional securitisation	841	300	–	46	–	–	1,187	–	–	–	183	–	–	–	15	–
3	Securitisation	841	300	–	46	–	–	1,187	–	–	–	183	–	–	–	15	–
4	– retail underlying	646	–	–	–	–	–	646	–	–	–	85	–	–	–	7	–
5	of which: STS	260	–	–	–	–	–	260	–	–	–	27	–	–	–	2	–
6	– Wholesale	195	300	–	46	–	–	541	–	–	–	98	–	–	–	8	–
1	Total at 31 Dec 2024	1,015	200	–	–	–	–	1,215	–	–	–	186	–	–	–	15	–
2	Traditional securitisation	1,015	200	–	–	–	–	1,215	–	–	–	186	–	–	–	15	–
3	Securitisation	1,015	200	–	–	–	–	1,215	–	–	–	186	–	–	–	15	–
4	– retail underlying	940	–	–	–	–	–	940	–	–	–	129	–	–	–	10	–
5	of which: STS	264	–	–	–	–	–	264	–	–	–	27	–	–	–	2	–
6	– Wholesale	75	200	–	–	–	–	275	–	–	–	57	–	–	–	5	–

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

Table 48: Exposures securitised by the institution – Institution acts as originator or as sponsor (SEC5)

	Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period	
	of which: exposures in default			
	£m	£m	£m	
1	Total at 31 Dec 2025	6,980	40	18
7	Wholesale (total)	6,980	40	18
8	– loans to corporates	6,980	40	18
1	Total at 31 Dec 2024	2,918	72	14
7	Wholesale (total)	2,918	72	14
8	– loans to corporates	2,918	72	14

Market risk

Overview of market risk

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

► Further explanation of the group's approach to managing market risk can be found from page 58 of the Annual Report and Accounts 2025.

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

Table 49: Market risk under standardised approach (MR1)

		At	
		31 Dec 2025	31 Dec 2024
		RWAs	RWAs
		£m	£m
Outright products			
1	Interest rate risk (general and specific)	29	49
3	Foreign exchange risk	68	124
9	Total	97	173

Prudent valuation adjustment

Prudent value represents a conservative estimate with a 90% degree of certainty of a price that would be received to sell an asset or paid to transfer a liability in orderly transactions occurring between market participants at the balance sheet date.

HSBC's methodology addresses fair value uncertainties arising from a number of sources: market price uncertainty, bid-offer uncertainty, model risk, concentration, administrative costs, unearned credit spreads and investing and funding costs.

HSBC has documented policies and maintains systems and controls for the calculation of the prudent valuation adjustment ('PVA').

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

Table 50: Prudential valuation adjustments (PV1)

		Risk Category					Category level AVA – Valuation uncertainty		Total category level post-diversification	of which: in the trading book	of which: in the banking book
		Equity	Interest rates	FX	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA			
		£m	£m	£m	£m	£m	£m	£m	£m	£m	
1	Market price uncertainty	4	1	—	—	—	—	—	2	—	2
3	Close-out cost	—	8	—	—	—	—	—	4	—	4
4	Concentrated positions	—	—	—	—	—	—	—	—	—	—
7	Operational risk	—	1	—	—	—	—	—	1	—	1
10	Future administrative costs	—	2	—	—	—	—	—	2	—	2
12	Total Additional Valuation Adjustments ('AVAs') as at 31 Dec 2025	—	—	—	—	—	—	—	9	—	9
1	Market price uncertainty	3	2	—	—	—	—	—	4	—	4
3	Close-out cost	—	10	—	—	—	—	—	5	—	5
4	Concentrated positions	—	—	—	—	—	—	—	—	—	—
7	Operational risk	—	1	—	—	—	—	—	1	—	1
10	Future administrative costs	—	2	—	—	—	—	—	2	—	2
12	Total Additional Valuation Adjustments ('AVAs') as at 31 Dec 2024	—	—	—	—	—	—	—	12	—	12

Non-financial risk

Non-financial risk is the risk of loss resulting from people, inadequate or failed internal processes, data or systems and external events. Sound non-financial risk management is central to achieving fair outcomes for our customers, growing our business safely, and maintaining the orderly and transparent operation of financial markets. Non-financial risk is relevant to every aspect of our business and is broadly managed through the Risk Management Framework ('RMF'). Non-financial risk covers a wide spectrum of areas, including resilience risk, financial crime risk, regulatory compliance risk, financial reporting and tax risk, legal risk, model risk and people risk.

Losses arising from breaches of regulation and law, unauthorised activities, error, omission, fraud, systems failure or external events all fall within the definition of non-financial risk.

Operational risk capital requirements

Operational risk is part of non-financial risk. The table below provides details of the overall calculation. We currently use the standardised approach ('TSA') in determining our operational risk capital requirement.

Table 51: Operational risk own funds requirements and risk-weighted exposure amounts (OR1)

	Relevant indicator			Own funds requirements £m	Risk weighted exposure amount £m
	2023 £m	2024 £m	2025 £m		
Banking activities					
2	Banking activities subject to standardised (TSA)/alternative standardised (ASA) approaches			1,345	16,814
3	Subject to TSA:				
	Trading and Sales	(383)	(51)	41	
	Commercial Banking	4,405	4,405	4,546	
	Retail Banking	5,259	5,233	5,496	
	Payment and Settlement	215	216	212	
	Agency Services	44	47	45	
	Asset Management	120	132	147	

Organisation and responsibilities

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

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

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

Measurement and monitoring

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

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

enables assessment of the risk impact and risk likelihood to understand the cost and wider consequences of risk materialisation, as well as the evaluation of potential further actions by management.

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

Risk and control assessment approach

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

Recording

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

Other risk

Countercyclical capital buffer

The table below discloses the geographical distribution of credit exposures relevant to the calculation of the countercyclical buffer under Article 440 of CRR II. Exposures to central governments, central banks, regional governments, local authorities, public sector entities, multilateral development banks, international organisations and institutions are excluded and therefore differ from those presented in the credit and counterparty credit risk sections. Countries or territories that have a CCyB requirement, or have an own funds requirement of greater than 0.1%, or that are material in nature are disclosed below.

Table 52: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (UK CCyB1)

Country	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures	Own funds requirements							
	SA £m	IRB £m	Sum of long/short positions for SA £m	Internal models £m	Total Exposure value for non-trading book £m	Total exposure value £m	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Securitisation positions in the non-trading book	Total £m	Risk weighted exposure amounts £m	Own funds requirements weights %	CCyB rate %
							£m	£m	£m				
Albania	–	–	–	–	–	–	–	–	–	–	–	–	0.50
Armenia	–	1	–	–	–	1	–	–	–	–	–	–	1.75
Australia	21	316	–	–	–	336	6	–	–	6	78	0.08	1.00
Belgium	22	8	–	–	–	31	2	–	–	2	23	0.02	1.00
Bulgaria	–	3	–	–	–	3	–	–	–	–	1	–	2.00
Canada	–	231	–	–	–	231	14	–	–	14	172	0.17	–
Chile	–	1	–	–	–	1	–	–	–	–	–	–	0.50
Croatia	–	1	–	–	–	1	–	–	–	–	–	–	1.50
Cyprus	–	12	–	–	–	12	–	–	–	–	3	–	1.00
Czech Republic	4	4	–	–	–	8	–	–	–	–	5	–	1.25
Denmark	213	9	–	–	–	222	14	–	–	14	177	0.18	2.50
Estonia	–	–	–	–	–	–	–	–	–	–	–	–	1.50
France	–	85	–	–	–	85	1	–	–	1	11	0.01	1.00
Germany	338	46	–	–	–	384	28	–	–	28	352	0.36	0.75
Greece	–	14	–	–	–	14	–	–	–	–	2	–	0.25
Guernsey	426	87	–	–	–	514	36	–	–	36	455	0.46	–
Hong Kong	–	949	–	–	–	949	17	–	–	17	217	0.22	0.50
Hungary	–	14	–	–	–	14	–	–	–	–	4	–	1.00
Iceland	–	–	–	–	–	–	–	–	–	–	–	–	2.50
Ireland	181	201	–	–	–	382	22	–	–	22	279	0.28	1.50
Jersey	967	550	–	–	–	1,516	112	–	–	112	1,395	1.42	–
Korea, Republic Of	–	3	–	–	–	3	–	–	–	–	–	–	1.00
Latvia	–	1	–	–	–	1	–	–	–	–	–	–	1.00
Lithuania	–	1	–	–	–	1	–	–	–	–	–	–	1.00
Luxembourg	2,940	228	–	–	–	3,168	252	–	–	252	3,154	3.20	0.50
Macedonia, The Former Yugoslav Republic Of	–	–	–	–	–	–	–	–	–	–	–	–	1.75
Montenegro	–	–	–	–	–	–	–	–	–	–	–	–	0.50
Netherlands	106	851	–	–	–	957	36	–	–	36	451	0.46	2.00
Norway	28	38	–	–	–	66	3	–	–	3	35	0.04	2.50
Poland	14	46	–	–	–	60	2	–	–	2	21	0.02	1.00
Romania	–	6	–	–	–	6	–	–	–	–	1	–	1.00
Russian Federation	–	1	–	–	–	1	–	–	–	–	–	–	0.50
Slovakia	8	2	–	–	–	11	1	–	–	1	8	0.01	1.50
Slovenia	–	–	–	–	–	–	–	–	–	–	–	–	1.00
Spain	–	57	–	–	–	57	1	–	–	1	8	0.01	0.50
Sweden	466	11	–	–	–	477	38	–	–	38	470	0.48	2.00
Switzerland	–	358	–	–	–	358	11	–	–	11	141	0.14	–
United Arab Emirates	4	547	–	–	–	551	11	–	–	11	132	0.13	–
United Kingdom	7,448	253,142	–	–	7,621	268,210	7,031	–	127	7,158	89,474	90.82	2.00
United States	362	2,006	–	–	–	2,368	83	–	–	83	1,034	1.05	–
Other Countries	78	1,680	–	–	–	1,758	33	–	–	33	411	0.42	–
Total	13,626	261,510	–	–	7,621	282,757	7,754	–	127	7,881	98,514	100.00	–

