

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2026**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number **001-07436**

HSBC USA Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State of incorporation)

66 Hudson Boulevard, New York, New York

(Address of principal executive offices)

13-2764867

(I.R.S. Employer Identification No.)

10001

(Zip Code)

Registrant's telephone number, including area code (212) 525-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
\$100,000,000 Zero Coupon Callable Accreting Notes due January 15, 2043	HUSI/43	New York Stock Exchange
\$50,000,000 Zero Coupon Callable Accreting Notes due January 29, 2043	HUSI/43A	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 1, 2026, there were 714 shares of the registrant's common stock outstanding, all of which are owned by HSBC North America Holdings Inc.

TABLE OF CONTENTS

<u>Part/Item No.</u>		<u>Page</u>
Part I		
Item 1.	Financial Statements (Unaudited):	
	Consolidated Statement of Income	3
	Consolidated Statement of Comprehensive Income	4
	Consolidated Balance Sheet	5
	Consolidated Statement of Changes in Equity	6
	Consolidated Statement of Cash Flows	7
	Notes to the Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations:	
	Forward-Looking Statements	53
	Executive Overview	55
	Basis of Reporting	56
	Balance Sheet Review	57
	Results of Operations	59
	Segment Results - Group Reporting Basis	63
	Credit Quality	65
	Liquidity and Capital Resources	70
	Fair Value	73
	Risk Management	74
	Consolidated Average Balances and Interest Rates	78
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	79
Item 4.	Controls and Procedures	79
Part II		
Item 1.	Legal Proceedings	79
Item 5.	Other Information	79
Item 6.	Exhibits	81
	Signatures	82

PART I

Item 1. Financial Statements

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Three Months Ended March 31,	2026	2025
	(in millions)	
Interest income:		
Loans	\$ 798	\$ 876
Securities	498	460
Trading securities	102	91
Short-term investments	282	434
Other	16	19
Total interest income	1,696	1,880
Interest expense:		
Deposits	759	934
Short-term borrowings	98	126
Long-term debt	273	280
Other	14	14
Total interest expense	1,144	1,354
Net interest income	552	526
Provision for credit losses	48	118
Net interest income after provision for credit losses	504	408
Other revenues:		
Trust and investment management fees	48	41
Other fees and commissions	203	179
Trading revenue	197	193
Other securities gains, net	11	3
Servicing and other fees from HSBC affiliates	102	102
Gain (loss) on instruments designated at fair value and related derivatives	(5)	(3)
Other income (loss)	(12)	1
Total other revenues	544	516
Operating expenses:		
Salaries and employee benefits	128	148
Support services from HSBC affiliates	460	404
Occupancy expense, net	11	12
Other expenses	70	96
Total operating expenses	669	660
Income before income tax	379	264
Income tax expense	88	63
Net income	\$ 291	\$ 201

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Three Months Ended March 31,	2026	2025
	(in millions)	
Net income	\$ 291	\$ 201
Net change in unrealized gains (losses), net of tax:		
Investment securities	(105)	189
Fair value option liabilities attributable to our own credit spread	40	3
Derivatives designated as cash flow hedges	—	(79)
Total other comprehensive income (loss)	(65)	113
Comprehensive income	\$ 226	\$ 314

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	March 31, 2026	December 31, 2025
	(in millions)	
Assets		
Cash and due from banks	\$ 754	\$ 762
Interest bearing deposits with banks	24,598	23,148
Federal funds sold and securities purchased under agreements to resell	3,293	9,252
Trading assets (includes \$2.8 billion and \$3.5 billion pledged to creditors)	23,604	22,757
Securities available-for-sale (amortized cost of \$34.3 billion and \$31.7 billion, and includes \$2.5 billion and \$0.0 billion pledged to creditors)	32,551	30,030
Securities held-to-maturity (fair value of \$19.7 billion and \$18.1 billion)	19,979	18,293
Loans	61,586	59,894
Less – allowance for credit losses	481	442
Loans, net	<u>61,105</u>	<u>59,452</u>
Loans held for sale (includes \$0.7 billion and \$0.6 billion designated under fair value option)	1,378	1,925
Properties and equipment, net	73	72
Goodwill	458	458
Other assets	6,956	6,261
Total assets	<u>\$ 174,749</u>	<u>\$ 172,410</u>
Liabilities		
Debt:		
Domestic deposits:		
Noninterest bearing	\$ 23,679	\$ 20,066
Interest bearing (includes \$3.5 billion and \$3.6 billion designated under fair value option)	91,894	95,707
Foreign deposits - interest bearing	5,974	8,324
Total deposits	<u>121,547</u>	<u>124,097</u>
Short-term borrowings	8,590	7,289
Long-term debt (includes \$7.6 billion and \$8.3 billion designated under fair value option)	24,345	23,026
Total debt	<u>154,482</u>	<u>154,412</u>
Trading liabilities	3,150	2,355
Interest, taxes and other liabilities	4,466	3,204
Total liabilities	<u>162,098</u>	<u>159,971</u>
Equity		
Preferred stock (no par value; 40,999,000 shares authorized; 265 shares issued and outstanding)	265	265
Common equity:		
Common stock (\$5 par value; 150,000,000 shares authorized; 714 shares issued and outstanding)	—	—
Additional paid-in capital	12,687	12,701
Retained earnings	1,143	852
Accumulated other comprehensive loss	<u>(1,444)</u>	<u>(1,379)</u>
Total common equity	<u>12,386</u>	<u>12,174</u>
Total equity	<u>12,651</u>	<u>12,439</u>
Total liabilities and equity	<u>\$ 174,749</u>	<u>\$ 172,410</u>

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Three Months Ended March 31,	2026	2025
	(in millions)	
<i>Preferred stock</i>		
Balance at beginning and end of period	\$ 265	\$ 265
<i>Common stock</i>		
Balance at beginning and end of period	—	—
<i>Additional paid-in capital</i>		
Balance at beginning of period	12,701	12,727
Employee benefit plans	(14)	(7)
Balance at end of period	<u>12,687</u>	<u>12,720</u>
<i>Retained earnings</i>		
Balance at beginning of period	852	1,269
Net income	291	201
Balance at end of period	<u>1,143</u>	<u>1,470</u>
<i>Accumulated other comprehensive loss</i>		
Balance at beginning of period	(1,379)	(1,772)
Other comprehensive income (loss), net of tax	(65)	113
Balance at end of period	<u>(1,444)</u>	<u>(1,659)</u>
<i>Total common equity</i>	<u>12,386</u>	<u>12,531</u>
<i>Total equity</i>	<u>\$ 12,651</u>	<u>\$ 12,796</u>

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Three Months Ended March 31,	2026	2025
	(in millions)	
<i>Cash flows from operating activities</i>		
Net income	\$ 291	\$ 201
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	(11)	(8)
Provision for credit losses	48	118
Net realized gains on securities available-for-sale	(11)	(3)
Net change in other assets and liabilities	317	(562)
Net change in loans held for sale:		
Originations and purchases of loans held for sale	(283)	(335)
Sales and collections of loans held for sale	175	202
Net change in trading assets and liabilities	908	1,201
Loss on instruments designated at fair value and related derivatives	5	3
Net cash provided by operating activities	<u>1,439</u>	<u>817</u>
<i>Cash flows from investing activities</i>		
Net change in federal funds sold and securities purchased under agreements to resell	5,959	3,934
Securities available-for-sale:		
Purchases of securities available-for-sale	(7,373)	(3,250)
Proceeds from sales of securities available-for-sale	3,934	1,846
Proceeds from paydowns and maturities of securities available-for-sale	661	916
Securities held-to-maturity:		
Purchases of securities held-to-maturity	(2,106)	(694)
Proceeds from paydowns and maturities of securities held-to-maturity	435	366
Change in loans:		
Originations, net of collections	(3,834)	(797)
Loans sold to third parties	1,481	146
Other, net	(47)	(26)
Net cash provided by (used in) investing activities	<u>(890)</u>	<u>2,441</u>
<i>Cash flows from financing activities</i>		
Net change in deposits	(2,474)	2,382
Debt:		
Net change in short-term borrowings	1,677	271
Issuance of long-term debt	4,869	2,481
Repayment of long-term debt	(3,165)	(2,329)
Other decreases in capital surplus	(14)	(7)
Net cash provided by financing activities	<u>893</u>	<u>2,798</u>
Net change in cash and due from banks and interest bearing deposits with banks	1,442	6,056
Cash and due from banks and interest bearing deposits with banks at beginning of period	23,910	23,246
<i>Cash and due from banks and interest bearing deposits with banks at end of period</i>	<u>\$ 25,352</u>	<u>\$ 29,302</u>

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note	Page	Note	Page
1	8	10	29
2	9	11	30
3	10	12	32
4	13	13	35
5	19	14	36
6	21	15	37
7	21	16	42
8	26	17	51
9	28	18	52

1. Organization and Presentation

HSBC USA Inc. ("HSBC USA"), incorporated under the laws of Maryland, is a New York State based bank holding company and a wholly-owned subsidiary of HSBC North America Holdings Inc. ("HSBC North America"), which is an indirect wholly-owned subsidiary of HSBC Holdings plc ("HSBC" and, together with its subsidiaries, "HSBC Group"). The accompanying unaudited interim consolidated financial statements of HSBC USA and its subsidiaries (collectively "HUSI") have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X, as well as in accordance with predominant practices within the banking industry. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. HSBC USA's principal U.S. banking subsidiary is HSBC Bank USA, National Association (together with its subsidiaries, "HSBC Bank USA"). In the opinion of management, all normal and recurring adjustments considered necessary for a fair statement of financial position, results of operations and cash flows for the interim periods have been made. HUSI may also be referred to in these notes to the consolidated financial statements as "we," "us" or "our." These unaudited interim consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2025 (the "2025 Form 10-K").

The preparation of financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates. Interim results should not be considered indicative of results in future periods.

2. Trading Assets and Liabilities

Trading assets and liabilities consisted of the following:

	March 31, 2026	December 31, 2025
	(in millions)	
Trading assets:		
U.S. Treasury	\$ 4,116	\$ 3,791
U.S. Government agency issued or guaranteed	1	2
U.S. Government sponsored enterprises	893	1,347
Foreign bonds	1,445	914
Equity securities	14,654	15,141
Precious metals ⁽¹⁾	1,471	196
Derivatives, net	1,024	1,366
Total trading assets	<u>\$ 23,604</u>	<u>\$ 22,757</u>
Trading liabilities:		
Securities sold, not yet purchased	\$ 1,115	\$ 1,438
Payables for precious metals ⁽¹⁾	937	86
Derivatives, net	1,098	831
Total trading liabilities	<u>\$ 3,150</u>	<u>\$ 2,355</u>

⁽¹⁾ In the first quarter of 2026, we reclassified \$1.2 billion of precious metal lease assets from loans to trading assets and \$0.8 billion of precious metal lease liabilities from short-term borrowings to trading liabilities on the consolidated balance sheet, which generally have a maturity of three months or less, to align with our risk management practices. Prior period amounts were not reclassified as the impact was not material.

At March 31, 2026 and December 31, 2025, the fair value of derivatives included in trading assets is net of \$2,757 million and \$1,600 million, respectively, relating to amounts recognized for the obligation to return cash collateral received under master netting agreements with derivative counterparties.

At March 31, 2026 and December 31, 2025, the fair value of derivatives included in trading liabilities is net of \$1,099 million and \$1,143 million, respectively, relating to amounts recognized for the right to reclaim cash collateral paid under master netting agreements with derivative counterparties.

See Note 7, "Derivative Financial Instruments," for further information on our trading derivatives and related collateral.

Dividend income on equity securities held for trading, which is recorded in interest income in the consolidated statement of income, totaled \$47 million and \$42 million during the three months ended March 31, 2026 and 2025, respectively. Trading security positions are primarily held as economic hedges of derivative products issued to our clients.

3. Securities

Our securities available-for-sale and securities held-to-maturity portfolios consisted of the following:

March 31, 2026	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
(in millions)				
Securities available-for-sale:				
U.S. Treasury	\$ 15,602	\$ 9	\$ (173)	\$ 15,438
U.S. Government sponsored enterprises ⁽¹⁾	4,528	2	(813)	3,717
U.S. Government agency issued or guaranteed ⁽¹⁾	9,635	11	(793)	8,853
Asset-backed securities collateralized by:				
Home equity mortgages	8	—	—	8
Corporate loans	154	—	—	154
Other	85	—	(9)	76
Foreign debt securities ⁽²⁾	4,299	8	(2)	4,305
Total available-for-sale securities	<u>\$ 34,311</u>	<u>\$ 30</u>	<u>\$ (1,790)</u>	<u>\$ 32,551</u>
Securities held-to-maturity:				
U.S. Treasury	\$ 4,962	\$ —	\$ (32)	\$ 4,930
U.S. Government sponsored enterprises ⁽¹⁾	1,039	2	(49)	992
U.S. Government agency issued or guaranteed ⁽¹⁾	13,976	77	(287)	13,766
Obligations of U.S. states and political subdivisions	2	—	—	2
Total held-to-maturity securities	<u>\$ 19,979</u>	<u>\$ 79</u>	<u>\$ (368)</u>	<u>\$ 19,690</u>
December 31, 2025	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
(in millions)				
Securities available-for-sale:				
U.S. Treasury	\$ 13,895	\$ 32	\$ (107)	\$ 13,820
U.S. Government sponsored enterprises ⁽¹⁾	4,603	2	(808)	3,797
U.S. Government agency issued or guaranteed ⁽¹⁾	8,750	11	(752)	8,009
Asset-backed securities collateralized by:				
Home equity mortgages	8	—	—	8
Corporate loans	179	—	—	179
Other	85	—	(9)	76
Foreign debt securities ⁽²⁾	4,131	11	(1)	4,141
Total available-for-sale securities	<u>\$ 31,651</u>	<u>\$ 56</u>	<u>\$ (1,677)</u>	<u>\$ 30,030</u>
Securities held-to-maturity:				
U.S. Treasury	\$ 2,846	\$ 7	\$ (4)	\$ 2,849
U.S. Government sponsored enterprises ⁽¹⁾	1,062	3	(47)	1,018
U.S. Government agency issued or guaranteed ⁽¹⁾	14,383	130	(245)	14,268
Obligations of U.S. states and political subdivisions	2	—	—	2
Total held-to-maturity securities	<u>\$ 18,293</u>	<u>\$ 140</u>	<u>\$ (296)</u>	<u>\$ 18,137</u>

⁽¹⁾ U.S. Government sponsored and U.S. Government agency securities primarily represent mortgage-backed securities, including collateralized mortgage obligations.

⁽²⁾ Foreign debt securities primarily represent public sector entity/bank and government debt.

Securities Available-for-Sale The following provides additional information about our portfolio of securities available-for-sale:

Allowance for credit losses On a quarterly basis, we perform an assessment to determine whether there have been any events or economic circumstances to indicate that a debt security available-for-sale in an unrealized loss position has suffered impairment due to credit factors. See Note 2, "Summary of Significant Accounting Policies and New Accounting Pronouncements," in our 2025 Form 10-K for further discussion.