Table 52: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (UK CCyB1) (continued)

Country	General credit exposures		Relevant credit exposures – Market risk		Securitisat-ion exposures	Own funds requirements								
	SA	IRB	Sum of long/short positions for SA	Internal models		Total Exposure value for non-trading book	Total exposure value	Relevant credit exposures – Credit risk	Relevant credit exposures – Market risk	Securitisat-ion positions in the non-trading book	Total	Risk weighted exposure amounts	Own funds requirements weights	CCyB rate
								£m	£m	£m				
Armenia	—	1	—	—	—	1	—	—	—	—	—	—	1.50	
Australia	10	277	—	—	—	287	5	—	—	5	67	0.07	1.00	
Belgium	23	17	—	—	—	40	2	—	—	2	26	0.03	1.00	
Bulgaria	—	4	—	—	—	4	—	—	—	—	1	—	2.00	
Canada	—	237	—	—	—	237	11	—	—	11	142	0.15	—	
Chile	—	1	—	—	—	1	—	—	—	—	—	—	0.50	
Croatia	—	—	—	—	—	—	—	—	—	—	—	—	1.50	
Curaçao	—	56	—	—	—	56	18	—	—	18	231	0.25	—	
Cyprus	—	8	—	—	—	8	—	—	—	—	1	—	1.00	
Czech Republic	—	10	—	—	—	10	—	—	—	—	5	—	1.25	
Denmark	147	8	—	—	—	155	9	—	—	9	115	0.13	2.50	
Estonia	—	—	—	—	—	—	—	—	—	—	—	—	1.50	
France	—	78	—	—	—	78	1	—	—	1	12	0.01	1.00	
Germany	317	86	—	—	—	403	28	—	—	28	346	0.38	0.75	
Guernsey	454	46	—	—	—	500	37	—	—	37	464	0.50	—	
Hong Kong	—	1,315	—	—	—	1,315	22	—	—	22	281	0.30	0.50	
Hungary	—	5	—	—	—	5	—	—	—	—	1	—	0.50	
Iceland	—	—	—	—	—	—	—	—	—	—	—	—	2.50	
Ireland	238	196	—	—	—	434	25	—	—	25	313	0.34	1.50	
Jersey	783	325	—	—	—	1,108	84	—	—	84	1,051	1.14	—	
Korea, Republic Of	—	3	—	—	—	3	—	—	—	—	—	—	1.00	
Latvia	—	1	—	—	—	1	—	—	—	—	—	—	0.50	
Lithuania	—	1	—	—	—	1	—	—	—	—	—	—	1.00	
Luxembourg	2,466	311	—	—	—	2,777	205	—	—	205	2,563	2.78	0.50	
Netherlands	110	825	—	—	—	935	40	—	—	40	497	0.54	2.00	
Norway	17	28	—	—	—	45	2	—	—	2	28	0.03	2.50	
Romania	—	11	—	—	—	11	—	—	—	—	3	—	1.00	
Slovakia	—	7	—	—	—	7	—	—	—	—	3	—	1.50	
Slovenia	—	—	—	—	—	—	—	—	—	—	—	—	0.50	
Spain	113	31	—	—	—	144	9	—	—	9	118	0.13	—	
Sweden	364	8	—	—	—	372	29	—	—	29	367	0.40	2.00	
Switzerland	—	319	—	—	—	319	9	—	—	9	115	0.12	—	
United Arab Emirates	4	691	—	—	—	695	11	—	—	11	139	0.15	—	
United Kingdom	5,892	245,115	—	—	3,753	254,760	6,622	—	72	6,694	83,677	90.75	2.00	
United States	304	2,480	—	—	—	2,784	93	—	—	93	1,159	1.26	—	
Other countries	110	1,833	—	—	—	1,943	43	—	—	43	484	0.52	—	
Total at 31 Dec 2024	11,352	254,334	—	—	3,753	269,439	7,305	—	72	7,377	92,209	100.00	—	

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

Table 53: Amount of institution-specific countercyclical capital buffer (UK CCyB2)

	2025	2024
Total Risk Exposure Amount (£m)	117,463	110,423
Institution specific countercyclical capital buffer rate (%)	1.87	1.86
Institution specific countercyclical capital buffer requirement (£m)	2,192	2,056

Remuneration

As a wholly-owned subsidiary, the bank is subject to the remuneration practices established by HSBC Group. Details of HSBC Group's remuneration practices, including details on the Remuneration Committee membership and its activities, the remuneration strategy, and remuneration structure of HSBC Identified Staff and Material Risk Takers ('MRT') is available in the Directors' Remuneration Report from page 216 of the HSBC Holdings plc Annual Report and Accounts 2025.

The 2025 variable pay information included in the following tables is based on the market value of awards. For share awards, the market value is based on HSBC Holdings' share price at the date of grant

(unless indicated otherwise). For cash awards, it is the value of awards expected to be paid to the individual over the deferral period.

The following tables show the remuneration awards made to Identified Staff and MRTs in the bank for 2025. Individuals have been identified as MRTs as set out in the European Union Regulatory Technical Standard ('RTS') 2021/923. The tables below include the total remuneration of HSBC UK senior management and other individuals identified as HSBC UK MRTs based on their role and professional activities. This also includes certain individuals employed by the group who have broader roles within the HSBC Group, for example those with global roles.

Table 54: Remuneration awarded for the financial year (REM1)

		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed Remuneration	Number of identified staff	10.0	3.0	8.0	116.8
	Total fixed remuneration (£m)	2.1	2.6	5.6	32.5
	– of which: cash-based (£m) ¹	2.1	2.6	5.6	32.5
Variable Remuneration	Number of identified staff	10.0	3.0	8.0	116.8
	Total variable remuneration (£m) ^{3,4}	–	3.8	8.3	27.9
	– of which: cash-based (£m)	–	1.9	4.3	17.0
	– of which: deferred (£m)	–	1.1	2.3	5.0
	– of which: shares or equivalent ownership interests (£m) ²	–	1.9	4.0	10.9
	– of which: deferred (£m)	–	1.1	2.3	5.0
Total (£m)		2.1	6.4	13.9	60.4

1 Cash-based fixed remuneration is paid immediately.

2 Paid in HSBC shares. Vested shares are subject to a retention period of up to one year.

3 Variable pay awarded in respect of 2025. In accordance with shareholder approval received on 3 May 2024 (99% in favour), and where regulations permit, for each MRT the variable component of remuneration for any one year is limited to ten times the fixed component of total remuneration, in line with the maximum pay ratio approved by the Group Remuneration Committee. HSBC Holdings plc continues to provide approval for entities regulated by the European Banking Authority to operate a maximum variable pay ratio of 200% of the fixed component of total remuneration for each MRT, where permitted to do so.

4 Seven identified staff members were exempt from the application of the remuneration structure requirements for MRTs under the PRA and FCA remuneration rules. Their total remuneration is £1.3m, of which £1.0m is fixed pay and £0.3m is variable remuneration.

Table 55: Special payments to staff whose professional activities have a material impact on institutions' risk profile (REM2)

	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards¹				
Guaranteed variable remuneration awards – Number of identified staff	–	–	–	–
Guaranteed variable remuneration awards – Total amount (£m)	–	–	–	–
– of which: guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap (£m)	–	–	–	–
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year – Number of identified staff ²	–	–	–	1.0
Severance payments awarded in previous periods, that have been paid out during the financial year – Total amount (£m)	–	–	–	0.3
Severance payments awarded during the financial year				
Severance payments awarded during the financial year – Number of identified staff ²	–	–	1.0	21.0
Severance payments awarded during the financial year – Total amount (£m)	–	–	0.3	5.8
– of which paid during the financial year (£m)	–	–	0.3	5.0
– of which deferred (£m)	–	–	–	–
– of which severance payments paid during the financial year, that are not taken into account in the bonus cap (£m)	–	–	0.3	5.8
– of which highest payment that has been awarded to a single person (£m)	–	–	0.3	0.7

1 No guaranteed variable remuneration was awarded in 2025. HSBC would offer a guaranteed variable remuneration award in exceptional circumstances for new hires, and for the first year of employment only. It would typically involve a critical new hire, and would also depend on factors such as the seniority of the individual, whether the new hire candidate has any competing offers and the timing of the hire during the performance year.

2 Includes payments such as payment in lieu of notice, statutory severance, outplacement service, legal fees, ex-gratia payments and settlements (excludes pre-existing benefit entitlements triggered on terminations).

Table 56: Deferred remuneration at 31 December¹ (REM3)

Deferred and retained remuneration – £m	Total amount of deferred remuneration awarded for previous performance periods	of which: due to vest in the financial year	of which: vesting in subsequent financial years	Total amount of adjustment during the financial year due to ex post implicit adjustments	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory function	2.0	0.6	1.5	0.4	0.6	0.2
Cash-based	0.6	0.2	0.5	–	0.2	–
Shares or equivalent ownership interests	1.4	0.4	1.0	0.4	0.4	0.2
Share-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–
Other forms	–	–	–	–	–	–
MB Management function	14.4	1.4	13.1	3.3	1.4	0.7
Cash-based	4.2	0.4	3.8	–	0.4	–
Shares or equivalent ownership interests	10.2	1.0	9.3	3.3	1.0	0.7
Share-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–
Other forms	–	–	–	–	–	–
Other senior management	22.6	2.8	19.9	4.4	2.8	0.7
Cash-based	7.1	1.0	6.2	–	1.0	–
Shares or equivalent ownership interests	15.5	1.8	13.7	4.4	1.8	0.7
Share-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–
Other forms	–	–	–	–	–	–
Other identified staff	39.0	5.9	33.1	7.9	5.9	1.2
Cash-based	12.3	1.9	10.3	–	1.9	–
Shares or equivalent ownership interests	26.7	4.0	22.8	7.9	4.0	1.2
Share-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–
Other forms	–	–	–	–	–	–
Total amount	78.0	10.7	67.6	16.0	10.7	2.8

1 This table provides details of balances and movements during performance year 2025. For details of variable pay awards granted for 2025, refer to the 'Remuneration awarded for the financial year' table. Deferred remuneration is made in cash and/or shares. Share-based awards are made in shares of HSBC Holdings plc.

Table 57: Identified staff – Remuneration by band¹ (REM4)

	Identified staff that are high earners as set out in Article 450(i) CRR
€1,000,000 – 1,500,000	7
€1,500,000 – 2,000,000	4
€2,000,000 – 2,500,000	3
€2,500,000 – 3,000,000	3
€3,000,000 – 3,500,000	–
€3,500,000 – 4,000,000	–
€4,000,000 – 4,500,000	1
€4,500,000 – 5,000,000	–
€5,000,000 – 6,000,000	1
€6,000,000 – 7,000,000	–
€7,000,000 – 8,000,000	–

1 Table prepared in Euros in accordance with Article 450 of the European Union Capital Requirements Regulation, using the exchange rates published by the European Commission for financial programming and budget for December of the reported year as published on its website.

Table 58: Remuneration of staff whose professional activities have a material impact on institutions' risk profile (REM5)

	Management body remuneration			Business areas					Total
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Corporate functions	Independent internal control functions	All other	
Total number of identified staff									137.8
– of which: members of the MB	10.0	3.0	13.0						
– of which: other senior management				–	3.0	3.0	2.0	–	
– of which: other identified staff				6.0	68.9	17.0	23.9	1.0	
Total remuneration of identified staff (£m)	2.1	6.4	8.5	3.9	41.6	17.3	10.8	0.6	
– of which: variable remuneration (£m) ¹	–	3.8	3.8	2.4	19.9	9.4	4.3	0.2	
– of which: fixed remuneration (£m)	2.1	2.6	4.7	1.5	21.7	7.9	6.5	0.4	

1 Variable pay awarded in respect of 2025. In accordance with shareholder approval received on 3 May 2024 (99% in favour), and where regulations permit, for each MRT the variable component of remuneration for any one year is limited to ten times the fixed component of total remuneration, in line with the maximum pay ratio approved by the Group Remuneration Committee. HSBC Holdings plc continues to provide approval for entities regulated by the European Banking Authority to operate a maximum variable pay ratio of 200% of the fixed component of total remuneration for each MRT, where permitted to do so.

Appendix I

Summary of excluded disclosures

Template ref	Description	Rationale
UK CCA	Main features of regulatory own funds and eligible liabilities instruments	Published as supplement alongside this report at www.hsbc.com/investors
UK CCR6	Credit derivatives exposures	No reportable exposures
UK CCR7	RWA flow statements of CCR exposures under the IMM	HSBC UK does not have IMM permission for counterparty credit risk
UK CR9	Back-testing of PD per exposure class (fixed PD scale) for Sovereign and Institution exposure class	HSBC UK uses the HSBC Group's global models for exposures to Sovereigns and Institutions. The number of defaults in these models relating to HSBC UK customers is immaterial. Information on the performance of these global models can be found in the HSBC Holdings plc Pillar 3 Disclosures at 31 December 2025 published at www.hsbc.com/investors .
UK CR7	IRB – Effect on the RWA of credit derivatives used as CRM techniques	No reportable exposures
UK CR9.1	IRB approach- Backtesting of PD per exposures class (only for PD estimates according to point (f) of Article 180(1) CRR	No reportable exposures
UK CR10.5	Equity exposures under the simple risk-weighted approach	No reportable exposures
UK SEC2	Securitisation exposures in the trading book	No reportable exposures
UK MRB	Qualitative disclosure requirements for institutions using the internal Market Risk models	HSBC UK does not have IMA permission for market risk
UK MR2-A	Market Risk under the internal model approach ('IMA')	HSBC UK does not have IMA permission for market risk
UK MR2-B	RWA flow statements of market risk exposures under the IMA	HSBC UK does not have IMA permission for market risk
UK MR3	IMA values for trading portfolios	HSBC UK does not have IMA permission for market risk
UK MR4	Comparison of VaR estimates with gains/losses	No reportable exposures

Appendix II

Compliance with CRR II Pillar 3 Requirements

Article	Regulatory Requirements	Compliance reference
Disclosure requirements and policies		
431(1)	Institutions shall publicly disclose the information referred to in Titles II and III [A.435-455] in accordance with the provisions laid down in this Title, subject to the exceptions referred to in Article 432 [Non-Material, Proprietary or Confidential Information]	HSBC UK publishes Pillar 3 disclosures as required.
431 (2)	Institutions that have been granted permission by the competent authorities under Part Three for the instruments and methodologies referred to in Title III [A.452-455] of this Part shall publicly disclose the information laid down therein.	HSBC UK publishes the required information under Title III except for Advanced Operational Risk and IMA Market Risk which are not applicable.
431(3)	<p>The management body or senior management shall adopt formal policies to comply with the disclosure requirements laid down in this Part and put in place and maintain internal processes, systems and controls to verify that the institution's disclosures are appropriate and in compliance with the requirements laid down in this Part. At least one member of the management body or senior management shall attest in writing that the relevant institution has made the disclosures required under this Part in accordance with the formal policies and internal processes, systems and controls. The written attestation and the key elements of the institution's formal policies to comply with the disclosure requirements shall be included in the institutions' disclosures.</p> <p>Information to be disclosed in accordance with this Part shall be subject to the same level of internal verification as that applicable to the management report included in the institution's financial report.</p> <p>Institutions shall also have policies in place to verify that their disclosures convey their risk profile comprehensively to market participants. Where institutions find that the disclosures required under this Part do not convey the risk profile comprehensively to market participants, they shall publicly disclose information in addition to the information required to be disclosed under this Part. Nonetheless, institutions shall only be required to disclose information that is material and not proprietary or confidential in accordance with Article 432.</p>	Refer to 'Pillar 3 Governance' section on page 3.
431(4)	All quantitative disclosures shall be accompanied by a qualitative narrative and any other supplementary information that may be necessary in order for the users of that information to understand the quantitative disclosures, noting in particular any significant change in any given disclosure compared to the information contained in the previous disclosures.	Narratives are included to explain quantitative disclosures where required. Refer overarching statement under section 'comparatives and references' on page 3.
431(5)	Institutions shall, if requested, explain their rating decisions to SMEs and other corporate applicants for loans, providing an explanation in writing when asked. The administrative costs of the explanation shall be proportionate to the size of the loan.	When requested, HSBC UK provides rating decisions to SMEs and other corporates applicants for loans.
Non-material, proprietary or confidential information		
432 (1)	<p>With the exception of the disclosures laid down in point (c) of Article 435(2) [policy on diversity] and in Articles 437 [Own Funds] and 450 [Remuneration], institutions may omit one or more of the disclosures listed in Titles II and III where the information provided by those disclosures is not regarded as material.</p> <p>Information in disclosures shall be regarded as material where its omission or misstatement could change or influence the assessment or decision of a user of that information relying on it for the purpose of making economic decisions.</p>	
432 (2)	<p>Institutions may also omit one or more items of information referred to in Titles II and III where those items include information that is regarded as proprietary or confidential in accordance with this paragraph, except for the disclosures laid down in Articles 437 and 450. Information shall be regarded as proprietary to institutions where disclosing it publicly would undermine their competitive position. Proprietary information may include information on products or systems that would render the investments of institutions therein less valuable, if shared with competitors.</p> <p>Information shall be regarded as confidential where the institutions are obliged by customers or other counterparty relationships to keep that information confidential.</p>	HSBC UK complies with all relevant disclosure requirements. Items omitted from disclosures are listed in Appendix I on page 65.
432 (3)	In the exceptional cases referred to in paragraph 2, the institution concerned shall state in its disclosures the fact that the specific items of information are not disclosed and the reason for not disclosing those items, and publish more general information about the subject matter of the disclosure requirement, except where that subject matter is, in itself, proprietary or confidential.	
Frequency and scope of disclosures		
433	Institutions shall publish the disclosures required under Titles II and III in the manner set out in Articles 433a [Large Institutions], 433b [Small and Non-Complex Institutions] and 433c [Other Institutions] Annual disclosures shall be published on the same date as the date on which institutions publish their financial statements or as soon as possible thereafter. Semi-annual and quarterly disclosures shall be published on the same date as the date on which the institutions publish their financial reports for the corresponding period where applicable or as soon as possible thereafter. Any delay between the date of publication of the disclosures required under this Part and the relevant financial statements shall be reasonable.	<p>HSBC UK, complies with the frequency requirements set out in Article 433a.</p> <p>The annual Pillar 3 disclosures are disclosed on the same date as the Annual Report and Accounts.</p>
433a.1	Large institutions shall disclose the information outlined below with the following frequency: (a) all the information required under this Part on an annual basis; (b) on a semi-annual basis the information referred to in: (i) point (a) of Article 437; (ii) point (e) of Article 438; (iii) points (e) to (l) of Article 439; (iv) Article 440; (v) points (c), (e), (f) and (g) of Article 442; (vi) point (e) of Article 444; (vii) Article 445; (viii) point (a) and (b) of Article 448(1); (ix) point (j) to (l) of Article 449; (x) points (a) and (c) of Article 451(1); (xi) Article 451a(3); (xii) point (g) of Article 452; (xiii) points (f) to (j) of Article 453; (xiv) points (d), (e) and (g) of Article 455; (c) on a quarterly basis the information referred to in: (i) points (d) and (h) of Article 438; (ii) the key metrics referred to in Article 447; (iii) Article 451a(2).	HSBC UK comply with the frequency requirements set out in this article.