In determining whether a credit loss exists, we consider a series of factors which include:

- The extent to which the fair value is less than the amortized cost basis;
- The credit protection features embedded within the instrument, which include but are not limited to credit subordination positions, payment structure, overcollateralization, protective triggers and financial guarantees provided by third parties;
- Changes in the near term prospects of the issuer or the underlying collateral of a security such as changes in default rates, loss severities given default and significant changes in prepayment assumptions;
- The level of excess cash flows generated from the underlying collateral supporting the principal and interest payments of the debt securities; and
- Any adverse change to the credit conditions of the issuer, the monoline insurer or the security such as credit downgrades by external rating agencies or changes to internal ratings.

At both March 31, 2026 and December 31, 2025, the allowance for credit losses on securities available-for-sale was nil.

Securities in an unrealized loss position for which no allowance for credit losses has been recognized The following table summarizes gross unrealized losses and related fair values for securities available-for-sale by major security type classified as to the length of time the losses have existed:

	One Year or Less		Greater Than One Year	
	Gross Unrealized Losses	Aggregate Fair Value of Investment	Gross Unrealized Losses	Aggregate Fair Value of Investment
(in millions)				
At March 31, 2026				
U.S. Treasury	\$ (20)	\$ 5,722	\$ (153)	\$ 3,135
U.S. Government sponsored enterprises	—	—	(813)	3,511
U.S. Government agency issued or guaranteed	(8)	1,583	(785)	6,128
Asset-backed securities	—	—	(9)	84
Foreign debt securities	(2)	2,228	—	—
Securities available-for-sale	<u>\$ (30)</u>	<u>\$ 9,533</u>	<u>\$ (1,760)</u>	<u>\$ 12,858</u>
At December 31, 2025				
U.S. Treasury	\$ —	\$ —	\$ (107)	\$ 3,419
U.S. Government sponsored enterprises	—	—	(808)	3,592
U.S. Government agency issued or guaranteed	—	50	(752)	6,313
Asset-backed securities	—	129	(9)	85
Foreign debt securities	(1)	1,541	—	—
Securities available-for-sale	<u>\$ (1)</u>	<u>\$ 1,720</u>	<u>\$ (1,676)</u>	<u>\$ 13,409</u>

Gross unrealized losses increased compared with December 31, 2025 primarily due to increasing yields on U.S. Treasury and U.S. Government agency securities.

Although the fair value of a particular security may be below its amortized cost, it does not necessarily result in a credit loss and hence an allowance for credit losses. The decline in fair value may be caused by, among other things, higher market rates or the illiquidity of the market. We have reviewed the securities in an unrealized loss position for which no allowance for credit losses has been recognized in accordance with our accounting policies, discussed further above. At March 31, 2026, we do not consider any of these securities to be impaired due to credit factors as we expect to recover their amortized cost basis and we neither intend nor expect to be required to sell these securities prior to recovery, even if that equates to holding them until their individual maturities. However, impairments due to credit factors may occur in future periods if the credit quality of the securities deteriorates.

Securities Held-to-Maturity The following provides additional information about our portfolio of securities held-to-maturity:

Allowance for credit losses We exclude from our calculation of lifetime expected credit losses ("lifetime ECL") securities for which we expect that non-payment of the amortized cost basis will be zero ("Zero Expected Credit Loss Exception"). Due to the composition of our portfolio of securities held-to-maturity, substantially all of our portfolio qualifies for the Zero Expected Credit Loss Exception and has been excluded from our lifetime ECL calculation. At both March 31, 2026 and December 31, 2025, the allowance for credit losses on securities held-to-maturity was nil.

At both March 31, 2026 and December 31, 2025, none of our securities held-to-maturity were past due or in nonaccrual status.

Credit risk profile Securities are assigned a credit rating based on the estimated probability of default. The credit ratings are used as a credit quality indicator to monitor our securities held-to-maturity portfolio. We utilize Standard and Poor's ("S&P") as the primary source of our credit ratings. If S&P ratings are not available, ratings by Moody's and Fitch are used in that order. Investment grade includes securities with credit ratings of at least BBB- or above. At both March 31, 2026 and December 31, 2025, all of our securities held-to-maturity were investment grade.

Other securities gains, net The following table summarizes realized gains and losses on investment securities transactions attributable to available-for-sale securities:

Three Months Ended March 31,	2026		2025	
	(in millions)			
Gross realized gains	\$	11	\$	3
Gross realized losses		—		—
Net realized gains	\$	<u>11</u>	\$	<u>3</u>

Contractual Maturities and Yields The following table summarizes the amortized cost and fair values of securities available-for-sale and securities held-to-maturity at March 31, 2026 by contractual maturity. Expected maturities differ from contractual maturities because borrowers have the right to prepay obligations without prepayment penalties in certain cases. The table below also reflects the distribution of maturities of debt securities held at March 31, 2026, together with the approximate yield of the portfolio. The yields shown are calculated by dividing annualized interest income, including the accretion of discounts and the amortization of premiums, by the amortized cost of securities outstanding at March 31, 2026.

	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years						
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield					
(dollars are in millions)													
Available-for-sale:													
U.S. Treasury	\$	—	—	%	\$ 10,996	3.61	%	\$ 2,236	3.89	%	\$ 2,370	2.99	%
U.S. Government sponsored enterprises		57	1.91		290	1.67		1	2.84		4,180	1.80	
U.S. Government agency issued or guaranteed		—	—		—	—		1	5.72		9,634	3.37	
Asset-backed securities		—	—		39	4.37		46	3.90		162	4.92	
Foreign debt securities		1,892	.96		1,708	4.01		699	4.11		—	—	
Total amortized cost	\$	<u>1,949</u>	.99	%	\$ 13,033	3.62	%	\$ 2,983	3.94	%	\$ 16,346	2.93	%
Total fair value	\$	<u>1,948</u>			\$ 13,008			\$ 2,975			\$ 14,620		
Held-to-maturity:													
U.S. Treasury	\$	—	—	%	\$ 3,116	3.68	%	\$ 1,846	3.92	%	\$ —	—	%
U.S. Government sponsored enterprises		—	—		180	2.92		565	3.66		294	2.90	
U.S. Government agency issued or guaranteed		—	—		—	—		8	5.85		13,968	4.70	
Obligations of U.S. states and political subdivisions		—	—		2	3.45		—	—		—	—	
Total amortized cost	\$	<u>—</u>	—	%	\$ 3,298	3.64	%	\$ 2,419	3.86	%	\$ 14,262	4.66	%
Total fair value	\$	<u>—</u>			\$ 3,278			\$ 2,381			\$ 14,031		

Equity Securities Equity securities that are not classified as trading and are included in other assets consisted of the following:

	March 31, 2026	December 31, 2025
	(in millions)	
Equity securities carried at fair value	\$ 241	\$ 243
Equity securities without readily determinable fair values	17	17

On a quarterly basis, we perform an assessment to determine whether any equity securities without readily determinable fair values are impaired. In the event an equity security is deemed impaired, the security is written down to fair value with impairment recorded in earnings. During the first quarter of 2026 and 2025, impairment losses on equity securities without readily determinable fair values were immaterial.

Also included in other assets were investments in Federal Home Loan Bank ("FHLB") stock and Federal Reserve Bank stock of \$95 million and \$437 million, respectively, at both March 31, 2026 and December 31, 2025. Our investment in Federal Reserve Bank stock represents approximately half of the total subscription price for our subscribed shares. The remaining half is unpaid and remains subject to call by the Federal Reserve Board ("FRB").

4. Loans

In connection with the simplification of our organizational structure and to better reflect how we manage our remaining commercial mortgage loan exposure, in the first quarter of 2026, we updated our presentation of commercial loans. Commercial mortgages previously reported within real estate, including construction are now presented as a separate category. Unsecured loans and loans that are indirectly secured by commercial real estate are now included within business and corporate banking. As a result, we have reclassified \$3.2 billion of loans to business and corporate banking at December 31, 2025 to conform to the current year presentation. All tables below have been recast, as applicable, to reflect this change.

Loans consisted of the following:

	March 31, 2026	December 31, 2025
	(in millions)	
Commercial loans:		
Commercial mortgages	\$ 1,263	\$ 1,439
Business and corporate banking	30,635	28,305
Other commercial:		
Affiliates ⁽¹⁾	5,852	6,035
Other	3,484	3,565
Total other commercial	9,336	9,600
Total commercial	41,234	39,344
Consumer loans:		
Residential mortgages	19,609	19,789
Other consumer	743	761
Total consumer	20,352	20,550
Total loans	<u>\$ 61,586</u>	<u>\$ 59,894</u>

⁽¹⁾ See Note 11, "Related Party Transactions," for additional information regarding loans to HSBC affiliates.

At March 31, 2026 and December 31, 2025, net deferred origination costs and net unamortized discounts on our loans were immaterial.

Aging Analysis of Past Due Loans The following table summarizes the past due status of our loans. The aging of past due amounts is determined based on the contractual delinquency status of payments under the loan. An account is generally considered to be contractually delinquent when payments have not been made in accordance with the loan terms. Delinquency status is affected by customer account management policies and practices such as re-age, which results in the re-setting of the contractual delinquency status to current.

	Past Due		Total Past Due 30 Days or More	Current ⁽¹⁾	Total Loans
	30 - 89 Days	90+ Days			
(in millions)					
At March 31, 2026					
Commercial loans:					
Commercial mortgages	\$ —	\$ 105	\$ 105	\$ 1,158	\$ 1,263
Business and corporate banking	103	81	184	30,451	30,635
Other commercial	138	—	138	9,198	9,336
Total commercial	<u>241</u>	<u>186</u>	<u>427</u>	<u>40,807</u>	<u>41,234</u>
Consumer loans:					
Residential mortgages	178	112	290	19,319	19,609
Other consumer	7	8	15	728	743
Total consumer	<u>185</u>	<u>120</u>	<u>305</u>	<u>20,047</u>	<u>20,352</u>
Total loans	<u>\$ 426</u>	<u>\$ 306</u>	<u>\$ 732</u>	<u>\$ 60,854</u>	<u>\$ 61,586</u>
At December 31, 2025					
Commercial loans:					
Commercial mortgages	\$ —	\$ 106	\$ 106	\$ 1,333	\$ 1,439
Business and corporate banking	239	15	254	28,051	28,305
Other commercial	41	—	41	9,559	9,600
Total commercial	<u>280</u>	<u>121</u>	<u>401</u>	<u>38,943</u>	<u>39,344</u>
Consumer loans:					
Residential mortgages	178	100	278	19,511	19,789
Other consumer	6	8	14	747	761
Total consumer	<u>184</u>	<u>108</u>	<u>292</u>	<u>20,258</u>	<u>20,550</u>
Total loans	<u>\$ 464</u>	<u>\$ 229</u>	<u>\$ 693</u>	<u>\$ 59,201</u>	<u>\$ 59,894</u>

⁽¹⁾ Loans less than 30 days past due are presented as current.

Nonperforming Loans Nonperforming loans, including nonaccrual loans and accruing loans contractually 90 days or more past due, consisted of the following:

	Nonaccrual Loans	Accruing Loans Contractually Past Due 90 Days or More	Nonaccrual Loans With No Allowance For Credit Losses
	(in millions)		
At March 31, 2026			
Commercial loans:			
Commercial mortgages	\$ 251	\$ —	\$ 1
Business and corporate banking	306	—	76
Total commercial	<u>557</u>	<u>—</u>	<u>77</u>
Consumer loans:			
Residential mortgages ⁽¹⁾	211	—	84
Other consumer	8	4	6
Total consumer	<u>219</u>	<u>4</u>	<u>90</u>
Total nonperforming loans	<u>\$ 776</u>	<u>\$ 4</u>	<u>\$ 167</u>
At December 31, 2025			
Commercial loans:			
Commercial mortgages	\$ 257	\$ —	\$ 2
Business and corporate banking	273	—	46
Other commercial	3	—	2
Total commercial	<u>533</u>	<u>—</u>	<u>50</u>
Consumer loans:			
Residential mortgages ⁽¹⁾	206	—	67
Other consumer	9	4	6
Total consumer	<u>215</u>	<u>4</u>	<u>73</u>
Total nonperforming loans	<u>\$ 748</u>	<u>\$ 4</u>	<u>\$ 123</u>

⁽¹⁾ At March 31, 2026 and December 31, 2025, includes \$116 million and \$99 million, respectively, of residential mortgage loans that are carried at the lower of amortized cost or fair value of the collateral less cost to sell.

Interest income that was recorded on nonaccrual loans and included in interest income was immaterial during the three months ended March 31, 2026 and 2025.

Collateral-Dependent Loans Loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty are considered to be collateral-dependent loans. Collateral can have a significant financial effect in mitigating our exposure to credit risk.

Collateral-dependent residential mortgage loans are carried at the lower of amortized cost or fair value of the collateral less costs to sell, with any excess in the carrying amount of the loan generally charged off at the time foreclosure is initiated or when settlement is reached with the borrower, but not to exceed the end of the month in which the account becomes six months contractually delinquent. Collateral values are based on broker price opinions or appraisals which are updated at least every 180 days less estimated costs to sell. During the quarterly period between updates, real estate price trends are reviewed on a geographic basis and incorporated as necessary. At March 31, 2026 and December 31, 2025, we had collateral-dependent residential mortgage loans totaling \$269 million and \$256 million, respectively.

For collateral-dependent commercial loans, the allowance for expected credit losses is individually assessed based on the fair value of the collateral. Various types of collateral are used, including real estate, inventory, equipment, accounts receivable, securities and cash, among others. For real estate, collateral values are generally based on appraisals which are updated based on management judgment under the specific circumstances on a case-by-case basis. In situations where an appraisal is not used, borrower-specific factors such as operating results, cash flows and debt service ratios are reviewed along with relevant market data of comparable properties in order to create a 10-year cash flow model to be discounted at appropriate rates to present value. The collateral value for securities is based on their quoted market prices or broker quotes. The collateral value for other financial assets is generally based on appraisals or is estimated using a discounted cash flow analysis. Commercial loan balances are charged off at the time all or a portion of the balance is deemed uncollectible. At March 31, 2026 and December 31, 2025, we had collateral-dependent commercial loans totaling \$544 million and \$513 million, respectively.

Loan Modifications In conjunction with our loss mitigation activities, we modify certain loans to borrowers experiencing financial difficulty. Modifications may include changes to one or more terms of the loan, including, but not limited to, a change in interest rate, extension of the term, reduction in payment amount and partial forgiveness or deferment of principal, accrued interest or other loan covenants.