Article	Regulatory Requirements	Compliance reference
433a.2	By way of derogation from paragraph 1, large institutions other than G-SIIs that are non-listed institutions shall disclose the information outlined below with the following frequency: (a) all the information required under this Part on an annual basis; (b) the key metrics referred to in Article 447 on a semi-annual basis.	This disclosure is not applicable as HSBC UK is not a 'non-listed institution'.
433a.3	Large institutions that are subject to Article 92a, or are material subsidiaries of non-UK G-SIIs and are not resolution entities or subsidiaries of a UK parent institution, shall disclose the information required under Article 437a on a semi-annual basis, except for the key metrics referred to in point (h) of Article 447, which are to be disclosed on a quarterly basis.	This disclosure is not applicable to HSBC UK.
433a.4	Large institutions that are LREQ firms shall disclose the information required under paragraphs (1)(a), (b) and (g), (2) and (3) of Article 451 on a quarterly basis.	HSBC UK complies with this requirement and completes additional leverage disclosures on a quarterly basis.
Disclosures by small and non-complex institutions		
433b.1	SDDTs and SDDT consolidation entities shall disclose the information outlined below with the following frequency: (a) on an annual basis the information referred to in: (i) point (d) of Article 438; (ii) points (a) to (d), (h)(i) and (h)(ii) of Article 450(1); (b) on a semi-annual basis the key metrics referred to in Article 447.	This disclosure is not applicable to HSBC UK.
433b.2	By way of derogation from paragraph 1 of this Article, SDDTs that are non-listed institutions shall disclose the key metrics referred to in Article 447 on an annual basis.	This disclosure is not applicable to HSBC UK.
433b.3	In relation to any disclosure relating to a period ending on or before 30 June 2027, this Article as it stood immediately before 1 January 2024 applies, with the modification in paragraph 4, to any institution that: (a) was a small and non-complex institution immediately before 1 January 2024 and continues to be so; and (b) is not an SDDT or an SDDT consolidation entity.	This disclosure is not applicable to HSBC UK.
433b.4	The modification referred to in paragraph 3 is that for any institution subject to that paragraph that is a small CRR firm the disclosure required in relation to the information referred to in Article 450 is as follows: (a) for a non-listed institution, no disclosure is required; (b) otherwise, points (a)-(d), (h)(i) and (h)(ii) of Article 450(1).	This disclosure is not applicable to HSBC UK.
Disclosures by other institutions		
433c.1	Institutions that are not subject to Article 433a or 433b shall disclose the information outlined below with the following frequency: (a) all the information required under this Part on an annual basis; (b) the key metrics referred to in Article 447 on a semi-annual basis; (c) for such institutions that are LREQ firms, the information required under paragraphs (1)(a), (b) and (g), (2) and (3) of Article 451 on a quarterly basis.	This disclosure is not applicable to HSBC UK.
433c.2	By way of derogation from paragraph 1 of this Article, other institutions that are non-listed institutions shall disclose the following information on an annual basis: (a) points (a), (e) and (f) of Article 435(1); (b) points (a), (b) and (c) of Article 435(2); (c) point (a) of Article 437; (d) points (c) and (d) of Article 438; (e) the key metrics referred to in Article 447; and (f) points (a) to (d), (h) to (k) of Article 450(1).	This disclosure is not applicable to HSBC UK.
433c.3	Notwithstanding paragraphs 1 and 2, for institutions subject to this Article that are small CRR firms, the disclosure required in relation to the information referred to in Article 450 is as follows: (a) for non-listed institutions, no disclosure is required; (b) otherwise, points (a)-(d), (h)(i) and (h)(ii) of Article 450(1).	This disclosure is not applicable to HSBC UK.
Means of disclosures		
434 (1)	Institutions shall disclose all the information required under Titles II and III in electronic format and in a single medium or location. The single medium or location shall be a standalone document that provides a readily accessible source of prudential information for users of that information or a distinctive section included in or appended to the institutions' financial statements or financial reports containing the required disclosures and being easily identifiable to those users.	HSBC UK prepares the Pillar 3 with clear references to the Annual Report and Accounts where distinctive sections provide regulatory disclosures.
434 (2)	Institutions shall make available on their website or, in the absence of a website, in any other appropriate location an archive of the information required to be disclosed in accordance with this Part. That archive shall be kept accessible for a period of time that shall be no less than the storage period set by national law for information included in the institutions' financial reports.	Pillar 3 disclosures are published on the HSBC Group Investor Relations website - www.hsbc.com/investors .

Article	Regulatory Requirements	Compliance reference
Timing and means of disclosures under Article 441		
434b.1	By way of derogation from the second paragraph of Article 433, G-SIIs shall disclose the information required under Article 441 [Disclosure of Indicators of Global Systemic Importance] within four months after the end of the period to which the information relates.	This disclosure is not applicable to HSBC UK.
434b.2	By way of derogation from Article 434(1), where a G-SII relies on the derogation in paragraph 1, it may disclose the information required under Article 441 in a separate medium or location from the standalone document mentioned in Article 434(1).	HSBC Holdings plc is a G-SII and disclosures are published separately on the HSBC Group investor relations website, www.hsbc.com/investors , subsequent to the publication of Pillar 3 within the defined time frame.
434b.3	If, in accordance with paragraphs 1 and 2, a G-SII does not disclose the information required under Article 441 at the same time as, and in the same medium or location as, the other information required to be disclosed under Titles II and III, it shall include in the standalone document mentioned in Article 434(1) a statement specifying when and in what medium or location the information required under Article 441 will be disclosed.	
Risk management objectives and policies		
435.1	Institutions shall disclose their risk management objectives and policies for each separate category of risk, including the risks referred to in this Title. These disclosures shall include:	HSBC UK complies with the requirement as set out below, within the Pillar 3 and the Annual Report and Accounts.
435 (1) (a)	the strategies and processes to manage those categories of risk;	Refer to 'Our approach to risk' section on page 14 and 'Our material banking risks' section on page 21 of the Annual Report and Accounts 2025, and 'Risk management' section on page 10 of Pillar 3 2025.
435 (1) (b)	the structure and organisation of the relevant risk management function including information on the basis of its authority, its powers and accountability in accordance with the institution's incorporation and governing documents	Refer to the 'Risk governance' section on page 10 of Pillar 3 2025 and page 14 of the Annual Report and Accounts 2025.
435 (1) (c)	the scope and nature of risk reporting and measurement systems	Refer to 'Our approach to risk' section on page 14 and 'Our material banking risks' section on page 21 of the Annual Report and Accounts 2025, and 'Risk management' section on page 10 of Pillar 3 2025.
435 (1) (d)	the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	Refer to the 'Top and Emerging risks' section on page 16 and 'Our material banking risks' section on page 21 of the Annual Report and Accounts 2025.
435 (1) (e)	a declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy	Refer to the 'Our approach to risk - our responsibilities' section on page 14 of the Annual Report and Accounts 2025.
435 (1) (f)	a concise risk statement approved by the management body succinctly describing the relevant institution's overall risk profile associated with the business strategy; that statement shall include: (i) key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body; (ii) information on intragroup transactions and transactions with related parties that may have a material impact of the risk profile of the consolidated group.	Refer to 'Key developments in 2025' on page 53, 'Our approach to risk' section on page 14, 'Capital, liquidity and funding risk management' on page 53 of the Annual Report and Accounts 2025 and the 'Risk appetite' section on page 10 of Pillar 3 2025.
435 (2)	Institutions shall disclose the following information regarding governance arrangements:	HSBC UK complies with the requirement as set out below.
435 (2) (a)	the number of directorships held by members of the management body	Corporate governance report in the Annual Report and Accounts 2025 on page 61.
435 (2) (b)	the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise	Corporate governance report in the Annual Report and Accounts 2025 on page 61.
435 (2) (c)	the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved	Refer Chairman's Nominations and Remuneration Committee section in the Annual Report and Accounts 2025 on page 63.
435 (2) (d)	whether or not the institution has set up a separate risk committee and the number of times the risk committee has met	Refer Risk Committee in the Annual Report and Accounts 2025 on page 63.
435 (2) (e)	the description of the information flow on risk to the management body.	Refer Risk Committee in the Annual Report and Accounts 2025 on page 63.
Scope of application		
436	Institutions shall disclose the following information regarding the scope of application of the CRR II as follows:	HSBC UK complies with the requirement as set out below.
436 (a)	the name of the institution to which the Capital Risk Requirements applies	Refer to Page 1.

Article	Regulatory Requirements	Compliance reference
436 (b)	a reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One; that reconciliation shall outline the differences between the accounting and regulatory scopes of consolidation and the legal entities included within the regulatory scope of consolidation where it differs from the accounting scope of consolidation; the outline of the legal entities included within the regulatory scope of consolidation shall describe the method of regulatory consolidation where it is different from the accounting consolidation method, whether those entities are fully or proportionally consolidated and whether the holdings in those legal entities are deducted from own funds	Table 3: Principal entities with a different regulatory and accounting scope of consolidation (LI3) on page 8. Table 2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (UK CC2) on page 7.
436 (c)	a breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One, broken down by type of risks as referred to under this Part	Table 4: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1) on page 8.
436 (d)	a reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation as defined in Sections 2 and 3 of Title II of Part One, and the exposure amount used for regulatory purposes; that reconciliation shall be supplemented by qualitative information on those main sources of differences	Table 5: Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2) on page 8. Refer to the 'Explanations of differences between accounting and regulatory exposure amounts' section on page 9.
436 (e)	for exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions	Table 50: Prudential valuation adjustments (PV1) on page 59.
436 (f)	any current or expected material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities between the parent undertaking and its subsidiaries	This disclosure is not applicable to HSBC UK. There is no such material or legal impediment for HSBC UK
436 (g)	the aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation, and the name or names of those subsidiaries	This disclosure is not applicable to HSBC UK. HSBC UK do not have such subsidiaries.
436 (h)	where applicable, the circumstances under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9	This disclosure is not applicable to HSBC UK.
Own funds		
437	Institutions shall disclose the following information regarding their own funds:	HSBC UK complies with the requirement as set out below.
437 (a)	full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied to own funds of the institution pursuant to Articles 32 to 36, 56, 66 and 79 with the balance sheet in the audited financial statements of the institution	Table 6: Composition of Regulatory own funds (UK CC1) on page 13. Table 2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (UK CC2) on page 7.
437 (b)	a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution	A summary of terms and conditions of own funds in accordance with Annex VIII is available separately on HSBC's investor relations website, www.hsbc.com/ investors
437 (c)	the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments	
437 (d)	a separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) items deducted pursuant to Articles 36, 56 and 66; (iii) items not deducted pursuant to Articles 47, 48, 56, 66 and 79	Table 6: Composition of Regulatory own funds (UK CC1) on page 13.
437 (e)	a description of all restrictions applied to the calculation of own funds in accordance with the Capital Regulation Requirements and the instruments, prudential filters and deductions to which those restrictions apply.	Table 6: Composition of Regulatory own funds (UK CC1) on page 13.
437 (f)	a comprehensive explanation of the basis on which capital ratios are calculated where those capital ratios are calculated by using elements of own funds determined on a basis other than the basis laid down in the CRR II.	HSBC UK complies with the own fund calculations set out in the CRR II rules.
Disclosure of own funds and eligible liabilities		
437a	Institutions that are subject to Article 92a, or are material subsidiaries of non-UK G-SIIs and are not resolution entities or subsidiaries of a UK parent institution, shall disclose the following information regarding their own funds and eligible liabilities:	This disclosure is not applicable to HSBC UK.
437a (a)	The composition of their own funds and eligible liabilities, their maturity and their own features	
437a (b)	The ranking of eligible liabilities in the creditor hierarchy	
437a (c)	The amount of each issuance of eligible liabilities instruments referred to in Article 72b and the amount of those issuances that is included in eligible liabilities items within the limits specified in Article 72b(3) and (4)	These disclosures are not applicable for HSBC UK.
437a (d)	Total amount of excluded liabilities referred to in Article 72a(2)	

Article	Regulatory Requirements	Compliance reference
Own funds requirement and risk-weighted exposure amounts		
438	Institutions shall disclose the following information regarding their compliance with Article 92 and rules 3.1(1)(a) and 3.4 of the Internal Capital Adequacy Assessment Part of the PRA Rulebook:	HSBC UK complies with the requirement as set out below.
438 (a)	a summary of their approach to assessing the adequacy of their internal capital to support current and future activities	Refer to the 'Internal capital adequacy assessment' on page 22.
438 (b)	the amount of the additional own funds requirements based on the supervisory review and evaluation process (within the meaning of regulation 34A of the Capital Requirements Regulations) and its composition in terms of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments	Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
438 (c)	the result of the institution's internal capital adequacy assessment process	Refer to the 'Internal capital adequacy assessment' on page 22.
438 (d)	the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds.	Table 7: Overview of risk-weighted exposure amounts (OV1) on page 15.
438 (e)	the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) [specialised lending] and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2) [simple risk weight approach]	Table 38: Specialised lending and equity exposures under the simple risk-weight approach (CR10) on page 51.
438 (f)	the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis	This disclosure is not applicable to HSBC UK.
438 (g)	the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with the provisions implementing Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied	This disclosure is not applicable to HSBC UK.
438 (h)	the variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations	Table 8: RWA flow statements of credit risk exposures under the IRB approach (CR8) on page 15. Advanced Operational Risk and IMA Market Risk are not applicable for HSBC UK
Exposures to counterparty credit risk (CCR)		
439	Institutions shall disclose the following information regarding their exposure to counterparty credit risk as referred to in Chapter 6 of Title II of Part Three:	HSBC UK complies with the requirement as set out below.
439 (a)	a description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties	Refer to the 'Counterparty credit risk management' section on page 52.
439 (b)	a description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves	Refer to the 'Collateral arrangements' section on page 53.
439 (c)	a description of policies with respect to General Wrong-Way risk and Specific Wrong-Way risk as defined in Article 291	Refer to the 'Wrong way risk' section on page 55.
439 (d)	the amount of collateral the institution would have to provide if its credit rating were downgraded	Refer to the 'Credit Rating Downgrades' section on page 55.
439 (e)	for derivative transactions, the amount of segregated and unsegregated collateral received and posted per type of collateral; and for securities financing transactions, the total amount of collateral received and posted per type of collateral; provided in each case that: (i) institutions shall not disclose such amounts unless both the fair value of collateral posted in the form of debt securities and the fair value of collateral received in that form exceed GBP 125 billion; and (ii) for the purposes of subparagraph (i), institutions shall use the twelve month rolling arithmetic mean of the fair value of collateral received or posted (as the case may be) in the form of debt securities, determined using quarterly data calculated in a manner consistent with data reported under Article 430(g) [reporting the level of asset encumbrance] and covering the twelve months immediately preceding the disclosure reference date	Table 42: Composition of collateral for CCR exposure (CCR5) on page 53.
439 (f)	for derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three*, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method; [*standardised, simplified standardised, original exposure, internal model methods]	Table 39: Analysis of counterparty credit risk exposure by approach (excluding centrally cleared exposures) (CCR1) on page 52.
439 (g)	for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three, whichever method is used, and the associated risk exposure amounts broken down by applicable method	Table 39: Analysis of counterparty credit risk exposure by approach (excluding centrally cleared exposures) (CCR1) on page 52.
439 (h)	the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method as set out in Title VI of Part Three [credit valuation adjustment risk]	Table 40: Credit valuation adjustment capital charge (CCR2) on page 53.
439 (i)	the exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three [Own Funds Requirements for Exposures to a Central Counterparty], separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures	Table 43: Exposures to central counterparties (CCR8) on page 54.
439 (j)	the notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold	There is no applicable data for HSBC UK.

Article	Regulatory Requirements	Compliance reference
439 (k)	the estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha in accordance with Article 284(9)	HSBC UK does not have its own estimate of alpha. Alpha estimate is used in IMM approach.
439 (m)	for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) [simplified standardised approach] or (2) [original exposure method], as applicable	This disclosure is not applicable to HSBC UK, as we do not use simplified SA-CCR and Original Exposure Method.
Countercyclical capital buffers		
440	Institutions shall disclose the following information in relation to their compliance with the requirement for a countercyclical capital buffer referred to in regulation 2 of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014: Chapter 3 of the Capital Buffers Part:	HSBC UK complies with the requirement as set out below.
440 (a)	the geographical distribution of the exposure amounts and risk-weighted exposure amounts of its credit exposures used as a basis for the calculation of their countercyclical capital buffer	Table 52: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (UK CCyB1) on page 61.
440 (b)	the amount of their institution-specific countercyclical capital buffer	Table 53: Amount of institution-specific countercyclical capital buffer (UK CCyB2) on page 61.
Indicators of global systemic importance		
441	G-SIIs shall disclose, on an annual basis, the information specified in Annex XXVI of the Reporting (CRR) Part, in accordance with the instructions in Annex XXVII of the Reporting (CRR) Part	This disclosure is not applicable to HSBC UK. HSBC UK is not a G-SII.
Credit risk adjustments		
442	Institutions shall disclose the following information regarding their exposure to credit risk and dilution risk:	HSBC UK complies with the requirement as set out below.
442 (a)	the scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes	Refer to Non-performing and forborne exposures section on page 25.
442 (b)	a description of the approaches and methods adopted for determining specific and general credit risk adjustments	Refer to Non-performing and forborne exposures section on page 25. Table 21: Credit quality of forborne exposures (CQ1) on page 26.
442(c)	information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received	Table 23: Collateral obtained by taking possession and execution processes (CQ7) on page 27. Table 24: Quality of non-performing exposures by geography (CQ4) on page 28. Table 25: Credit quality of loans and advances to non-financial corporations by industry (CQ5) on page 28.
442 (d)	an ageing analysis of accounting past due exposures	Table 22: Credit quality of performing and non-performing exposures by past due days (CQ3) on page 26. Table 18: Performing and non-performing exposures and related provisions (CR1) on page 23.
442 (e)	the gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off-balance-sheet exposures	Table 21: Credit quality of forborne exposures (CQ1) on page 26. Table 24: Quality of non-performing exposures by geography (CQ4) on page 28. Table 25: Credit quality of loans and advances to non-financial corporations by industry (CQ5) on page 28.
442 (f)	any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off	Table 20: Changes in the stock of non-performing loans and advances (CR2) on page 25.
442 (g)	the breakdown of loans and debt securities by residual maturity	Table 19: Maturity of exposures (CR1-A) on page 25.