The following disclosures provide information about loan payment modifications made to borrowers experiencing financial difficulty in the form of an interest rate reduction, principal forgiveness, a term extension or significant payment deferral, or a combination thereof. Not included are loans with short-term payment modifications (e.g., deferrals of three months or less) and other insignificant modifications, such as covenant waivers and amendments, and deferrals of financial statement and covenant compliance reporting requirements. Commercial loan payment modifications typically involve term extensions. In certain cases, the term extension is coupled with an interest rate increase which is intended to reduce the financial effect of extending the life of the loan. The effects of these interest rate increases are not included in the following disclosures. For consumer loans, payment modifications typically involve payment deferrals or interest rate reductions which lower the amount of interest income we are contractually entitled to receive in future periods. Through lowering the interest rate, we believe we are able to increase the amount of cash flow that will ultimately be collected from the loan, given the borrower's financial condition.

Loan payment modifications made to consumer borrowers experiencing financial difficulty were immaterial during the three months ended March 31, 2026 and 2025.

The following table presents information about loan payment modifications made to commercial borrowers experiencing financial difficulty by type of modification, including the period-end carrying value and as a percentage of total loans:

	Interest Rate Reduction	Principal Forgiveness	Term Extension / Significant Payment Deferral	Combination ⁽¹⁾	Total	% of Total Loans
(dollars are in millions)						
Three Months Ended March 31, 2026						
Commercial loans:						
Commercial mortgages	\$ —	\$ —	\$ 17	\$ —	\$ 17	1.3 %
Business and corporate banking	—	—	152	—	152	.5
Total commercial	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 169</u>	<u>\$ —</u>	<u>\$ 169</u>	.4
Three Months Ended March 31, 2025						
Commercial loans:						
Business and corporate banking	\$ —	\$ —	\$ 14	\$ —	\$ 14	.1 %
Total commercial	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 14</u>	<u>\$ —</u>	<u>\$ 14</u>	.0

⁽¹⁾ Represents loans with more than one type of payment modification during the period.

At March 31, 2026 and December 31, 2025, additional commitments to lend to commercial borrowers who were provided with a loan payment modification during the respective year-to-date periods totaled \$106 million and \$116 million, respectively.

The following table summarizes the financial effect of loan payment modifications made to commercial borrowers experiencing financial difficulty by type of modification:

	Weighted-Average Interest Rate Reduction	Principal Forgiven (in millions)	Weighted-Average Term Extension / Payment Deferral (in years)
Three Months Ended March 31, 2026			
Commercial loans:			
Commercial mortgages	— %	\$ —	0.5
Business and corporate banking	—	—	2.0
Three Months Ended March 31, 2025			
Commercial loans:			
Business and corporate banking	— %	\$ —	1.1

The effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the methodology used to estimate lifetime ECL, which considers historical loss information including losses from modifications of loans to borrowers experiencing financial difficulty. As a result, a material change to the allowance for credit losses is generally not recorded upon modification. In instances when a loan is modified in the form of

principal forgiveness, the amount of principal forgiven is deemed uncollectible and that portion of the loan balance is charged off with a corresponding reduction to the allowance for credit losses.

We closely monitor the performance of modified loans to understand the effectiveness of our loss mitigation efforts. Upon determination that a modified loan or a portion of a modified loan has subsequently been deemed uncollectible, the loan or a portion of the loan is charged off in accordance with our accounting policies with a corresponding reduction to the allowance for credit losses.

Loans to commercial borrowers experiencing financial difficulty with a payment modification during the previous 12 months which subsequently became 90 days or greater contractually delinquent were immaterial during the three months ended March 31, 2026 and 2025.

The following table presents the past due status of loans to commercial borrowers experiencing financial difficulty with a payment modification during the previous 12 months:

	Past Due		Current ⁽¹⁾	Total
	30 - 89 Days	90+ Days		
(in millions)				
At March 31, 2026				
Commercial loans:				
Commercial mortgages	\$ —	\$ 17	\$ —	\$ 17
Business and corporate banking	—	69	286	355
Total commercial	<u>\$ —</u>	<u>\$ 86</u>	<u>\$ 286</u>	<u>\$ 372</u>
At December 31, 2025				
Commercial loans:				
Commercial mortgages	\$ —	\$ 18	\$ 77	\$ 95
Business and corporate banking	—	9	249	258
Total commercial	<u>\$ —</u>	<u>\$ 27</u>	<u>\$ 326</u>	<u>\$ 353</u>

⁽¹⁾ Loans less than 30 days past due are presented as current.

Commercial Loan Credit Quality Indicator and Gross Charge-offs by Year of Origination

Criticized The primary credit quality indicator utilized to monitor our commercial loan portfolio is our internal classification of pass rated or criticized, which is determined by the assignment of various facility risk ratings based on the risk rating standards of our regulators. The criticized classification includes loans that are rated special mention, substandard or doubtful, which have an elevated level of risk.

The following table summarizes the criticized status of our commercial loans, including a disaggregation of the loans by year of origination:

	2026	2025	2024	2023	2022	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total at Mar. 31, 2026
(in millions)									
Commercial mortgages:									
Pass rated	\$ —	\$ 1	\$ —	\$ 234	\$ 196	\$ 305	\$ —	\$ —	\$ 736
Criticized	—	—	19	—	136	372	—	—	527
Total commercial mortgages	<u>—</u>	<u>1</u>	<u>19</u>	<u>234</u>	<u>332</u>	<u>677</u>	<u>—</u>	<u>—</u>	<u>1,263</u>
Business and corporate banking:									
Pass rated	1,568	4,732	3,130	1,544	1,074	5,537	9,835	1,131	28,551
Criticized	6	402	566	154	124	292	530	10	2,084
Total business and corporate banking	<u>1,574</u>	<u>5,134</u>	<u>3,696</u>	<u>1,698</u>	<u>1,198</u>	<u>5,829</u>	<u>10,365</u>	<u>1,141</u>	<u>30,635</u>
Other commercial:									
Pass rated	35	394	255	96	314	1,560	6,682	—	9,336
Total other commercial	<u>35</u>	<u>394</u>	<u>255</u>	<u>96</u>	<u>314</u>	<u>1,560</u>	<u>6,682</u>	<u>—</u>	<u>9,336</u>
Total commercial	<u>\$ 1,609</u>	<u>\$ 5,529</u>	<u>\$ 3,970</u>	<u>\$ 2,028</u>	<u>\$ 1,844</u>	<u>\$ 8,066</u>	<u>\$ 17,047</u>	<u>\$ 1,141</u>	<u>\$ 41,234</u>

	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total at Dec. 31, 2025
(in millions)									
Commercial mortgages:									
Pass rated.....	\$ 2	\$ 18	\$ 237	\$ 266	\$ 34	\$ 278	\$ —	\$ —	\$ 835
Criticized.....	—	1	—	120	—	483	—	—	604
Total commercial mortgages.....	2	19	237	386	34	761	—	—	1,439
Business and corporate banking:									
Pass rated.....	4,634	3,496	1,504	1,486	798	4,887	8,316	1,040	26,161
Criticized.....	326	609	183	162	75	307	471	11	2,144
Total business and corporate banking.....	4,960	4,105	1,687	1,648	873	5,194	8,787	1,051	28,305
Other commercial:									
Pass rated.....	484	319	87	319	338	1,192	6,861	—	9,600
Total other commercial.....	484	319	87	319	338	1,192	6,861	—	9,600
Total commercial.....	<u>\$ 5,446</u>	<u>\$ 4,443</u>	<u>\$ 2,011</u>	<u>\$ 2,353</u>	<u>\$ 1,245</u>	<u>\$ 7,147</u>	<u>\$ 15,648</u>	<u>\$ 1,051</u>	<u>\$ 39,344</u>

Gross Charge-offs The following table summarizes gross charge-off dollars in our commercial loan portfolio, disaggregated by year of origination:

	2026	2025	2024	2023	2022	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
(in millions)									
Three Months Ended March 31, 2026									
Business and corporate banking.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 13	\$ —	\$ —	\$ 13
Total commercial.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13</u>

	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
(in millions)									
Three Months Ended March 31, 2025									
Business and corporate banking.....	\$ —	\$ —	\$ 7	\$ —	\$ —	\$ —	\$ 8	\$ —	\$ 15
Total commercial.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8</u>	<u>\$ —</u>	<u>\$ 15</u>

Consumer Loan Credit Quality Indicator and Gross Charge-offs by Year of Origination

Delinquency The primary credit quality indicator utilized to monitor our consumer loan portfolio is delinquency. At March 31, 2026 and December 31, 2025, delinquency for other consumer loans was immaterial.

The following table summarizes dollars of two-months-and-over contractual delinquency for our residential mortgage loan portfolio, including a disaggregation of the loans by year of origination:

	2026	2025	2024	2023	2022	Prior	Revolving Loans	Total at Mar. 31, 2026
(in millions)								
Residential mortgages:								
Current - 59 days past due.....	\$ 605	\$ 3,035	\$ 2,333	\$ 1,306	\$ 2,074	\$ 10,111	\$ —	\$ 19,464
60 days or more past due ⁽¹⁾⁽²⁾	—	—	—	10	8	127	—	145
Total residential mortgages.....	<u>\$ 605</u>	<u>\$ 3,035</u>	<u>\$ 2,333</u>	<u>\$ 1,316</u>	<u>\$ 2,082</u>	<u>\$ 10,238</u>	<u>\$ —</u>	<u>\$ 19,609</u>
(in millions)								
Residential mortgages:								
Current - 59 days past due.....	\$ 3,203	\$ 2,575	\$ 1,378	\$ 2,100	\$ 3,673	\$ 6,723	\$ —	\$ 19,652
60 days or more past due ⁽¹⁾⁽²⁾	—	3	9	10	—	115	—	137
Total residential mortgages.....	<u>\$ 3,203</u>	<u>\$ 2,578</u>	<u>\$ 1,387</u>	<u>\$ 2,110</u>	<u>\$ 3,673</u>	<u>\$ 6,838</u>	<u>\$ —</u>	<u>\$ 19,789</u>

⁽¹⁾ At March 31, 2026 and December 31, 2025, includes \$74 million and \$57 million, respectively, of residential mortgage loans that are carried at the lower of amortized cost or fair value of the collateral less cost to sell.

⁽²⁾ At March 31, 2026 and December 31, 2025, includes \$46 million and \$30 million, respectively, of residential mortgage loans that were in the process of foreclosure.

Gross Charge-offs Gross charge-off dollars in our consumer loan portfolio were immaterial during the three months ended March 31, 2026 and 2025.

5. Allowance for Credit Losses

We utilize a minimum of four forward-looking economic scenarios to calculate lifetime ECL when estimating the allowance for credit losses for in scope financial assets and the liability for off-balance sheet credit exposures. Three of the scenarios are termed the "Consensus Economic Scenarios" which include a 'most likely outcome' (the "Central scenario") and two less likely 'outer' scenarios, referred to as the "Upside scenario" and the "Downside scenario." The fourth scenario, referred to as the "Alternative Downside scenario," is designed to consider severe downside risks with more extreme economic outcomes. Each scenario is assigned a weighting deemed appropriate for the estimation of lifetime ECL, with the majority of the weighting typically placed on the Central scenario. At management's discretion, changes may be made to the weighting assigned to the four scenarios or additional scenarios may be included in order to consider current economic conditions.

Updates to Economic Scenarios and Other Changes During the Three Months Ended March 31, 2026 During the first quarter of 2026, economic uncertainty increased due to the impact of the conflict in the Middle East, including higher energy prices resulting from supply chain disruption, in addition to the ongoing uncertainty associated with tariffs, inflation and interest rates. As a result, in addition to updating our Consensus Economic Scenarios and our Alternative Downside scenario, we developed and utilized a fifth scenario for estimating lifetime ECL at March 31, 2026, referred to as the "Alternative Downside 2 scenario" to address the risks of an energy price shock from a more prolonged Middle East conflict. Each of the five scenarios were assigned weightings with the highest weighting placed on the Central scenario, the second highest weighting placed on the Alternative Downside 2 scenario, the third highest weighting placed on the Downside scenario, and the lowest weightings placed equally on the Upside and Alternative Downside scenarios. This weighting represents management's best estimate of lifetime ECL under current conditions. The following discussion summarizes the scenarios at March 31, 2026. The economic assumptions described in this section have been formed specifically for the purpose of calculating lifetime ECL.

The Central scenario assumes moderate economic growth in 2026 and 2027. As job gains slow and the unemployment rate edges up, the FRB moves forward with additional rate cuts in the near term despite elevated inflation. The downside scenarios encompass more adverse economic outcomes, ranging from a slowdown to a cyclical downturn to severe recessionary conditions, along with federal funds rate assumptions ranging from tightening to easing consistent with varying inflation and labor market conditions across scenarios, including higher inflation in the Alternative Downside 2 scenario driven by higher energy prices.

The following table presents the forecasted key macroeconomic variables in our Central scenarios used for estimating lifetime ECL:

	For the Quarter Ended			
	Jun. 30, 2026	Dec. 31, 2026	Jun. 30, 2027	Dec. 31, 2027
Unemployment rate (quarterly average):				
Forecast at March 31, 2026	4.5 %	4.5 %	4.4 %	4.3 %
Forecast at December 31, 2025	4.4	4.4	4.3	4.2
Gross domestic product growth rate (year-over-year):				
Forecast at March 31, 2026	2.7	2.3	2.0	2.0
Forecast at December 31, 2025	1.7	1.9	2.0	2.0

While we believe that the assumptions used in our credit loss models are reasonable and within the parameters for which the models have been built and calibrated to operate, energy prices, tariffs, inflation and interest rates may adversely impact certain clients, which may not be fully captured by the models. As a result, adjustments to model outputs to reflect consideration of management judgment are used with stringent governance in place to ensure an appropriate lifetime ECL estimate.

The impact of the conflict in the Middle East, including higher energy prices, along with tariffs, inflation and interest rates will continue to evolve and impact our allowance for credit losses in future periods, the extent of which remains uncertain. We will continue to monitor these situations closely and adapt our approach as necessary to reflect management's current view of forecasted economic conditions.

Allowance for Credit Losses / Liability for Off-Balance Sheet Credit Exposures See Note 3, "Securities," for information regarding the allowance for credit losses associated with our security portfolios. The following table summarizes the changes in the allowance for credit losses on loans by product or line of business:

	Commercial Loans			Consumer Loans		Total Loans
	Commercial Mortgages ⁽¹⁾	Business and Corporate Banking ⁽¹⁾	Other Comm'l	Residential Mortgages	Other Consumer	
(in millions)						
Three Months Ended March 31, 2026						
Allowance for credit losses – beginning of period	\$ 108	\$ 327	\$ 1	\$ (12)	\$ 18	\$ 442
Provision charged (credited) to income	—	49	—	2	1	52
Charge-offs	—	(13)	—	(1)	(2)	(16)
Recoveries	—	—	—	1	2	3
Net (charge-offs) recoveries	—	(13)	—	—	—	(13)
Allowance for credit losses – end of period	<u>\$ 108</u>	<u>\$ 363</u>	<u>\$ 1</u>	<u>\$ (10)</u>	<u>\$ 19</u>	<u>\$ 481</u>
Three Months Ended March 31, 2025						
Allowance for credit losses – beginning of period	\$ 135	\$ 390	\$ 1	\$ (12)	\$ 23	\$ 537
Provision charged (credited) to income	64	48	—	—	—	112
Charge-offs	—	(15)	—	—	(2)	(17)
Recoveries	—	—	—	1	1	2
Net (charge-offs) recoveries	—	(15)	—	1	(1)	(15)
Allowance for credit losses – end of period	<u>\$ 199</u>	<u>\$ 423</u>	<u>\$ 1</u>	<u>\$ (11)</u>	<u>\$ 22</u>	<u>\$ 634</u>

⁽¹⁾ As discussed further in Note 4, "Loans," in the first quarter of 2026, we updated our presentation of commercial loans. Commercial mortgages previously reported within real estate, including construction are now presented as a separate category. Unsecured loans and loans that are indirectly secured by commercial real estate are now included within business and corporate banking. As a result, we have reclassified prior year amounts to conform to the current year presentation.

The following table summarizes the changes in the liability for off-balance sheet credit exposures:

Three Months Ended March 31,	2026	2025
(in millions)		
Balance at beginning of period	\$ 166	\$ 139
Provision charged (credited) to income	(4)	6
Balance at end of period	<u>\$ 162</u>	<u>\$ 145</u>

Accrued Interest Receivables The following table summarizes accrued interest receivables associated with financial assets carried at amortized cost and securities available-for-sale along with the related allowance for credit losses, which are reported net in other assets on the consolidated balance sheet. These accrued interest receivables are excluded from the amortized cost basis disclosures presented elsewhere in these financial statements, including Note 3, "Securities," and Note 4, "Loans."

	March 31, 2026	December 31, 2025
(in millions)		
Accrued interest receivables:		
Loans	\$ 218	\$ 222
Securities held-to-maturity	87	70
Other financial assets measured at amortized cost	35	26
Securities available-for-sale	197	169
Total accrued interest receivables	<u>537</u>	<u>487</u>
Allowance for credit losses	—	—
Accrued interest receivables, net	<u>\$ 537</u>	<u>\$ 487</u>

During the three months ended March 31, 2026 and 2025, charged-off accrued interest receivables were immaterial.

6. Loans Held for Sale

Loans held for sale consisted of the following:

	March 31, 2026	December 31, 2025
	(in millions)	
Commercial loans:		
Commercial mortgages	\$ 422	\$ 1,252
Business and corporate banking	955	671
Total commercial	<u>1,377</u>	<u>1,923</u>
Consumer loans	<u>1</u>	<u>2</u>
Total loans held for sale	<u>\$ 1,378</u>	<u>\$ 1,925</u>

Commercial Loans During the first quarter of 2026, we sold a portfolio of commercial real estate loans to a third-party sponsored asset-backed financing entity with a carrying value of \$0.8 billion at the time of sale and recognized an immaterial loss on sale. These loans were previously transferred to held for sale in 2025. In connection with the sale, we provided loans to the buyer for a portion of the purchase price. See Note 14, "Variable Interest Entities," for additional information. At March 31, 2026, additional commercial real estate loans remained in loans held for sale with a carrying value of \$480 million.

Commercial loans held for sale also include certain other loans that we no longer intend to hold for investment and were transferred to held for sale. These loans totaled \$164 million and \$45 million at March 31, 2026 and December 31, 2025, respectively. During the three months ended March 31, 2026 and 2025, lower of amortized cost or fair value adjustments on commercial loans held for sale were immaterial.

Also included in commercial loans held for sale are certain loans that we have elected to designate under the fair value option ("FVO") which consists of loans that we originate in connection with our participation in a number of syndicated credit facilities with the intent of selling them to unaffiliated third parties as well as loans purchased in the secondary market that are held as hedges against our exposure to certain total return swaps or that we intend to sell. The fair value of these loans totaled \$733 million and \$626 million at March 31, 2026 and December 31, 2025, respectively. See Note 8, "Fair Value Option," for additional information.

Valuation Allowances Excluding the loans designated under FVO discussed above, loans held for sale are recorded at the lower of amortized cost or fair value, with adjustments to fair value being recorded as a valuation allowance through other revenues. The valuation allowance on loans held for sale was immaterial at March 31, 2026 and December 31, 2025.

7. Derivative Financial Instruments

In the normal course of business, the derivative instruments we enter into are for trading, market making and risk management purposes. For financial reporting purposes, derivative instruments are designated in one of the following categories: (a) hedging instruments designated as qualifying hedges under derivative and hedge accounting principles, (b) financial instruments held for trading or (c) non-qualifying economic hedges. The derivative instruments held are predominantly swaps, futures, options and forward contracts. All derivatives are stated at fair value. Where we enter into enforceable master netting agreements with counterparties, the master netting agreements permit us to net those derivative asset and liability positions and to offset cash collateral held and posted with the same counterparty.

The following table presents the fair value of derivative contracts by major product type on a gross basis. Gross fair values exclude the effects of both counterparty netting as well as collateral, and therefore are not representative of our exposure. The table below also presents the amounts of counterparty netting and cash collateral that have been offset in the consolidated balance sheet, as well as cash and securities collateral posted and received under enforceable master netting agreements that do not meet the criteria for netting. Derivative assets and liabilities which are not subject to an enforceable master netting agreement, or are subject to a netting agreement where an appropriate legal opinion to determine such agreements are enforceable has not been either sought or obtained, have not been netted in the following table. Where we have received or posted collateral under netting agreements where an appropriate legal opinion to determine such agreements are enforceable has not been either sought or obtained, the related collateral also has not been netted in the following table.

The substantial majority of our derivative assets and liabilities relate to bilateral over-the-counter ("OTC") derivatives, which include derivatives executed and settled bilaterally with counterparties without the use of an organized exchange or central clearing counterparty. The credit risk associated with bilateral OTC derivatives is managed through obtaining collateral and enforceable master netting agreements. OTC-cleared derivatives are executed bilaterally in the OTC market but are then

novated to a central clearing counterparty, whereby the central clearing counterparty becomes the counterparty to each of the original counterparties. Credit risk for OTC-cleared derivatives is minimized through daily margining requirements. In addition, OTC-cleared derivatives are settled daily, which reduces their fair value on the consolidated balance sheet. Exchange traded derivatives are executed directly on an organized exchange and represented less than 1 percent of our total derivative assets and liabilities.

	March 31, 2026		December 31, 2025	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
(in millions)				
Derivatives accounted for as hedges:⁽¹⁾				
Interest rate contracts	\$ 17	\$ 42	\$ 24	\$ 13
Foreign exchange contracts	160	—	129	—
Total derivatives accounted for as hedges	177	42	153	13
Trading derivatives not accounted for as hedges:⁽²⁾				
Interest rate contracts	837	439	761	430
Foreign exchange contracts	11,277	11,123	9,452	8,924
Equity contracts	1,317	573	525	567
Precious metals contracts	1,753	1,796	1,883	2,050
Credit contracts	124	33	119	59
Other non-qualifying derivatives not accounted for as hedges:⁽¹⁾				
Interest rate contracts	2	85	1	73
Equity contracts	545	210	734	68
Credit contracts	15	152	18	158
Other contracts ⁽³⁾	3	9	4	17
Total derivatives	16,050	14,462	13,650	12,359
Less: Gross amounts of receivable / payable subject to enforceable master netting agreements⁽⁴⁾⁽⁶⁾	12,050	12,050	10,198	10,198
Less: Gross amounts of cash collateral received / posted subject to enforceable master netting agreements⁽⁵⁾⁽⁶⁾	2,757	1,099	1,911	1,143
Net amounts of derivative assets / liabilities presented in the balance sheet	1,243	1,313	1,541	1,018
Less: Gross amounts of financial instrument collateral received / posted subject to enforceable master netting agreements but not offset in the consolidated balance sheet	252	50	255	10
Net amounts of derivative assets / liabilities	\$ 991	\$ 1,263	\$ 1,286	\$ 1,008

⁽¹⁾ Derivative assets / liabilities related to cash flow hedges, fair value hedges and derivative instruments held for purposes other than for trading are recorded in other assets / interest, taxes and other liabilities on the consolidated balance sheet.

⁽²⁾ Trading related derivative assets / liabilities are recorded in trading assets / trading liabilities on the consolidated balance sheet.

⁽³⁾ Consists of swap agreements entered into in conjunction with the sales of Visa Inc. ("Visa") Class B common shares ("Class B Shares").

⁽⁴⁾ Represents the netting of derivative receivable and payable balances for the same counterparty under enforceable netting agreements.

⁽⁵⁾ Represents the netting of cash collateral posted and received by counterparty under enforceable netting agreements.

⁽⁶⁾ Netting is performed at a counterparty level in cases where enforceable master netting agreements are in place, regardless of the type of derivative instrument. Therefore, we have not allocated netting to the different types of derivative instruments shown in the table above.

See Note 15, "Guarantee Arrangements, Pledged Assets and Repurchase Agreements," for further information on offsetting related to resale and repurchase agreements.

Derivatives Held for Risk Management Purposes Our risk management policy requires us to identify, analyze and manage risks arising from the activities conducted during the normal course of business. We use derivative instruments as an asset and liability management tool to manage our exposures in interest rate, foreign currency and credit risks in existing assets and liabilities, commitments and forecasted transactions. The accounting for changes in fair value of a derivative instrument will depend on whether the derivative has been designated and qualifies for hedge accounting.

We designate derivative instruments to offset the fair value risk and cash flow risk arising from fixed-rate and floating-rate assets and liabilities as well as forecasted transactions. We assess the hedging relationships, both at the inception of the hedge and on an ongoing basis, using a regression approach to determine whether the designated hedging instrument is highly effective in offsetting changes in the fair value or the cash flows attributable to the hedged risk. Accounting principles for qualifying hedges require us to prepare detailed documentation describing the relationship between the hedging instrument and the hedged item, including, but not limited to, the risk management objective, the hedging strategy and the methods to assess and measure the ineffectiveness of the hedging relationship. We discontinue hedge accounting when we determine that the

hedge is no longer highly effective, the hedging instrument is terminated, sold or expired, the designated forecasted transaction is not probable of occurring, or when the designation is removed by us.

Fair Value Hedges In the normal course of business, we hold fixed-rate loans and securities, and issue fixed-rate deposits and senior and subordinated debt obligations. The fair value of fixed-rate assets and liabilities fluctuates in response to changes in interest rates. We utilize interest rate swaps, forward and futures contracts to minimize our exposure to changes in fair value caused by interest rate volatility. The changes in the fair value of the hedged item designated in a qualifying hedge are captured as an adjustment to the carrying amount of the hedged item (basis adjustment). If the hedging relationship is discontinued and the hedged item continues to exist, the basis adjustment is amortized over the remaining life of the hedged item.

The following table presents the carrying amount of hedged items in fair value hedges recognized in the consolidated balance sheet, along with the cumulative amount of fair value hedging adjustments included in the carrying amount of those hedged items:

	Carrying Amount of Hedged Items ⁽¹⁾	Cumulative Amount of Fair Value Hedging Adjustments Increasing (Decreasing) the Carrying Amount of Hedged Items		
		Active	Discontinued	Total
(in millions)				
At March 31, 2026				
Securities available-for-sale ("AFS")	\$ 19,470	\$ (1,072)	\$ (201)	\$ (1,273)
Long-term debt	10,762	(137)	—	(137)
At December 31, 2025				
Securities AFS	15,902	(966)	(204)	(1,170)
Deposits	1,497	(8)	6	(2)
Long-term debt	8,825	(74)	—	(74)

⁽¹⁾ The carrying amount of securities AFS represents the amortized cost basis.

The following table presents information on gains and losses on derivative instruments designated and qualifying as hedging instruments and the hedged items in fair value hedges and their location on the consolidated statement of income:

	Location of Gain (Loss) Recognized in Income	Gain (Loss) on Derivatives	Gain (Loss) on Hedged Items
(in millions)			
Three Months Ended March 31, 2026			
Interest rate contracts / Securities AFS	Net interest income	\$ 117	\$ 81
Interest rate contracts / Deposits	Net interest income	5	(21)
Interest rate contracts / Long-term debt	Net interest income	(73)	(43)
Total		<u>\$ 49</u>	<u>\$ 17</u>
Three Months Ended March 31, 2025			
Interest rate contracts / Securities AFS	Net interest income	\$ (177)	\$ 344
Interest rate contracts / Deposits	Net interest income	8	(31)
Interest rate contracts / Long-term debt	Net interest income	52	(179)
Total		<u>\$ (117)</u>	<u>\$ 134</u>

Cash Flow Hedges We own or issue floating rate financial instruments and enter into forecasted transactions that give rise to variability in future cash flows. As a part of our risk management strategy, we use interest rate swaps, currency swaps and futures contracts to mitigate risk associated with variability in the cash flows. Changes in fair value of a derivative instrument associated with a qualifying cash flow hedge are recognized in other comprehensive income (loss). When the cash flows being hedged materialize and are recorded in income or expense, the associated gain or loss from the hedging derivative previously recorded in accumulated other comprehensive loss ("AOCI") is reclassified into earnings in the same accounting period in which the designated forecasted transaction or hedged item affects earnings. If a cash flow hedge of a forecasted transaction is discontinued because it is no longer highly effective, or if the hedge relationship is terminated, the cumulative gain or loss on the hedging derivative to that date will continue to be reported in AOCI unless it is probable that the hedged forecasted transaction will not occur by the end of the originally specified time period as documented at the inception of the hedge, at which time the cumulative gain or loss is released into earnings.

At March 31, 2026, active cash flow hedge relationships extend or mature through July 2036. During the three months ended March 31, 2026, \$16 million of losses related to discontinued cash flow hedge relationships were amortized to earnings from AOCI compared with losses of \$10 million during the three months ended March 31, 2025. During the next twelve months, we expect to amortize \$55 million of remaining losses to earnings resulting from these discontinued cash flow hedges. The interest accrual related to the hedging instruments is recognized in net interest income.

The following table presents information on gains and losses on derivative instruments designated and qualifying as hedging instruments in cash flow hedges (including amounts recognized in AOCI from discontinued cash flow hedges) and their location on the consolidated statement of income:

	Gain (Loss) Recognized in AOCI on Derivatives		Location of Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Reclassified From AOCI into Income	
	2026	2025		2026	2025
(in millions)					
Three Months Ended March 31,					
Foreign exchange contracts	\$ (3)	\$ (2)	Net interest income	\$ —	\$ —
Interest rate contracts	(13)	(113)	Net interest income	(16)	(10)
Total	<u>\$ (16)</u>	<u>\$ (115)</u>		<u>\$ (16)</u>	<u>\$ (10)</u>

Trading Derivatives and Non-Qualifying Hedging Activities In addition to risk management, we also enter into derivative contracts, including buy- and sell-protection credit derivatives, for the purposes of trading and market making, or repackaging risks to form structured trades to meet clients' risk taking objectives. Additionally, we buy or sell securities and use derivatives to mitigate the market risks arising from our trading activities with our clients that exceed our risk appetite. We also use buy-protection credit derivatives to manage our counterparty credit risk exposure. Where we enter into derivatives for trading purposes, realized and unrealized gains and losses are recognized in trading revenue. Counterparty credit risk associated with OTC derivatives, including risk-mitigating buy-protection credit derivatives, are recognized as an adjustment to the fair value of the derivatives and are recorded in trading revenue.