Article	Regulatory Requirements	Compliance reference
Encumbered and unencumbered assets		
443	Institutions shall disclose information concerning their encumbered and unencumbered assets. For those purposes, institutions shall use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered. Disclosure of information on encumbered and unencumbered assets shall not reveal emergency liquidity assistance provided by central banks.	Table 15: Encumbered and unencumbered assets (UK AE1) on page 21. Table 16: Collateral received and own debt securities issued (UK AE2) on page 21. Table 17: Sources of encumbrance (UK AE3) on page 21. Refer to Importance of encumbrance section page 21.
Use of the standardised approach		
444	Institutions calculating their risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three [standardised approach] shall disclose the following information for each of the exposure classes set out in Article 112 [exposure classes]:	HSBC UK complies with the requirement as set out below.
444 (a)	the names of the nominated ECAs and export credit agencies and the reasons for any changes in those nominations over the disclosure period;	Refer to 'Qualitative disclosures on bank's use of external credit ratings under the standardised approach for credit risk' section on page 34.
444 (b)	the exposure classes for which each ECAI or export credit agency is used;	Refer to 'Qualitative disclosures on bank's use of external credit ratings under the standardised approach for credit risk' section on page 34.
444 (c)	a description of the process used to transfer the issuer and issue credit ratings onto items not included in the trading book;	Refer to 'Qualitative disclosures on bank's use of external credit ratings under the standardised approach for credit risk' section on page 34.
444 (d)	the association of the external rating of each nominated ECAI or export credit agency with the risk weights that correspond to the credit quality steps as set out in Chapter 2 of Title II of Part Three taking into account that it is not necessary to disclose that information where the institutions comply with the standard association published by the competent authority;	CQS reference table on page 34.
444 (e)	the exposure values and the exposure values after credit risk mitigation associated with each credit quality step as set out in Chapter 2 of Title II of Part Three [standardised approach] by exposure class, as well as those deducted from own funds.	Table 27: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4) on page 31. Table 30: Standardised approach – exposures by asset classes and risk weights (CR5) on page 35.
Exposure to market risk		
445	Institutions calculating their own funds requirements in accordance with points (b) [trading-book business] and (c) [market risk] of Article 92(3) shall disclose those requirements separately for each risk referred to in those provisions. In addition, own funds requirements for the specific interest rate risk of securitisation positions shall be disclosed separately.	Table 49: Market risk under standardised approach (MR1) on page 59.
Operational risk management		
446	Institutions shall disclose the following information about their operational risk management:	HSBC UK complies with the requirement as set out below.
446 (a)	the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for;	Table 51: Operational risk own funds requirements and risk-weighted exposure amounts (OR1) on page 60. The approach is also explained under 'Pillar 1 minimum capital requirements and RWA flow' on page 14.
446 (b)	where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include a discussion of relevant internal and external factors being considered in the institution's advanced measurement approach;	This disclosures is not applicable for HSBC UK. HSBC UK applies the standardised approach.
446 (c)	in the case of partial use, the scope and coverage of the different methodologies used.	
Disclosure of key metrics		
447	Institutions shall disclose the following key metrics in a tabular format:	HSBC UK complies with the requirement as set out below.
447 (a)	the composition of their own funds and their own funds requirements as calculated in accordance with Article 92 [own funds requirements for institutions];	
447 (b)	the total risk exposure amount as calculated in accordance with Article 92(3) [sets out risk exposure amounts used for capital ratios];	
447 (c)	where applicable, the amount and composition of additional own funds which the institutions are required to hold in accordance with regulation 34(1) of the Capital Requirements Regulations [SI supervisory powers: own funds];	Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
447 (d)	their combined buffer as defined in the Capital Buffers Part;	
447 (e)	the following information in relation to their leverage ratio: (i) for all institutions, their leverage ratio and total exposure measure; (ii) for LREQ firms, the information in Article 451(1)(b) [LR including central bank claims] and (g) [LR excluding IFRS9 transitional effects on capital] and Article 451(2)(b) to (d) [average LR, average LR including central bank claims, the countercyclical LR buffer];	

Article	Regulatory Requirements	Compliance reference
447 (f)	the following information in relation to their liquidity coverage ratio as calculated in accordance with Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook: (i) the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period; (ii) the average or averages, as applicable, of their total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period; (iii) the averages of their liquidity outflows, inflows and net liquidity outflows as calculated pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
447 (g)	the following information in relation to their net stable funding requirement as calculated in accordance with Title IV of Part Six: (i) the average or averages, as applicable, of their net stable funding ratio based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period; (ii) the average or averages, as applicable, of their available stable funding based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period; (iii) the average or averages, as applicable, of their required stable funding based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period;	Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
447 (h)	their own funds and eligible liabilities ratios and their components, numerator and denominator, as calculated in accordance with Article 92a or, in the case of institutions that are material subsidiaries of non-UK G-SIs and are not resolution entities or subsidiaries of a UK parent institution, in accordance with a direction from the Bank of England under section 3A(4B) of the Banking Act 2009, and broken down at the level of each resolution group, where applicable.	This disclosure is not applicable to HSBC UK.
Exposures to interest rate risk on positions not included in the trading book		
448 (1)	Institutions shall disclose the following quantitative and qualitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities referred to in Chapter 9 of the Internal Capital Adequacy Assessment (ICAA) Part of the PRA Rulebook:	HSBC UK complies with the requirement as set out below.
448 (1) (a)	the changes in the economic value of equity calculated under the following six supervisory shock scenarios referred to in Rule 9.7 of the ICAA Part of the PRA Rulebook for the current and previous disclosure periods: (i) parallel shock up; (ii) parallel shock down; (iii) steeper shock (short rates down and long rates up); (iv) flattener shock (short rates up and long rates down); (v) short rates shock up; (vi) short rates shock down	Table 14: Quantitative information on IRRBB (UK IRRBB1) on page 20.
448 (1) (b)	the changes in the net interest income calculated under the following two supervisory shock scenarios referred to in Rule 9.7 of the ICAA Part of the PRA Rulebook for the current and previous disclosure periods: (i) parallel shock up; (ii) parallel shock down;	
448 (1) (c)	a description of key modelling and parametric assumptions used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph;	
448 (1) (d)	an explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date;	
448 (1) (e)	the description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities for the purposes of the competent authorities' review in accordance with Chapter 9 of the ICAA Part of the PRA Rulebook, including: (i) a description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income; (ii) a description of the key modelling and parametric assumptions used in the institutions' internal measurement systems for the purpose of calculating changes in the economic value of equity and in net interest income, as required under points (a) and (b) of this paragraph, if those assumptions differ from those used for the purposes of Chapter 9 of the ICAA Part of the PRA Rulebook or from those specified in Annex XXXVIII of Chapter 6 of this Disclosure (CRR II) Part of the PRA Rulebook, including the rationale for those differences; (iii) a description of the interest rate shock scenarios that institutions use to estimate the interest rate risk; (iv) the recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements laid down in Article 106(3); (v) an outline of how often the evaluation of the interest rate risk occurs;	Refer to the 'Interest rate risk in the banking book' section on page 20.
448 (1) (f)	the description of the overall risk management and mitigation strategies for those risks;	
448 (1) (g)	average and longest repricing maturity assigned to non-maturing deposits.	Refer to the 'Interest rate risk in the banking book' section on page 20.
448 (2)	By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e)(iv) of paragraph 1 of this Article for descriptions relating to economic value of equity shall not apply to institutions that use the standardised framework referred to in Rule 9.1B of the ICAA Part of the PRA Rulebook.	This disclosure is not applicable to HSBC UK.
Exposure to securitisation positions		
449	Institutions calculating risk-weighted exposure amounts in accordance with Chapter 5 of Title II of Part Three or own funds requirements in accordance with Article 337 or 338 shall disclose the following information separately for their trading and non-trading book activities:	HSBC UK complies with the requirement as set out below.
449 (a)	a description of their securitisation and re-securitisation activities, including their risk management and investment objectives in connection with those activities, their role in securitisation and re-securitisation transactions, whether they use the simple, transparent and standardised securitisation (STS) as defined in point (10) of Article 242, and the extent to which they use securitisation transactions to transfer the credit risk of the securitised exposures to third parties with, where applicable, a separate description of their synthetic securitisation risk transfer policy;	Refer to the 'securitisation strategy' and 'securitisation activity' sections on page 56.

Article	Regulatory Requirements	Compliance reference
449 (b)	the type of risks they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STs positions and: (i) the risk retained in own-originated transactions; (ii) the risk incurred in relation to transactions originated by third parties;	Refer to the 'securitisation strategy' and 'securitisation activity' sections on page 56.
449 (c)	their approaches for calculating the risk-weighted exposure amounts that they apply to their securitisation activities, including the types of securitisation positions to which each approach applies and with a distinction between STS and non-STs positions;	Refer to the 'securitisation regulatory treatment' section on page 56.
449 (d)	a list of SSPEs falling into any of the following categories, with a description of their types of exposures to those SSPEs, including derivative contracts: (i) SSPEs which acquire exposures originated by the institutions; (ii) SSPEs sponsored by the institutions; (iii) SSPEs and other legal entities for which the institutions provide securitisation-related services, such as advisory, asset servicing or management services; (iv) SSPEs included in the institutions' regulatory scope of consolidation;	Refer to the 'securitisation strategy' on page 56.
449 (e)	a list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three;	HSBC UK does not provide support to its originated or sponsored securitisation transactions as a policy.
449 (f)	a list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions;	This disclosure is not applicable to HSBC UK.
449 (g)	a summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions;	Refer to the 'securitisation accounting treatment' section on page 56.
449 (h)	the names of the ECALs used for securitisations and the types of exposure for which each agency is used;	Refer to 'Qualitative disclosures on bank's use of external credit ratings under the standardised approach for credit risk' section on page 34.
449 (i)	where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three, including the structure of the internal assessment process and relation between internal assessment and external ratings of the relevant ECAI disclosed in accordance with point (h), the control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review, the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels;	Internal Assessment Approach is not applicable to HSBC UK securitisation positions.
449 (j)	separately for the trading book and the non-trading book, the carrying amount of securitisation exposures, including information on whether institutions have transferred significant credit risk in accordance with Articles 244 and 245, for which institutions act as originator, sponsor or investor, separately for traditional and synthetic securitisations, and for STS and non-STs transactions and broken down by type of securitisation exposures;	Table 45: Securitisation exposures in the non-trading book (SEC1) on page 56. HSBC UK has no trading book exposure.
449 (k)(i)	for the trading and the non-trading book activities, the following information: (i) the aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1250%, broken down between traditional and synthetic securitisations and between securitisation and re-securitisation exposures, separately for STS and non-STs positions, and further broken down into a meaningful number of risk-weight or capital requirement bands and by approach used to calculate the capital requirements;	Table 46: Securitisation exposures in the non-trading book and associated regulatory capital requirements – bank acting as originator or as sponsor (SEC3) on page 57.
449 (k)(ii)	the aggregate amount of securitisation positions where institutions act as investor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1250%, broken down between traditional and synthetic securitisations, securitisation and re-securitisation positions, and STS and non-STs positions, and further broken down into a meaningful number of risk weight or capital requirement bands and by approach used to calculate the capital requirements;	Table 47: Securitisation exposures in the non-trading book and associated capital requirements – bank acting as investor (SEC4) on page 57.
449 (l)	for exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type.	Table 48: Exposures securitised by the institution – Institution acts as originator or as sponsor (SEC5) on page 57.
Remuneration disclosures		
450.1	Institutions shall disclose the following information regarding their remuneration policy and practices for those categories of staff whose professional activities have a material impact on risk profile of the institutions:	HSBC UK complies with the requirement as set out below.
450 (1)(a)	information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	As a wholly-owned subsidiary, the bank is subject to the remuneration practices established by the HSBC Group. Details of HSBC Group's remuneration practices, including details on the Remuneration Committee membership and its activities, the remuneration strategy, and remuneration structure of HSBC Identified Staff and Material Risk Takers ('MRT') is available in the Directors' Remuneration Report from page 216 of the HSBC Holdings plc Annual Report and Accounts 2025.
450 (1)(b)	information about the link between pay of the staff and their performance;	
450 (1)(c)	the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;	
450 (1)(d)	the ratios between fixed and variable remuneration set in accordance with rules 15.9 to 15.13 of the Remuneration Part of the PRA Rulebook;	
450 (1)(e)	information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;	
450 (1)(f)	the main parameters and rationale for any variable component scheme and any other non-cash benefits;	
450 (1)(g)	aggregate quantitative information on remuneration, broken down by business area;	