Our non-qualifying hedging and other activities include:

- Derivative contracts related to the fixed-rate long-term debt issuances and hybrid instruments, including structured notes and deposits, for which we have elected FVO accounting. These derivative contracts are non-qualifying hedges but are considered economic hedges.
- Credit default swaps which are designated as economic hedges against the credit risks within our loan portfolio. In the event of an impairment loss occurring in a loan that is economically hedged, the impairment loss is recognized as provision for credit losses while the gain on the credit default swap is recorded as other income (loss).
- Swap agreements entered into in conjunction with the sales of Visa Class B Shares to a third party to retain the litigation risk associated with the Class B Shares sold until the related litigation is settled. See Note 15, "Guarantee Arrangements, Pledged Assets and Repurchase Agreements," for additional information.
- Equity warrant assets obtained in connection with certain commercial lending activities, which generally entitle us to acquire stock in private companies. Changes in fair value are recorded in other income (loss).

Derivative instruments designated as economic hedges that do not qualify for hedge accounting are recorded at fair value through profit and loss. Realized and unrealized gains and losses on economic hedges are recognized in gain (loss) on instruments designated at fair value and related derivatives or other income (loss) while the derivative asset or liability positions are reflected as other assets or other liabilities.

The following table presents information on gains and losses on derivative instruments held for trading purposes and their location on the consolidated statement of income:

Location of Gain (Loss) Recognized in Income on Derivatives		Gain (Loss) Recognized in Income on Derivatives	
		Three Months Ended March 31,	
		2026	2025
(in millions)			
Interest rate contracts	Trading revenue	\$ (83)	\$ (127)
Foreign exchange contracts	Trading revenue	115	134
Equity contracts	Trading revenue	815	778
Precious metals contracts	Trading revenue	47	4
Credit contracts	Trading revenue	17	(52)
Total		<u>\$ 911</u>	<u>\$ 737</u>

The following table presents information on gains and losses on derivative instruments held for non-qualifying hedging and other activities and their location on the consolidated statement of income:

Location of Gain (Loss) Recognized in Income on Derivatives		Gain (Loss) Recognized in Income on Derivatives	
		Three Months Ended March 31,	
		2026	2025
(in millions)			
Interest rate contracts	Gain (loss) on instruments designated at fair value and related derivatives	\$ (11)	\$ 32
Equity contracts	Gain (loss) on instruments designated at fair value and related derivatives	(198)	(200)
Equity contracts	Other income (loss)	—	(3)
Credit contracts	Other income (loss)	(4)	(3)
Other contracts ⁽¹⁾	Other income (loss)	(7)	(7)
Total		<u>\$ (220)</u>	<u>\$ (181)</u>

⁽¹⁾ Consists of swap agreements entered into in conjunction with the sales of Visa Class B Shares.

Credit-Risk Related Contingent Features The majority of our derivative contracts contain provisions that require us to maintain a specific credit rating from each of the major credit rating agencies. Sometimes the derivative instrument transactions are a part of broader structured product transactions. If our credit ratings were to fall below the current ratings, the counterparties to our derivative instruments could demand us to post additional collateral. The amount of additional collateral required to be posted will depend on whether we are downgraded by one or more notches. The aggregate fair value of all derivative instruments with credit-risk related contingent features that were in a net liability position at March 31, 2026 was \$117 million, for which we had posted collateral of \$62 million. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position at December 31, 2025 was \$58 million, for which we had posted collateral of \$25 million. Substantially all of the collateral posted is in the form of cash or securities available-for-sale. See Note 15, "Guarantee Arrangements, Pledged Assets and Repurchase Agreements," for further details.

The following table presents the amount of additional collateral that we would be required to post (from the current collateral level) related to derivative instruments with credit-risk related contingent features if our long-term ratings were downgraded by one or two notches. A downgrade by a single rating agency that does not result in a rating lower than a preexisting corresponding rating provided by another rating agency will generally not result in additional collateral.

		One-notch downgrade	Two-notch downgrade
		(in millions)	
Amount of additional collateral to be posted upon downgrade	\$	—	\$ 17

Notional Value of Derivative Contracts The following table summarizes the notional values of derivative contracts:

	March 31, 2026	December 31, 2025
	(in billions)	
Interest rate:		
Swaps, futures and forwards	\$ 222.2	\$ 137.2
Options written	—	.1
Options purchased	—	—
Total interest rate	<u>222.2</u>	<u>137.3</u>
Foreign exchange:		
Swaps, futures and forwards	1,264.6	1,113.2
Options written	25.4	23.8
Options purchased	25.6	23.8
Spot	64.7	34.4
Total foreign exchange	<u>1,380.3</u>	<u>1,195.2</u>
Commodities, equities and precious metals:		
Swaps, futures and forwards	44.3	35.8
Options written	1.6	1.7
Options purchased	11.0	10.9
Total commodities, equities and precious metals	<u>56.9</u>	<u>48.4</u>
Credit derivatives	24.8	22.5
Other contracts ⁽¹⁾	1.6	1.8
Total	<u>\$ 1,685.8</u>	<u>\$ 1,405.2</u>

⁽¹⁾ Consists of swap agreements entered into in conjunction with the sales of Visa Class B Shares.

8. Fair Value Option

We report our results to HSBC in accordance with HSBC Group accounting and reporting policies ("Group Reporting Basis"), which apply International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). We typically have elected to apply FVO accounting to selected financial instruments to align the measurement attributes of those instruments under U.S. GAAP and the Group Reporting Basis and to simplify the accounting model applied to those financial instruments. We elected to apply FVO accounting to certain commercial loans held for sale, certain fixed-rate long-term debt issuances, all of our hybrid instruments, including structured notes and deposits, and certain client share repurchase transactions. Excluding the fair value movement on FVO liabilities attributable to our own credit spread, which is recorded in other comprehensive income (loss), changes in the fair value of FVO assets and liabilities as well as the mark-to-market adjustment on the related derivatives and the net realized gains or losses on these derivatives are reported in gain (loss) on instruments designated at fair value and related derivatives in the consolidated statement of income. See Note 16, "Fair Value Measurements," for discussion of the valuation techniques used for assets and liabilities designated under FVO.

Loans Held For Sale We elected to apply FVO accounting to certain commercial syndicated loans and related unfunded commitments that are originated with the intent to sell, as well as certain commercial loans purchased in the secondary market that are held as hedges against our exposure to certain total return swaps or that we intend to sell. These loans are presented as loans held for sale in the consolidated balance sheet. These elections allow us to account for these loans at fair value which is consistent with the manner in which the instruments are managed. Interest from these loans is recorded as interest income in the consolidated statement of income. Because a substantial majority of the loans elected for FVO are floating-rate loans, changes in their fair value are primarily attributable to changes in loan-specific credit risk factors. The components of gain (loss) related to loans designated at fair value are summarized in the table below. At March 31, 2026 and December 31, 2025, no loans for which FVO has been elected were 90 days or more past due or in nonaccrual status.

Long-Term Debt (Own Debt Issuances) We elected to apply FVO accounting to certain fixed-rate long-term debt, primarily for which we otherwise would elect to apply fair value hedge accounting. The election allows us to achieve a similar accounting effect without having to meet the hedge accounting requirements. Interest on the fixed-rate debt accounted for under FVO is recorded as interest expense in the consolidated statement of income. Excluding the fair value movement attributable to our own credit spread, the components of gain (loss) in the consolidated statement of income related to long-term debt designated at fair value are summarized in the table below.

Hybrid Instruments We elected to apply FVO accounting to all of our hybrid instruments issued, including structured notes and deposits with embedded derivatives. Interest on this debt is recorded as interest expense in the consolidated statement of income. Excluding the fair value movement attributable to our own credit spread, the components of gain (loss) in the consolidated statement of income related to hybrid instruments designated at fair value are summarized in the table below.

Client Share Repurchase Transactions From time to time, we enter into agreements with clients to facilitate share repurchase transactions under which the clients make a substantial up-front cash payment in exchange for the delivery of shares. Simultaneously, we enter into corresponding agreements with HSBC Bank plc to execute the share repurchases. We elected to apply FVO accounting to these transactions, which are recorded in other assets and interest, taxes and other liabilities on the consolidated balance sheet.

The following table summarizes the fair value and unpaid principal balance for items we account for under FVO:

	Fair Value	Unpaid Principal Balance	Fair Value Over (Under) Unpaid Principal Balance
	(in millions)		
At March 31, 2026			
Commercial loans held for sale	\$ 733	\$ 843	\$ (110)
Fixed rate long-term debt	808	785	23
Hybrid instruments:			
Structured deposits	3,539	3,292	247
Structured notes	6,840	6,815	25
At December 31, 2025			
Commercial loans held for sale	\$ 626	\$ 721	\$ (95)
Fixed rate long-term debt	831	791	40
Hybrid instruments:			
Structured deposits	3,570	3,260	310
Structured notes	7,435	7,093	342

Components of Gain (Loss) on Instruments Designated at Fair Value and Related Derivatives The following table summarizes the components of gain (loss) on instruments designated at fair value and related derivatives reflected in the consolidated statement of income:

	Loans Held for Sale	Long-Term Debt	Hybrid Instruments	Total
	(in millions)			
Three Months Ended March 31, 2026				
Interest rate and other components ⁽¹⁾	\$ —	\$ 5	\$ 201	\$ 206
Credit risk component ⁽²⁾	(2)	—	—	(2)
Total mark-to-market on financial instruments designated at fair value	(2)	5	201	204
Gain (loss) on related derivatives	—	(4)	(205)	(209)
Gain (loss) on instruments designated at fair value and related derivatives	<u>\$ (2)</u>	<u>\$ 1</u>	<u>\$ (4)</u>	<u>\$ (5)</u>
Three Months Ended March 31, 2025				
Interest rate and other components ⁽¹⁾	\$ —	\$ (16)	\$ 188	\$ 172
Credit risk component ⁽²⁾	(7)	—	—	(7)
Total mark-to-market on financial instruments designated at fair value	(7)	(16)	188	165
Gain (loss) on related derivatives	—	18	(186)	(168)
Gain (loss) on instruments designated at fair value and related derivatives	<u>\$ (7)</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ (3)</u>

⁽¹⁾ As it relates to hybrid instruments, interest rate and other components primarily includes interest rate and equity contract risks.

⁽²⁾ The fair value movement on FVO liabilities attributable to our own credit spread is recorded in other comprehensive income (loss).

9. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss includes certain items that are reported directly within a separate component of equity. The following table presents changes in accumulated other comprehensive loss balances:

Three Months Ended March 31,	2026	2025
	(in millions)	
Unrealized gains (losses) on investment securities:		
Balance at beginning of period	\$ (1,238)	\$ (1,732)
Other comprehensive income (loss) for period:		
Net unrealized gains (losses) arising during period, net of tax of \$(30) million and \$64 million	(98)	190
Reclassification adjustment for gains realized in net income, net of tax of \$(3) million and less than \$(1) million ⁽¹⁾	(8)	(2)
Amortization of net unrealized losses on securities transferred from available-for-sale to held-to-maturity realized in net income, net of tax of less than \$1 million and less than \$1 million ⁽²⁾	1	1
Total other comprehensive income (loss) for period	<u>(105)</u>	<u>189</u>
Balance at end of period	<u>(1,343)</u>	<u>(1,543)</u>
Unrealized gains (losses) on FVO liabilities attributable to our own credit spread:		
Balance at beginning of period	(28)	6
Other comprehensive income (loss) for period:		
Net unrealized gains arising during period, net of tax of \$13 million and \$1 million	40	3
Total other comprehensive income (loss) for period	<u>40</u>	<u>3</u>
Balance at end of period	<u>12</u>	<u>9</u>
Unrealized gains (losses) on derivatives designated as cash flow hedges:		
Balance at beginning of period	(116)	(52)
Other comprehensive income (loss) for period:		
Net unrealized losses arising during period, net of tax of \$(4) million and \$(28) million	(12)	(87)
Reclassification adjustment for losses realized in net income, net of tax of \$4 million and \$2 million ⁽³⁾	12	8
Total other comprehensive income (loss) for period	<u>—</u>	<u>(79)</u>
Balance at end of period	<u>(116)</u>	<u>(131)</u>
Pension and postretirement benefit liability:		
Balance at beginning and end of period	<u>3</u>	<u>6</u>
Total accumulated other comprehensive loss at end of period	<u>\$ (1,444)</u>	<u>\$ (1,659)</u>

⁽¹⁾ Amount reclassified to net income is included in other securities gains, net in our consolidated statement of income.

⁽²⁾ Amount amortized to net income is included in interest income in our consolidated statement of income. During 2014, we transferred securities from available-for-sale to held-to-maturity. At the date of transfer, AOCI included net pretax unrealized losses related to the transferred securities which are being amortized over the remaining contractual life of each security as an adjustment of yield in a manner consistent with the amortization of any premium or discount.

⁽³⁾ Amount reclassified to net income is included in net interest income in our consolidated statement of income.

10. Fee Income from Contracts with Customers

The following table summarizes fee income from contracts with customers disaggregated by type of activity, as well as a reconciliation to total other revenues. See Note 19, "Fee Income from Contracts with Customers," in our 2025 Form 10-K for a description of the various types of fee-based activities and how revenue associated with these activities is recognized. There have been no significant changes in these activities since December 31, 2025.

Three Months Ended March 31,	2026	2025
	(in millions)	
Trust and investment management fees	\$ 48	\$ 41
Other fees and commissions:		
Account services	82	79
Credit facilities	89	77
Credit card fees, net	19	14
Other fees ⁽¹⁾	13	9
Total other fees and commissions ⁽¹⁾	<u>203</u>	<u>179</u>
Servicing and other fees from HSBC affiliates	102	102
Insurance ⁽¹⁾	—	1
Total fee income from contracts with customers	<u>353</u>	<u>323</u>
Other non-fee revenue	191	193
Total other revenues ⁽²⁾	<u>\$ 544</u>	<u>\$ 516</u>

⁽¹⁾ During the fourth quarter of 2025, we began reporting insurance fee income in other fees and commissions in the consolidated statement of income. As a result, we reported \$1 million of insurance fee income in other fees and commissions that previously would have been reported in other income (loss).

⁽²⁾ See Note 12, "Business Segments," for a reconciliation of total other revenues on a U.S. GAAP basis to other operating income for each business segment under the Group Reporting Basis.

Credit card fees, net We recognized interchange fees of \$31 million and \$28 million during the three months ended March 31, 2026 and 2025, respectively. Credit card rewards program costs totaled \$19 million during both the three months ended March 31, 2026 and 2025.

Deferred Fee Income

Information related to deferred fee income on loan commitments, revolving credit facilities and standby letters of credit is included in Note 15, "Guarantee Arrangements, Pledged Assets and Repurchase Agreements," and Note 16, "Fair Value Measurements." Excluding these items, we had deferred fee income related to certain account service fees that are paid upfront and recognized over the service period and annual fees on credit cards which collectively were immaterial at March 31, 2026 and December 31, 2025.

We do not use significant judgments in the determination of the amount and timing of fee income from contracts with customers. Additionally, costs to obtain or fulfill contracts with customers were immaterial.

11. Related Party Transactions

In the normal course of business, we conduct transactions with HSBC and its subsidiaries. HSBC policy requires that these transactions occur at prevailing market rates and terms and, where applicable, these transactions are compliant with United States banking regulations. All extensions of credit by (and certain credit exposures of) HSBC Bank USA to other HSBC affiliates (other than Federal Deposit Insurance Corporation insured banks) are legally required to be secured by eligible collateral. The following tables and discussions below present the more significant related party balances and the income (expense) generated by related party transactions:

	March 31, 2026	December 31, 2025
	(in millions)	
Assets:		
Cash and due from banks	\$ 254	\$ 304
Interest bearing deposits with banks	74	11
Securities purchased under agreements to resell ⁽¹⁾	1,959	—
Trading assets	8	225
Loans	5,852	6,035
Other ⁽²⁾	608	469
Total assets	<u>\$ 8,755</u>	<u>\$ 7,044</u>
Liabilities:		
Deposits	\$ 8,919	\$ 11,491
Trading liabilities	210	95
Short-term borrowings	2,778	1,960
Long-term debt	12,137	10,137
Other ⁽²⁾	326	295
Total liabilities	<u>\$ 24,370</u>	<u>\$ 23,978</u>

⁽¹⁾ Reflects purchases of securities which other HSBC affiliates have agreed to repurchase.

⁽²⁾ Other assets and other liabilities primarily consist of derivative balances associated with hedging activities and other miscellaneous account receivables and payables. Other assets also includes receivables from HSBC Bank plc associated with certain client share repurchase transactions.

Three Months Ended March 31,	2026	2025
	(in millions)	
Income (Expense):		
Interest income	\$ 80	\$ 71
Interest expense	(181)	(162)
Net interest expense	(101)	(91)
Trading revenue (expense)	1,328	(484)
Servicing and other fees from HSBC affiliates:		
HSBC Bank plc	58	67
HSBC Markets (USA) Inc. ("HMUS")	22	18
Other HSBC affiliates	22	17
Total servicing and other fees from HSBC affiliates	102	102
Gain (loss) on instruments designated at fair value and related derivatives	(204)	(187)
Support services from HSBC affiliates:		
HSBC Technology & Services (USA) Inc. ("HTSU")	(253)	(226)
HMUS	(54)	(55)
Other HSBC affiliates	(153)	(123)
Total support services from HSBC affiliates	(460)	(404)
Rental income from HSBC affiliates ⁽¹⁾	13	12

⁽¹⁾ We receive rental income from our affiliates for certain office space, which is recorded as a component of occupancy expense, net in our consolidated statement of income.

Funding Arrangements with HSBC Affiliates:

We use HSBC affiliates to fund a portion of our borrowing and liquidity needs. At March 31, 2026 and December 31, 2025, long-term debt with affiliates reflected \$12.1 billion and \$10.1 billion, respectively, of borrowings from HSBC North America. The outstanding balance includes:

- \$0.5 billion of fixed-rate senior debt which matures in December 2027;
- \$1.5 billion of fixed-rate senior debt which matures in March 2028;
- \$0.75 billion of floating-rate senior debt which matures in March 2028;
- \$0.5 billion of fixed-rate senior debt which matures in December 2028;
- \$1.0 billion of fixed-rate senior debt which matures in September 2029;
- \$0.75 billion of floating-rate senior debt which matures in March 2030;
- \$1.5 billion of fixed-rate senior debt which matures in June 2030;
- \$1.64 billion of fixed-rate senior debt consisting of seven equal borrowings which mature in annual increments from November 2026 to November 2032;
- \$2.0 billion of fixed-rate senior debt which matures in May 2035; and
- \$2.0 billion of fixed-rate senior debt which was issued during the first quarter of 2026 and matures in March 2029.

We have a \$4.3 billion uncommitted line of credit with HSBC North America. The available borrowing capacity under this facility is fungible between HSBC USA, HSBC Securities (USA) Inc. ("HSI") and HSBC North America, but total borrowings cannot collectively exceed \$4.3 billion at any time. We had no outstanding borrowing under this credit facility at either March 31, 2026 or December 31, 2025.

We also incur short-term borrowings with certain affiliates. In addition, certain affiliates have placed deposits with us.

Lending and Derivative Related Arrangements Extended to HSBC Affiliates:

At March 31, 2026 and December 31, 2025, we had the following loan balances outstanding with HSBC affiliates:

	March 31, 2026	December 31, 2025
	(in billions)	
HMUS and subsidiaries	\$ 3.1	\$ 1.8
HSBC North America	2.8	4.2
Total loans	<u>\$ 5.9</u>	<u>\$ 6.0</u>

HMUS and subsidiaries We have extended loans and lines of credit, some of them uncommitted, to HMUS and its subsidiaries in the amount of \$14.5 billion at both March 31, 2026 and December 31, 2025, of which \$3.1 billion and \$1.8 billion, respectively, was outstanding. The maturities of the outstanding balances range from overnight to one month. Each borrowing is re-evaluated prior to its maturity date and either extended or allowed to mature.

HSBC North America Under the \$4.3 billion uncommitted fungible line of credit with HSBC North America as discussed above, there was \$2.8 billion and \$4.2 billion outstanding at March 31, 2026 and December 31, 2025, respectively. The outstanding balance matures in the third quarter of 2026.

We have extended lines of credit to various other HSBC affiliates totaling \$3.3 billion which did not have any outstanding balances at either March 31, 2026 or December 31, 2025.

Other short-term affiliate lending In addition to loans and lines extended to affiliates discussed above, from time to time we may extend loans to affiliates which are generally short term in nature. At both March 31, 2026 and December 31, 2025, there were nil of these loans outstanding.

Derivative contracts As part of a global HSBC strategy to offset interest rate or other market risks associated with certain securities, debt issues and derivative contracts with unaffiliated third parties, we routinely enter into derivative transactions with HSBC Bank plc and other HSBC affiliates. The notional value of derivative contracts related to these transactions was approximately \$970.3 billion and \$794.8 billion at March 31, 2026 and December 31, 2025, respectively. The net credit exposure (defined as the net fair value of derivative assets and liabilities, including any collateral received) related to the contracts was approximately \$32 million and \$228 million at March 31, 2026 and December 31, 2025, respectively. We account for these transactions on a mark to market basis, with the change in value of contracts with HSBC affiliates substantially offset by the change in value of related contracts entered into with unaffiliated third parties.

Services Provided Between HSBC Affiliates:

Under multiple service level agreements, we provide services to and receive services from various HSBC affiliates. These activities are summarized in Note 20, "Related Party Transactions," in our 2025 Form 10-K. There have been no significant changes in these activities since December 31, 2025.

Other Transactions with HSBC Affiliates:

At both March 31, 2026 and December 31, 2025, we had \$265 million of non-cumulative preferred stock issued and outstanding to HSBC North America. See Note 17, "Preferred Stock," in our 2025 Form 10-K for additional details.

12. Business Segments

We have three distinct business segments that we utilize for management reporting and analysis purposes, which are aligned with HSBC's business strategy: International Wealth and Premier Banking ("IWPB"), Corporate and Institutional Banking ("CIB") and a Corporate Center ("CC"). There have been no changes in the basis of our segmentation compared with the presentation in our 2025 Form 10-K.

Net interest income of each segment represents the difference between actual interest earned on assets and interest incurred on liabilities of the segment, adjusted for a funding charge or credit that includes both interest rate and liquidity components. Segments are charged a cost to fund assets (e.g., customer loans) and receive a funding credit for funds provided (e.g., customer deposits) based on equivalent market rates that incorporate both repricing (interest rate risk) and tenor (liquidity) characteristics. Net funding charges associated with CIB trading activities are reported within other operating income to align with the trading revenue generated by such activities. These net funding charges are reversed back into net interest income in the CC. The objective of these charges/credits is to transfer interest rate risk to one centralized unit in Markets Treasury. Markets Treasury income statement and balance sheet results are allocated to each of the businesses based upon tangible equity levels and levels of any surplus liabilities.

Certain other revenue and operating expense amounts are also apportioned among the segments based upon the benefits derived from the activity or the relationship of the activity to other segment activity. These inter-segment transactions have not been eliminated, and we generally account for them as if they were with third parties.

As a wholly-owned subsidiary, a significant portion of our operating expenses is allocated to us and relates to services that we receive from other HSBC affiliates which are discussed further in Note 11, "Related Party Transactions." As a result, our segment-level information that is regularly provided to the chief operating decision maker breaks down operating expenses into two categories: (a) direct costs, which include salaries and employee benefits, occupancy expense, equipment and software, marketing, outside services, professional fees, deposit insurance assessment fees, expense related to legal matters, and other miscellaneous expenses that the segments directly incur, and (b) indirect costs, which primarily include allocated support service costs from HTSU and other HSBC affiliates. In addition, certain corporate function activities which are reported in direct costs in the CC are allocated from the CC to the other segments within indirect costs.

Our segment results are presented in accordance with HSBC Group accounting and reporting policies, which apply IFRSs as issued by the IASB. As a result, our segment results are prepared and presented using financial information prepared on the Group Reporting Basis. We continue, however, to monitor capital adequacy and report to regulatory agencies on a U.S. GAAP basis. Our Chief Executive Officer, who is the chief operating decision maker, primarily uses segment profit (loss) before tax under the Group Reporting Basis in monitoring and assessing segment performance, evaluating trends, and deciding how to allocate resources, such as employees.

There have been no changes in the measurement of segment profit compared with the presentation in our 2025 Form 10-K.

A summary of significant differences between U.S. GAAP and the Group Reporting Basis as they impact our results is presented in Note 21, "Business Segments," in our 2025 Form 10-K. There have been no significant changes since December 31, 2025 in the differences between U.S. GAAP and the Group Reporting Basis impacting our results.

The following table summarizes the results for each segment on a Group Reporting Basis, as well as provides a reconciliation of total results under the Group Reporting Basis to U.S. GAAP consolidated totals:

	Group Reporting Basis Consolidated Amounts				Group Reporting Basis Adjustments ⁽¹⁾	Group Reporting Basis Reclassifications ⁽²⁾	U.S. GAAP Consolidated Totals
	IWPB	CIB	CC	Total			
	(in millions)						
Three Months Ended March 31, 2026							
Net interest income (expense).....	\$ 190	\$ 485	\$ (134)	\$ 541	\$ 5	\$ 6	\$ 552
Other operating income.....	66	347	131	544	(7)	7	544
Total operating income (expense).....	256	832	(3)	1,085	(2)	13	1,096
Expected credit losses / provision for credit losses.....	2	34	—	36	12	—	48
	254	798	(3)	1,049	(14)	13	1,048
Operating expenses:							
Direct Costs.....	84	88	26	198	N/A	N/A	N/A
Indirect Costs.....	102	334	17	453	N/A	N/A	N/A
Total operating expenses.....	186	422	43	651	5	13	669
Profit (loss) before income tax.....	\$ 68	\$ 376	\$ (46)	\$ 398	\$ (19)	\$ —	\$ 379
Balances at end of period:							
Total assets.....	\$ 34,529	\$ 152,260	\$ 3,894	\$ 190,683	\$ (15,934)	\$ —	\$ 174,749
Total loans, net.....	25,690	34,334	—	60,024	(86)	1,167	61,105
Goodwill.....	—	358	—	358	100	—	458
Total deposits.....	26,726	90,980	—	117,706	(2,752)	6,593	121,547

	Group Reporting Basis Consolidated Amounts				Group Reporting Basis Adjustments ⁽¹⁾	Group Reporting Basis Reclassifications ⁽²⁾	U.S. GAAP Consolidated Totals
	IWPB	CIB	CC	Total			
	(in millions)						
Three Months Ended March 31, 2025							
Net interest income (expense)	\$ 186	\$ 473	\$ (100)	\$ 559	\$ 6	\$ (39)	\$ 526
Other operating income	51	323	96	470	(3)	49	516
Total operating income (expense)	237	796	(4)	1,029	3	10	1,042
Expected credit losses / provision for credit losses	2	84	—	86	32	—	118
	235	712	(4)	943	(29)	10	924
Operating expenses:							
Direct Costs	86	110	42	238	N/A	N/A	N/A
Indirect Costs	99	313	(10)	402	N/A	N/A	N/A
Total operating expenses	185	423	32	640	10	10	660
Profit (loss) before income tax	\$ 50	\$ 289	\$ (36)	\$ 303	\$ (39)	\$ —	\$ 264
Balances at end of period:							
Total assets	\$ 38,299	\$ 142,336	\$ 4,416	\$ 185,051	\$ (12,610)	\$ —	\$ 172,441
Total loans, net	27,234	33,906	—	61,140	(771)	2,411	62,780
Goodwill	—	358	—	358	100	—	458
Total deposits	28,046	88,647	—	116,693	(2,362)	11,393	125,724

N/A Not Applicable

⁽¹⁾ Represents adjustments associated with differences between U.S. GAAP and the Group Reporting Basis.⁽²⁾ Represents differences in financial statement presentation between U.S. GAAP and the Group Reporting Basis.

13. Retained Earnings and Regulatory Capital Requirements

Bank dividends are one of the sources of funds used for payment of shareholder dividends and other HSBC USA cash needs. Approval from the Office of the Comptroller of the Currency ("OCC") is required if the total of all dividends HSBC Bank USA declares in any year exceeds the cumulative net income for that year, combined with the net income for the two preceding years reduced by dividends attributable to those years. OCC approval also is required for a reduction of permanent capital of HSBC Bank USA. Under a separate restriction, payment of dividends is prohibited in amounts greater than undivided profits then on hand, after deducting actual losses and bad debts. Bad debts are debts due and unpaid for a period of six months unless well secured, as defined, and in the process of collection.