Article	Regulatory Requirements	Compliance reference
450 (1)(h)	<p>aggregate quantitative information on remuneration, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institutions, indicating the following:</p> <p>(i) the amounts of remuneration for the financial year, split into fixed remuneration including a description of the fixed components, and variable remuneration, and the number of beneficiaries;</p> <p>(ii) the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and the deferred part;</p> <p>(iii) the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years;</p> <p>(iv) the amount of deferred remuneration due to vest in the financial year, and the number of beneficiaries of those awards;</p> <p>(v) the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards;</p> <p>(vi) severance payments awarded in previous periods, that have been paid out during the financial year;</p> <p>(vii) the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person;</p>	<p>Remuneration awarded for the financial year (REM1) on page 63.</p> <p>Special payments to staff whose professional activities have a material impact on institutions' risk profile (REM2) on page 63.</p> <p>Deferred remuneration at 31 December (REM3) on page 63.</p>
450 (1)(i)	the number of individuals that have been remunerated EUR 1 million or more per financial year, with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and with the remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;	Identified staff - remuneration by band (REM4) on page 63.
450 (1)(k)	<p>information on whether the institution benefits from a derogation laid down in the Remuneration Part of the PRA Rulebook at 5.3, and/or 12.2 (second subparagraph), and 15.A1(3).</p> <p>For the purposes of point (k) of the first subparagraph of this paragraph, institutions that benefit from such a derogation shall indicate whether they benefit from that derogation on the basis of the Remuneration Part of the PRA Rulebook at 5.3 [for small CRR II firms], and/or 12.2 (second subparagraph) [pension policy, referring to small CRR II firms and small third country CRR II firms], and 15.A1(3) [where an employee subject to a buy-out is a material risk-taker in their previous firm]. They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.</p>	<p>HSBC UK is not a small CRR firm or a small third country CRR firm, therefore the benefits of provision 5.3 in the PRA Rulebook do not apply to HSBC</p> <p>12.2 of the PRA Rulebook applies to a firm that is not a small CRR firm or a small third country CRR firm. HSBC UK doesn't offer discretionary pension benefits, therefore we don't take advantage of the exemption in the second paragraph.</p> <p>HSBC UK applies appropriate retention, deferral, performance and clawback arrangements to buy-outs and the duration is no shorter than such duration as was applied and remained outstanding in relation to unvested variable remuneration awarded by a previous firm to the person as an employee of that previous firm.</p>
450 (2)	For large institutions, the quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members. Institutions shall comply with the requirements set out in this Article in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities and without prejudice to the GDPR.	Refer to the Directors' Remuneration Report on page 216 of the HSBC Holdings Plc Annual Report and Accounts 2025.
Leverage		
451 (1)	Institutions shall disclose the following information regarding their leverage ratio as calculated in accordance with Article 429 of Chapter 3 of the Leverage Ratio (CRR II) Part and their management of the risk of excessive leverage:	HSBC UK complies with the requirement as set out below.
451 (1) (a)	Leverage ratio,	<p>Table 9: Leverage ratio common disclosure (UK LR2-LRCom) on page 16.</p> <p>Table 1: Key metrics (KM1/IFRS9-FL) on page 5.</p>
451 (1) (b)	the leverage ratio calculated as if central bank claims were required to be included in the total exposure measure;	<p>Table 9: Leverage ratio common disclosure (UK LR2-LRCom) on page 16.</p> <p>Table 1: Key metrics (KM1/IFRS9-FL) on page 5.</p>
451 (1) (c)	a breakdown of the total exposure measure, as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;	Table 10: Summary reconciliation of accounting assets and leverage ratio exposures (UK LR1-LRSum) on page 16.
451 (1) (d)	a description of the processes used to manage the risk of excessive leverage;	
451 (1) (e)	a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers;	Refer to Leverage ratio section on Page 16.
451 (1) (f)	in relation to the quarterly periods up to 31 December 2022, the leverage ratio calculated as if Article 468 of the CRR II [temporary treatment of unrealised FVOCI G/L w.r.t. Covid] did not apply for purposes of the capital measure under Article 429(3) [Tier 1 capital] of Chapter 3 of the Leverage Ratio (CRR II) Part;	No temporary treatment for HSBC UK, Row UK-25b in the LR2-CRCom table on page 16 shows the leverage ratio is aligned to row 25.
451 (1) (g)	in relation to the quarterly periods up to 31 December 2024, the leverage ratio calculated as if Article 473a of the CRR II did not apply for purposes of the capital measure under Article 429(3) [IFRS 9] of Chapter 3 of the Leverage Ratio (CRR II) Part.	<p>Table 9: Leverage ratio common disclosure (UK LR2-LRCom) on page 16.</p> <p>Table 1: Key metrics (KM1/IFRS9-FL) on page 5.</p>

Article	Regulatory Requirements	Compliance reference
451 (2)	LREQ firm must disclose each of the following - a) average exposure measure; b) average leverage ratio; c) average leverage ratio calculated as if central bank claims were required to be included in the total exposure measure; d) countercyclical leverage ratio buffer; and e) any additional leverage ratio buffer	Table 9: Leverage ratio common disclosure (UK LR2-LRCom) on page 16. Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
451 (3)	An LREQ firm must disclose such information as is necessary to enable users to understand changes in the firm's total exposure measure and tier 1 capital (leverage) over the quarter that have affected the firm's average leverage ratio.	Refer to Leverage ratio section on Page 16.
451 (4)	Subject to paragraph 5 [see below]:	See below
451 (4)(a)	for the purposes of paragraph 2(a) an LREQ firm must calculate its average exposure measure for a quarter as the sum of: (i) the arithmetic mean of the firm's total exposure measure in relation to on-balance sheet assets and securities financing transactions on each day in the quarter; and (ii) the arithmetic mean of the firm's total exposure measure excluding on-balance sheet assets and securities financing transactions on the last day of each month in the quarter; and	Table 9: Leverage ratio common disclosure (UK LR2-LRCom) on page 16. Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
451 (4)(b)	for the purposes of paragraphs 2(b) and 3, an LREQ firm must calculate its average leverage ratio for a quarter as its capital measure divided by its exposure measure where the: (i) capital measure is the arithmetic mean of the firm's tier 1 capital (leverage) on the last day of each month in the quarter; and (ii) exposure measure is the sum derived in accordance with (a).	Table 9: Leverage ratio common disclosure (UK LR2-LRCom) on page 16. Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
Disclosure of liquidity requirement		
451a (1)	Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article.	HSBC UK complies with the requirement as set out below.
451a (2)	Institutions shall disclose the following information in relation to their liquidity coverage ratio as calculated in accordance with the Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook:	HSBC UK complies with the requirement as set out below.
451a (2)(a)	the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	Table 12: Quantitative information of LCR (UK LIQ1) on page 18.
451a (2)(b)	the average or averages, as applicable, of their total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer;	Table 12: Quantitative information of LCR (UK LIQ1) on page 18.
451a (2)(c)	the averages of their liquidity outflows, inflows and net liquidity outflows as calculated in accordance with the Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition.	Table 12: Quantitative information of LCR (UK LIQ1) on page 18.
451a (3)	Institutions shall disclose the following information in relation to their net stable funding ratio as calculated in accordance with Title IV of Part Six:	HSBC UK complies with the requirement as set out below.
451a (3)(a)	averages of their net stable funding ratio calculated in accordance with Chapter 2 of Title IV of Part Six for each quarter of the relevant disclosure period, based on end-of-the-quarter observations over the preceding four quarters;	Table 13: Net stable funding ratio (LIQ2) on page 18.
451a (3)(b)	an overview of the amount of available stable funding calculated in accordance with Chapter 3 of Title IV of Part Six for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters;	Table 13: Net stable funding ratio (LIQ2) on page 18.
451a (3)(c)	an overview of the amount of required stable funding calculated in accordance with Chapter 4 of Title IV of Part Six for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters.	Table 13: Net stable funding ratio (LIQ2) on page 18.
451a (4)	Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with the Internal Liquidity Adequacy Assessment Part of the PRA Rulebook.	For details on our approach to managing Liquidity Risk, refer the 'Treasury Risk management' section on page 12.
Use of the IRB approach to credit risk		
452	Institutions calculating the risk-weighted exposure amounts under the IRB Approach to credit risk shall disclose the following information:	HSBC UK complies with the requirement as set out below.
452 (a)	the competent authority's permission of the approach or approved transition;	HSBC UK applies the IRB approach where it has PRA permission. Refer to the 'Application of the IRB approach' and 'Roll-out of the IRB approach' sections on page 35.
452 (b)	for each exposure class referred to in Article 147, the percentage of the total exposure value of each exposure class subject to the Standardised Approach laid down in Chapter 2 of Title II of Part Three or to the IRB Approach laid down in Chapter 3 of Title II of Part Three, as well as the part of each exposure class subject to a roll-out plan; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall disclose separately the percentage of the total exposure value of each exposure class subject to that permission; For the purposes of this Article, institutions shall use the exposure value as defined in Article 166.	Table 29: Scope of the use of IRB and SA approaches (UK CR6-A) on page 33.

Article	Regulatory Requirements	Compliance reference
452 (c)	the control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on: (i) the relationship between the risk management function and the internal audit function; (ii) the rating system review; (iii) the procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models; (iv) the procedure to ensure the accountability of the functions in charge of developing and reviewing the models;	Refer to the 'Risk analytics and model governance' on page 11 and 'Model Risk' section in the Annual Reports and Accounts 2025 on page 61.
452 (d)	the role of the functions involved in the development, approval and subsequent changes of the credit risk models;	Refer to the 'Risk analytics and model governance' on page 11 and 'Model Risk' section in the Annual Reports and Accounts 2025 on page 61.
452 (e)	the scope and main content of the reporting related to credit risk models;	Refer to the 'Risk analytics and model governance' on page 11 and 'Model Risk' section in the Annual Reports and Accounts 2025 on page 61.
452 (f)	a description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering: (i) the definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods; (ii) where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure; (iii) where applicable, the definitions, methods and data for estimation and validation of conversion factors, including assumptions employed in the derivation of those variables;	Table 35: IRB PD models – estimated and actual values (Retail) on page 42. Table 32: IRB PD models – estimated and actual values (wholesale) on page 37.
452 (g)	as applicable, the following information in relation to each exposure class referred to in Article 147: (i) their gross on-balance-sheet exposure; (ii) their off-balance-sheet exposure values prior to the relevant conversion factor; (iii) their exposure after applying the relevant conversion factor and credit risk mitigation; (iv) any model, parameter or input relevant for the understanding of the risk weighting and the resulting risk exposure amounts disclosed across a sufficient number of obligor grades (including default) to allow for a meaningful differentiation of credit risk; (v) separately for those exposure classes in relation to which institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, and for exposures for which the institutions do not use such estimates, the values referred to in points (i) to (iv) subject to that permission;	Table 37: IRB – Credit risk exposures by portfolio and PD range (CR6) on page 45.
452 (h)	institutions' estimates of PDs against the actual default rate for each exposure class over a longer period, with separate disclosure of the PD range, the external rating equivalent, the weighted average and arithmetic average PD, the number of obligors at the end of the previous year and of the year under review, the number of defaulted obligors, including the new defaulted obligors, and the annual average historical default rate.	Table 33: Wholesale IRB exposure – back-testing of probability of default ('PD') per portfolio (CR9) on page 37. Table 36: Retail IRB exposure – back-testing of probability of default ('PD') per portfolio (CR9) on page 42.
Use of credit risk mitigation techniques		
453	Institutions using credit risk mitigation techniques shall disclose the following information:	HSBC UK complies with the requirement as set out below.
453 (a)	the core features of the policies and processes for on- and off-balance-sheet netting and an indication of the extent to which institutions make use of balance sheet netting;	
453 (b)	the core features of the policies and processes for eligible collateral evaluation and management;	
453 (c)	a description of the main types of collateral taken by the institution to mitigate credit risk;	Refer to the Risk Mitigation' section on page 29.
453 (d)	for guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purpose of reducing capital requirements, excluding those used as part of synthetic securitisation structures;	
453 (e)	information about market or credit risk concentrations within the credit mitigation taken;	Refer to 'Concentration risk' section on page 27.
453 (f)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments; the disclosure set out in this point shall be made separately for loans and debt securities and including a breakdown of defaulted exposures;	Table 26: Credit risk mitigation techniques – overview (CR3) on page 31.
453 (g)	the corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect;	Table 27: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4) on page 31. Table 28: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) on page 31.

Article	Regulatory Requirements	Compliance reference
453 (h)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation;	Table 27: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4) on page 31.
453 (i)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class;	Table 27: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4) on page 31.
453 (j)	for institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission.	This disclosure is not applicable to HSBC UK as we dont have credit derivatives exposure.
Use of the Advanced Measurement Approaches to operational risk		
454	The institutions using the Advanced Measurement Approaches set out in Articles 321 to 324 for the calculation of their own funds requirements for operational risk shall disclose a description of their use of insurance and other risk transfer mechanisms for the purpose of mitigating that risk.	This disclosure is not applicable to HSBC UK as we apply the standardised approach.
Use of internal market risk models		
455	Institutions calculating their capital requirements in accordance with Article 363 [Market Risk, permission to use internal models] shall disclose the following information:	
455 (a) (i)	for each sub-portfolio covered: (i) the characteristics of the models used	
455 (a) (ii)	where applicable, for the internal models for incremental default and migration risk and for correlation trading, the methodologies used and the risks measured through the use of an internal model including a description of the approach used by the institution to determine liquidity horizons, the methodologies used to achieve a capital assessment that is consistent with the required soundness standard and the approaches used in the validation of the model;	
455 (a) (iii)	a description of stress testing applied to the sub-portfolio;	
455 (a) (iv)	a description of the approaches used for back-testing and validating the accuracy and consistency of the internal models and modelling processes;	
455 (b)	the scope of permission by the competent authority;	
455 (c)	a description of the extent and methodologies for compliance with the requirements set out in Articles 104 [inclusion in the trading book] and 105 [requirements for prudent valuation];	This disclosure is not applicable to HSBC UK as we apply the standardised approach.
455 (d)	the highest, the lowest and the mean of the following: (i) the daily value-at-risk measures over the reporting period and at the end of the reporting period; (ii) the stressed value-at-risk measures over the reporting period and at the end of the reporting period; (iii) the risk numbers for incremental default and migration risk and for the specific risk of the correlation trading portfolio over the reporting period and at the end of the reporting period;	
455 (e)	the elements of the own funds requirement as specified in Article 364 [own funds requirements when using internal models];	
455 (f)	the weighted average liquidity horizon for each sub-portfolio covered by the internal models for incremental default and migration risk and for correlation trading;	
455 (g)	a comparison of the daily end-of-day value-at-risk measures to the one-day changes of the portfolio's value by the end of the subsequent business day together with an analysis of any important overshooting during the reporting period.	

Other Information

Abbreviations

The following abbreviated terms are used throughout this document.

A

AIRB ¹	Advanced internal ratings based approach
ASF	Available Stable Funding
AT1	Additional tier 1
AVA	Additional value adjustment

B

Basel	Basel Committee on Banking Supervision
Basel III	Basel Committee's reforms to strengthen global capital and liquidity rules
Basel 3.1	Outstanding measures to be implemented from the Basel III reforms
BNII	Banking Net Interest Income

C

CCF	Credit conversion factor
CCP ¹	Central counterparty
CCR ¹	Counterparty credit risk
CCyB ¹	Countercyclical capital buffer
CET1 ¹	Common equity tier 1
CQS	Credit quality step
CRD IV ¹	Capital Requirements Regulation and Directive
CRE ¹	Commercial real estate
CRM ¹	Credit risk mitigation/mitigant
CRCO	Chief Risk and Compliance Officer
CRR ¹	Customer risk rating
CRR II	The regulatory requirements of the PRA Rulebook, Capital Requirements Regulation and Directive, and the CRR II regulation (EU 2019/876)
CSA	Credit Support Annex
CVA ¹	Credit valuation adjustment

D

DBRS	Morningstar DBRS ratings
Dec	December

E

EAD ¹	Exposure at default
EBA	European Banking Authority
ECA	Export Credit Agency
ECAI	External Credit Assessment Institution
ECL ¹	Expected credit losses
EHQLA	Extremely high-quality liquid assets
EL	Expected loss
ESG	Environmental, Social and Governance
EU	European Union
EVE	Economic value of equity

F

FCA	Financial Conduct Authority
FINREP	Financial Reporting templates submitted to BoE
FIRB	Foundation internal ratings based approach
Fitch	Fitch Ratings
FMM	Finance Management Meeting
FVOCI ¹	Fair value through other comprehensive income

G

GDPR	General Data Protection Regulation
G-SII	Global systemically important institution

H

HQLA	High-quality liquid assets
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I

IAA	Internal assessment approach
ICAAP ¹	Internal capital adequacy assessment process
IFRS	International Financial Reporting Standards
IMA	Internal models approach
IMM ¹	Internal model method
IRB ¹	Internal ratings-based approach
IRC	Incremental Risk Charge
IRRBB	Interest rate risk in the banking book

ISSB	International Sustainability Standards Board
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J

Jun	June
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L

LCR ¹	Liquidity coverage ratio
LGD ¹	Loss given default

M

Mar	March
MOF	Model Oversight Forum
Moody's	Moody's Investor Service
MRC	Model Risk Committee
MRT	Material Risk Taker

N

NII	Net interest income
NMD	Non-maturity deposits
NSFR ¹	Net stable funding ratio

O

O-SII	Other systemically important institutions
OTC ¹	Over-the-counter

P

PD ¹	Probability of default
PFE	Potential future exposure
PIT	Point-in-time
PMA	Post model adjustment
PRA ¹	Prudential Regulation Authority (UK)
PVA	Prudent valuation adjustment

Q

QCCP	Qualifying central counterparty
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R

RMF	Risk Management Framework
RMM	Risk Management Meeting
RSF	Required stable funding
RWA ¹	Risk-weighted asset

S

SA/STD ¹	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
S&P	Standard and Poor's rating agency
SEC-ERBA	Securitisation internal rating-based approach
SEC-IRBA	Securitisation external rating-based approach
SEC-SA	Securitisation standardised approach
Sep	September
SFT	Securities financing transactions
SME	Small and medium-sized enterprise
SPE ¹	Special purpose entity
SREP	Supervisory review and evaluation process
SRS	Sustainability reporting standards
SRT	Significant Risk Transfer
SSPE	Securitisation Special Purpose Entity
STS	Simple transparent and Standardised

T

TC	Total Capital
TCFD	Task Force on Climate-related Financial Disclosures
TCR	Total capital requirement
T1 capital ¹	Tier 1 capital
T1	Tier 1
T2	Tier 2
T2 capital ¹	Tier 2 capital

U

UK	United Kingdom
US	United States

V

VaR ¹	Value at risk
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1 Full definition included in the Glossary published on HSBC website www.hsbc.com.

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