We are subject to regulatory capital rules issued by U.S. banking regulators including Basel III (the "Basel III rule"). A bank or bank holding company's failure to meet minimum capital requirements can result in certain mandatory actions and possibly additional discretionary actions by its regulators. The following table summarizes the capital amounts and ratios of HSBC USA and HSBC Bank USA, calculated in accordance with the Basel III rule:

	Well-Capitalized Ratio ⁽¹⁾	March 31, 2026		December 31, 2025	
		Capital Amount	Actual Ratio	Capital Amount	Actual Ratio
(dollars are in billions)					
Common equity Tier 1 ratio:					
HSBC USA	4.5 % ⁽²⁾	\$ 13.3	12.3 %	\$ 13.1	12.1 %
HSBC Bank USA	6.5	15.9	16.0	15.6	15.9
Tier 1 capital ratio:					
HSBC USA	6.0	13.6	12.5	13.3	12.4
HSBC Bank USA	8.0	17.4	17.6	17.1	17.5
Total capital ratio:					
HSBC USA	10.0	15.9	14.6	15.6	14.4
HSBC Bank USA	10.0	19.4	19.6	19.0	19.4
Tier 1 leverage ratio:					
HSBC USA	4.0 ⁽²⁾	13.6	7.8	13.3	7.7
HSBC Bank USA	5.0	17.4	10.5	17.1	10.3
Risk-weighted assets: ⁽³⁾					
HSBC USA		108.9		107.9	
HSBC Bank USA		99.2		97.8	
Adjusted quarterly average assets: ⁽⁴⁾					
HSBC USA		174.3		173.9	
HSBC Bank USA		166.0		166.2	

⁽¹⁾ HSBC USA and HSBC Bank USA are categorized as "well-capitalized," as defined by their principal regulators. To be categorized as well-capitalized under regulatory guidelines, a banking institution must maintain capital equal to or in excess of the ratios reflected in the above table, and must not be subject to a directive, order, or written agreement to meet and maintain specific capital levels.

⁽²⁾ There are no common equity Tier 1 or Tier 1 leverage ratio components in the definition of a well-capitalized bank holding company. The ratios shown are the regulatory minimums.

⁽³⁾ Calculated using the Standardized Approach.

⁽⁴⁾ Represents the Tier 1 leverage ratio denominator which reflects quarterly average assets adjusted for amounts permitted to be deducted from Tier 1 capital.

14. Variable Interest Entities

In the ordinary course of business, we have organized or invested in special purpose entities ("SPEs") primarily to facilitate our own and our clients' financing and investing needs. For disclosure purposes, we aggregate SPEs based on the purpose, risk characteristics and business activities of the SPEs. An SPE is a variable interest entity ("VIE") if it lacks sufficient equity investment at risk to finance its activities without additional subordinated financial support or, as a group, the holders of the equity investment at risk lack either a) the power through voting or similar rights to direct the activities of the entity that most significantly impacts the entity's economic performance; or b) the obligation to absorb the entity's expected losses, the right to receive the expected residual returns, or both.

Variable Interest Entities We consolidate VIEs in which we hold a controlling financial interest as evidenced by the power to direct the activities of a VIE that most significantly impact its economic performance and the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE and therefore are deemed to be the primary beneficiary. We take into account our entire involvement in a VIE (explicit or implicit) in identifying variable interests that individually or in the aggregate could be significant enough to warrant our designation as the primary beneficiary and hence require us to consolidate the VIE or otherwise require us to make appropriate disclosures. We consider our involvement to be potentially significant where we, among other things, (i) enter into derivative contracts to absorb the risks and benefits from the VIE or from the assets held by the VIE; (ii) provide a financial guarantee that covers assets held or liabilities issued by a VIE; (iii) sponsor the VIE in that we design, organize and structure the transaction; and (iv) retain a financial or servicing interest in the VIE.

We are required to evaluate whether to consolidate a VIE when we first become involved and on an ongoing basis. In almost all cases, a qualitative analysis of our involvement in the entity provides sufficient evidence to determine whether we are the primary beneficiary. In rare cases, a more detailed analysis to quantify the extent of variability to be absorbed by each variable interest holder is required to determine the primary beneficiary. At March 31, 2026 and December 31, 2025, our consolidated VIEs were immaterial.

Unconsolidated VIEs We have variable interests in VIEs that are not consolidated because we are not the primary beneficiary. The following table provides additional information on these unconsolidated VIEs, including the variable interests held by us and our maximum exposure to loss arising from our involvement in these VIEs:

	Total Assets Held by Unconsolidated VIEs	Carrying Value of Variable Interests Held Reported as		Maximum Exposure to Loss
		Assets	Liabilities	
(in billions)				
At March 31, 2026				
Limited partnership investments ⁽¹⁾	\$ 8.2	\$ 1.5	\$.8	\$ 1.5
Asset-backed financing SPEs	1.5	1.0	—	1.1
Total	<u>\$ 9.7</u>	<u>\$ 2.5</u>	<u>\$.8</u>	<u>\$ 2.6</u>
At December 31, 2025				
Limited partnership investments ⁽¹⁾	\$ 8.2	\$ 1.3	\$.7	\$ 1.3
Asset-backed financing SPEs	.4	.2	—	.2
Total	<u>\$ 8.6</u>	<u>\$ 1.5</u>	<u>\$.7</u>	<u>\$ 1.5</u>

⁽¹⁾ The carrying value of variable interests held reported as assets includes low income housing investments which totaled \$1.5 billion and \$1.3 billion at March 31, 2026 and December 31, 2025, respectively.

Information on the types of VIEs with which we are involved, the nature of our involvement and the variable interests held in those entities is presented below.

Limited partnership investments We invest as a limited partner in partnerships that operate qualified affordable housing and renewable energy projects. The returns of these investments are generated primarily from the tax benefits, including Federal tax credits and tax deductions from operating losses in the project companies. In addition, some of the investments help us comply with the Community Reinvestment Act. Certain limited partnership structures are considered to be VIEs because either (a) they do not have sufficient equity investment at risk or (b) the limited partners with equity at risk do not have substantive kick-out rights through voting rights or substantive participating rights over the general partner. As a limited partner, we are not the primary beneficiary of the VIEs and do not consolidate them. Our investments in these partnerships are recorded in other assets on the consolidated balance sheet. The maximum exposure to loss shown in the table above represents our recorded investments as well as any outstanding funding commitments extended to the partnerships.

We amortize our low income housing investments in proportion to the allocated tax credits under the proportional amortization

method and present the associated tax credits and other tax benefits net of investment amortization in income tax expense in the consolidated statement of income, and in operating activities in the consolidated statement of cash flows. We recognized tax credits and other tax benefits related to low income housing investments of \$48 million and \$34 million during the three months ended March 31, 2026 and 2025, respectively. Investment amortization expense totaled \$42 million and \$28 million during the three months ended March 31, 2026 and 2025, respectively. Additionally, non-income-tax-related gains and other returns received, which are recognized in other income (loss) in the consolidated statement of income and in operating activities in the consolidated statement of cash flows, were immaterial during the three months ended March 31, 2026 and 2025.

Asset-backed financing SPEs We have sold portfolios of commercial real estate loans and provided loans to the third-party buyer sponsored SPEs for portions of the purchase prices. The SPEs are asset-backed financing entities that issued residual beneficial interests to third-party investors. The loans we provided to the SPEs are senior to the residual beneficial interests and are secured by the commercial real estate loans held by the SPEs. The SPEs are VIEs in which we have variable interests through the loans we hold, which are arm's-length transactions. We do not have the power to direct the activities that most significantly impact the VIEs' economic performance. In addition, the VIEs are designed such that the residual interest holders absorb any expected loss and/or benefit that could be potentially significant to the VIEs and, therefore, we are not the primary beneficiaries. The maximum exposure to loss shown in the table above represents our recorded investments in the loans as well as any unfunded commitments without consideration of any recovery benefits from the value of the commercial real estate loans.

Third-party sponsored securitization entities We invest in asset-backed securities issued by third-party sponsored securitization entities which may be considered VIEs. The investments are transacted at arm's-length and decisions to invest are based on a credit analysis of the underlying collateral assets or the issuer. We are a passive investor in these issuers and do not have the power to direct the activities of these issuers. As such, we do not consolidate these securitization entities. Additionally, we do not have other involvements in servicing or managing the collateral assets or provide financial or liquidity support to these issuers which potentially give rise to risk of loss exposure. These investments are an integral part of the disclosure in Note 2, "Trading Assets and Liabilities," Note 3, "Securities," and Note 16, "Fair Value Measurements," and, therefore, are not disclosed in this note to avoid redundancy. Similarly, in the ordinary course of business, we also provide loans and loan commitments to third-party sponsored SPEs which may be considered VIEs for which we generally have no other form of involvement. We do not have the power to direct the activities of these entities and do not consolidate these entities. These loans are reported and disclosed in Note 4, "Loans," in the same manner as all other loans.

In addition to the above, we have established and manage money market funds and non-money market mutual funds to provide customers with investment opportunities. As fund manager, we may be entitled to receive management fees based on the assets under management. We do not consolidate the funds because we do not absorb the majority of the expected future risk associated with the fund's assets, including interest rate, liquidity, credit and other relevant risks that are expected to affect the value of the assets.

15. Guarantee Arrangements, Pledged Assets and Repurchase Agreements

Guarantee Arrangements As part of our normal operations, we enter into credit derivatives and various off-balance sheet guarantee arrangements with affiliates and third parties. These arrangements arise principally in connection with our lending and client intermediation activities and include standby letters of credit and certain credit derivative transactions. The contractual amounts of these arrangements represent our maximum possible credit exposure in the event that we are required to fulfill the maximum obligation under the contractual terms of the guarantee.

The following table presents total carrying value and contractual amounts of our sell protection credit derivatives and major off-balance sheet guarantee arrangements. Following the table is a description of the various arrangements.

	March 31, 2026		December 31, 2025	
	Carrying Value	Notional / Maximum Exposure to Loss	Carrying Value	Notional / Maximum Exposure to Loss
	(in millions)			
Credit derivatives ⁽¹⁾⁽²⁾	\$ 50	\$ 7,877	\$ 61	\$ 6,560
Financial standby letters of credit, net of participations ⁽³⁾⁽⁴⁾	—	5,981	—	5,206
Performance standby letters of credit, net of participations ⁽³⁾⁽⁴⁾	—	4,597	—	4,099
Total	\$ 50	\$ 18,455	\$ 61	\$ 15,865

⁽¹⁾ Includes \$1,271 million and \$677 million of notional issued for the benefit of HSBC affiliates at March 31, 2026 and December 31, 2025, respectively.

- (2) For credit derivatives, the maximum loss is represented by the notional amounts without consideration of mitigating effects from collateral or recourse arrangements.
- (3) Includes \$1,795 million and \$1,682 million of both financial and performance standby letters of credit issued for the benefit of HSBC affiliates at March 31, 2026 and December 31, 2025, respectively.
- (4) For standby letters of credit, maximum loss represents losses to be recognized assuming the letters of credit have been fully drawn and the obligors have defaulted with zero recovery.

Credit-Risk Related Guarantees

Credit derivatives Credit derivatives are financial instruments that transfer the credit risk of a reference obligation from the credit protection buyer to the credit protection seller who is exposed to the credit risk without buying the reference obligation. We sell credit protection on underlying reference obligations (such as loans or securities) by entering into credit derivatives, primarily in the form of credit default swaps, with various institutions. We account for all credit derivatives at fair value. Where we sell credit protection to a counterparty that holds the reference obligation, the arrangement is effectively a financial guarantee on the reference obligation. Under a credit derivative contract, the credit protection seller will reimburse the credit protection buyer upon occurrence of a credit event (such as bankruptcy, insolvency, restructuring or failure to meet payment obligations when due) as defined in the derivative contract, in return for a periodic premium. Upon occurrence of a credit event, we will pay the counterparty the stated notional amount of the derivative contract and receive the underlying reference obligation. The recovery value of the reference obligation received could be significantly lower than its notional principal amount when a credit event occurs.

Certain derivative contracts are subject to master netting arrangements and related collateral agreements. A party to a derivative contract may demand that the counterparty post additional collateral in the event its net exposure exceeds certain predetermined limits and when the credit rating falls below a certain grade. We set the collateral requirements by counterparty such that the collateral covers various transactions and products, and is not allocated to specific individual contracts.

We manage our exposure to credit derivatives using a variety of risk mitigation strategies where we enter into offsetting hedge positions or transfer the economic risks, in part or in entirety, to investors through the issuance of structured credit products. We actively manage the credit and market risk exposure in the credit derivative portfolios on a net basis and, as such, retain a limited net position at any time. The following table summarizes our net credit derivative positions:

	March 31, 2026		December 31, 2025	
	Carrying / Fair Value	Notional	Carrying / Fair Value	Notional
	(in millions)			
Sell-protection credit derivative positions	\$ 50	\$ 7,877	\$ 61	\$ 6,560
Buy-protection credit derivative positions	(96)	16,894	(141)	15,985
Net position ⁽¹⁾	\$ (46)	\$ 9,017	\$ (80)	\$ 9,425

- (1) Positions are presented net in the table above to provide a complete analysis of our risk exposure and depict the way we manage our credit derivative portfolio. The offset of the sell-protection credit derivatives against the buy-protection credit derivatives may not be legally binding in the absence of master netting agreements with the same counterparty. Furthermore, the credit loss triggering events for individual sell-protection credit derivatives may not be the same or occur in the same period as those of the buy-protection credit derivatives thereby not providing an exact offset.

Standby letters of credit A standby letter of credit is issued to a third party for the benefit of a client and is a guarantee that the client will perform or satisfy certain obligations under a contract. It irrevocably obligates us to pay a specified amount to the third-party beneficiary if the client fails to perform the contractual obligation. We issue two types of standby letters of credit: performance and financial. A performance standby letter of credit is issued where the client is required to perform some non-financial contractual obligation, such as the performance of a specific act, whereas a financial standby letter of credit is issued where the client's contractual obligation is of a financial nature, such as the repayment of a loan or debt instrument.

The issuance of a standby letter of credit is subject to our credit approval process and collateral requirements. We charge fees for issuing letters of credit commensurate with the client's credit evaluation and the nature of any collateral. Included in other liabilities are deferred fees on standby letters of credit amounting to \$80 million and \$71 million at March 31, 2026 and December 31, 2025, respectively. Also included in other liabilities is an allowance for credit losses on unfunded standby letters of credit of \$25 million and \$18 million at March 31, 2026 and December 31, 2025, respectively.

The following table summarizes the credit ratings related to guarantees including the ratings of counterparties against which we sold credit protection and financial standby letters of credit at March 31, 2026 as an indicative proxy of payment risk:

Notional/Contractual Amounts	Average Life (in years)	Credit Ratings of the Obligors		
		Investment Grade	Non-Investment Grade	Total
(dollars are in millions)				
Sell-protection credit derivatives: ⁽¹⁾				
Single name credit default swaps	1.0	\$ 1,359	\$ 550	\$ 1,909
Index credit derivatives	4.6	4,719	1,249	5,968
Subtotal		6,078	1,799	7,877
Standby letters of credit ⁽²⁾	0.9	7,949	2,629	10,578
Total		\$ 14,027	\$ 4,428	\$ 18,455

⁽¹⁾ The credit ratings in the table represent external credit ratings for classification as investment grade and non-investment grade.

⁽²⁾ External ratings for most of the obligors are not available. Presented above are the internal credit ratings which are developed using similar methodologies and rating scale equivalent to external credit ratings for purposes of classification as investment grade and non-investment grade.

Our internal credit ratings are determined based on HSBC's risk rating systems and processes which assign a credit grade based on a scale which ranks the risk of default of a client. The credit grades are assigned and used for managing risk and determining level of credit exposure appetite based on the client's operating performance, liquidity, capital structure and debt service ability. In addition, we also incorporate subjective judgments into the risk rating process concerning such things as industry trends, comparison of performance to industry peers and perceived quality of management. We compare our internal risk ratings to outside external rating agency benchmarks, where possible, at the time of formal review and regularly monitor whether our risk ratings are comparable to the external ratings benchmark data.

A non-investment grade rating of a referenced obligor has a negative impact to the fair value of the credit derivative and increases the likelihood that we will be required to perform under the credit derivative contract. We employ market-based parameters and, where possible, use the observable credit spreads of the referenced obligors as measurement inputs in determining the fair value of the credit derivatives. We believe that such market parameters are more indicative of the current status of payment/performance risk than external ratings by the rating agencies which may not be forward-looking in nature and, as a result, lag behind those market-based indicators.

Non Credit-Risk Related Guarantees and Other Arrangements

Visa covered litigation In 2008, we received Class B Shares as part of Visa's initial public offering ("IPO"). Pursuant to the IPO, we, along with all the other Class B shareholders, agreed to indemnify Visa for the claims and obligations arising from certain specific covered litigation. The Class B Shares were not eligible to be converted into publicly traded Class A common shares ("Class A Shares") until settlement of the covered litigation described in Note 26, "Litigation and Regulatory Matters," in our 2025 Form 10-K.

In 2016 and 2017, we sold substantially all of our Visa Class B Shares to a third party. We entered into swap agreements with the purchaser to retain the litigation risk associated with the Class B Shares sold until the related litigation is settled. The swap agreements require us to (a) make periodic payments, calculated by reference to the market price of Class A Shares and (b) make or receive payments based on subsequent changes in the conversion rate of Class B Shares into Class A Shares. We separately entered into total return swap positions to economically hedge the periodic payments made under these swap agreements. The fair value of the swap agreements is estimated using a discounted cash flow methodology and is dependent upon the final resolution of the related litigation. Changes in fair value between periods are recognized in other income (loss). See Note 7, "Derivative Financial Instruments," for further information.

Clearing houses and exchanges We are a member of various exchanges and clearing houses that trade and clear securities and/or derivative contracts. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, members of a clearing house may be required to contribute to a guaranty fund to backstop members' obligations to the clearing house. As a member, we may be required to pay a proportionate share of the financial obligations of another member who defaults on its obligations to the exchange or the clearing house. Our guarantee obligations would arise only if the exchange or clearing house had exhausted its resources. Any potential contingent liability under these membership agreements cannot be estimated.

Mortgage Loan Repurchase Obligations We originate and sell mortgage loans to third parties and provide various representations and warranties related to, among other things, the ownership of the loans, the validity of the liens, the loan selection and origination process, and the compliance to the origination criteria established by the government agencies. In the event of a breach of our representations and warranties, we may be obligated to repurchase the loans with identified defects or

to indemnify the buyers. Our contractual obligation arises only when the breach of representations and warranties are discovered and repurchase is demanded.

Our estimated repurchase liability for obligations arising from the breach of representations and warranties associated with mortgage loans sold was immaterial at March 31, 2026 and December 31, 2025. In estimating our repurchase liability arising from breaches of representations and warranties, we consider historical losses on residual risks not covered by settlement agreements adjusted for any risk factors not captured in the historical losses as well as the level of outstanding repurchase demands received.

Securitization Activity In addition to the repurchase risk described above, we have also been involved as a sponsor/seller of loans used to facilitate whole loan securitizations underwritten by our affiliate, HSI. In this regard, we began acquiring residential mortgage loans in 2005 which were warehoused on our balance sheet with the intent of selling them to HSI to facilitate HSI's whole loan securitization program which was discontinued in 2007. During 2005-2007, we purchased and sold \$24 billion of such loans to HSI which were subsequently securitized and sold by HSI to third parties. See "Mortgage Securitization Matters" in Note 26, "Litigation and Regulatory Matters," in our 2025 Form 10-K for additional discussion of related exposure. The outstanding principal balance on these loans was approximately \$2.1 billion and \$2.2 billion at March 31, 2026 and December 31, 2025, respectively.

Pledged Assets

Pledged assets included in the consolidated balance sheet consisted of the following:

	March 31, 2026	December 31, 2025
	(in billions)	
Interest bearing deposits with banks ⁽¹⁾	\$.5	\$.7
Trading assets ⁽²⁾	3.2	4.0
Securities available-for-sale ⁽³⁾	16.8	14.6
Securities held-to-maturity ⁽³⁾	13.5	12.7
Loans ⁽⁴⁾	21.2	21.6
Other assets ⁽⁵⁾	1.0	.7
Total	\$ 56.2	\$ 54.3

⁽¹⁾ Represents gross amount of cash on deposit with banks primarily related to derivative collateral-support agreements, of which a majority has been netted against derivative liabilities on the consolidated balance sheet.

⁽²⁾ Trading assets are primarily pledged against liabilities associated with repurchase agreements.

⁽³⁾ Securities are primarily pledged against derivatives, public fund deposits, trust deposits and various short-term and long term borrowings, as well as providing capacity for potential secured borrowings from the FHLB and the Federal Reserve Bank of New York.

⁽⁴⁾ Loans are primarily residential mortgage loans pledged against current and potential borrowings from the FHLB and the Federal Reserve Bank of New York.

⁽⁵⁾ Represents gross amount of cash on deposit with non-banks primarily related to derivative collateral support agreements, of which a majority has been netted against derivative liabilities on the consolidated balance sheet.

Debt securities pledged as collateral under repurchase agreements that can be sold or repledged by the secured party continue to be reported on the consolidated balance sheet. The fair value of securities available-for-sale that could be sold or repledged was \$2.5 billion and \$0.0 billion at March 31, 2026 and December 31, 2025, respectively. The fair value of trading assets that could be sold or repledged was \$2.8 billion and \$3.5 billion at March 31, 2026 and December 31, 2025, respectively.

The fair value of collateral we accepted under security resale agreements but was not reported on the consolidated balance sheet was \$6.9 billion and \$11.5 billion at March 31, 2026 and December 31, 2025, respectively. Of this collateral, \$6.2 billion and \$10.8 billion could be sold or repledged at March 31, 2026 and December 31, 2025, respectively, of which \$0.1 billion and \$0.1 billion, respectively, had been sold or repledged as collateral under repurchase agreements or to cover short sales.

Repurchase Agreements

We enter into purchases of securities under agreements to resell (resale agreements) and sales of securities under agreements to repurchase (repurchase agreements) identical or substantially the same securities. Resale and repurchase agreements are accounted for as secured lending and secured borrowing transactions, respectively.

Repurchase agreements may require us to deposit cash or other collateral with the lender. In connection with resale agreements, it is our policy to obtain possession of collateral, which may include the securities purchased, with market value in excess of the principal amount loaned. The market value of the collateral subject to the resale and repurchase agreements is regularly monitored, and additional collateral is obtained or provided when appropriate, to ensure appropriate collateral coverage of these secured financing transactions.

The following table provides information about resale and repurchase agreements that are subject to offset:

	Gross Amounts Recognized	Gross Amounts Offset in the Balance Sheet ⁽¹⁾	Net Amounts Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet ⁽²⁾	Net Amount ⁽³⁾
	(in billions)				
At March 31, 2026					
Assets:					
Securities purchased under resale agreements.....	\$ 7.0	\$ 3.7	\$ 3.3	\$ 3.3	\$ —
Liabilities:					
Securities sold under repurchase agreements.....	\$ 5.3	\$ 3.7	\$ 1.6	\$ 1.6	\$ —
At December 31, 2025					
Assets:					
Securities purchased under resale agreements.....	\$ 11.7	\$ 2.4	\$ 9.3	\$ 9.3	\$ —
Liabilities:					
Securities sold under repurchase agreements.....	\$ 3.7	\$ 2.4	\$ 1.3	\$ 1.3	\$ —

⁽¹⁾ Represents recognized amount of resale and repurchase agreements with counterparties subject to legally enforceable netting agreements that meet the applicable netting criteria as permitted by generally accepted accounting principles.

⁽²⁾ Represents securities / cash collateral received or pledged to cover financing transaction exposures.

⁽³⁾ Represents the amount of our exposure that is not collateralized / covered by pledged collateral.

The following table provides the class of collateral pledged and remaining contractual maturity of repurchase agreements accounted for as secured borrowings:

	Overnight and Continuous	Up to 30 Days	31 to 90 Days	91 Days to One Year	Greater Than One Year	Total
	(in billions)					
At March 31, 2026						
U.S. Treasury, U.S. Government sponsored and U.S. Government agency securities.....	\$ 2.9	\$.4	\$ —	\$ 2.0	\$ —	\$ 5.3
At December 31, 2025						
U.S. Treasury, U.S. Government sponsored and U.S. Government agency securities.....	\$ 1.4	\$.5	\$.7	\$ 1.1	\$ —	\$ 3.7

16. Fair Value Measurements

Accounting principles related to fair value measurements provide a framework for measuring fair value that focuses on the exit price that would be received to sell an asset or paid to transfer a liability in the principal market (or in the absence of the principal market, the most advantageous market) accessible in an orderly transaction between willing market participants (the "Fair Value Framework"). Where required by the applicable accounting standards, assets and liabilities are measured at fair value using the "highest and best use" valuation premise. The fair value measurement guidance permits an entity to measure the fair value of a group of financial assets and financial liabilities with offsetting credit risks and/or market risks on a net basis provided certain conditions are met. We elected to apply the measurement exception to a group of derivative instruments which primarily relate to interest rate, foreign currency, debt and equity price risk, and commodity price risk as of the reporting date.

Fair Value Adjustments The best evidence of fair value is quoted market price in an actively traded market. When listed price or market quotes are not available, different valuation methods and model inputs are used to estimate fair value. Adjustments are made to the model estimates to encompass counterparty or own credit risk, liquidity risk, model risk and funding benefit/cost associated with uncollateralized derivatives. Major fair value adjustments include:

Bid-offer adjustment - Valuation models generally produce mid-market values for the individual instruments. The bid-offer adjustment is made to the overall net risk exposure to reflect the exit price.

Market data uncertainty adjustment - Certain model inputs may be less readily determinable from market data and/or the choice of model itself may be more subjective. In these circumstances, an adjustment may be necessary to reflect the likelihood that market participants would adopt more conservative values for uncertain parameters and/or model assumptions than those used in our valuation model.

Credit valuation adjustment ("CVA") - The CVA is an adjustment to the valuation of OTC derivative contracts to reflect the possibility that the counterparty may default and that we may not receive the full market value of the transactions.

Funding fair value adjustment ("FFVA") - The FFVA reflects the estimated present value of the future market funding cost or benefit associated with funding uncollateralized derivative exposure at unsecured funding spreads.

See "Valuation Techniques - Structured notes and deposits designated under FVO" and "Long-term debt designated under FVO" below for discussion of the fair value adjustments on FVO liabilities attributable to our own credit spread.

Fair Value Hierarchy The Fair Value Framework establishes a three-tiered fair value hierarchy as follows:

Level 1 *quoted market price* - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 *valuation technique using observable inputs* - Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are inactive, and measurements determined using valuation models where all significant inputs are observable, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 *valuation technique with significant unobservable inputs* - Level 3 inputs are unobservable inputs for the asset or liability and include situations where fair values are measured using valuation techniques based on one or more significant unobservable inputs.

Classification within the fair value hierarchy is based on whether the lowest hierarchical level input that is significant to the fair value measurement is observable. As such, the classification within the fair value hierarchy is dynamic and can be transferred to other hierarchy levels in each reporting period.

Where fair value measurements are determined based on information obtained from independent pricing services or brokers, we apply appropriate validation procedures to substantiate fair value. For price validation purposes, quotations from at least two independent pricing sources are obtained for each financial instrument, where possible.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis The following table presents information about our assets and liabilities measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value. Unless otherwise noted below, assets and liabilities in the following table are recorded at fair value through net income.

March 31, 2026	Fair Value Measurements on a Recurring Basis					
	Level 1	Level 2	Level 3	Gross Balance	Netting ⁽¹⁾	Net Balance
	(in millions)					
Assets:						
Trading assets, excluding derivatives:						
U.S. Treasury, U.S. Government agencies and sponsored enterprises	\$ 4,116	\$ 894	\$ —	\$ 5,010	\$ —	\$ 5,010
Debt securities issued by foreign entities	1,445	—	—	1,445	—	1,445
Equity securities	14,654	—	—	14,654	—	14,654
Precious metals trading	—	1,471	—	1,471	—	1,471
Derivatives: ⁽²⁾						
Interest rate contracts	28	828	—	856	—	856
Foreign exchange contracts	—	11,427	10	11,437	—	11,437
Equity contracts	—	1,743	119	1,862	—	1,862
Precious metals contracts	—	1,753	—	1,753	—	1,753
Credit contracts	—	138	1	139	—	139
Other contracts ⁽³⁾	—	—	3	3	—	3
Derivatives netting	—	—	—	—	(14,807)	(14,807)
Total derivatives	28	15,889	133	16,050	(14,807)	1,243
Securities available-for-sale: ⁽⁴⁾						
U.S. Treasury, U.S. Government agencies and sponsored enterprises	15,894	12,114	—	28,008	—	28,008
Asset-backed securities	—	162	76	238	—	238
Debt securities issued by foreign entities	4,211	94	—	4,305	—	4,305
Loans held for sale ⁽⁵⁾	—	481	252	733	—	733
Other assets:						
Equity securities	—	130	—	130	—	130
Equity securities measured at net asset value ⁽⁶⁾	—	—	—	111	—	111
Total assets	\$ 40,348	\$ 31,235	\$ 461	\$ 72,155	\$ (14,807)	\$ 57,348
Liabilities:						
Domestic deposits ⁽⁵⁾	\$ —	\$ 3,033	\$ 506	\$ 3,539	\$ —	\$ 3,539
Trading liabilities, excluding derivatives	1,115	937	—	2,052	—	2,052
Derivatives: ⁽²⁾						
Interest rate contracts	15	549	2	566	—	566
Foreign exchange contracts	—	11,115	8	11,123	—	11,123
Equity contracts	—	623	160	783	—	783
Precious metals contracts	3	1,793	—	1,796	—	1,796
Credit contracts	—	185	—	185	—	185
Other contracts ⁽³⁾	—	—	9	9	—	9
Derivatives netting	—	—	—	—	(13,149)	(13,149)
Total derivatives	18	14,265	179	14,462	(13,149)	1,313
Long-term debt ⁽⁵⁾	—	5,207	2,441	7,648	—	7,648
Total liabilities	\$ 1,133	\$ 23,442	\$ 3,126	\$ 27,701	\$ (13,149)	\$ 14,552

December 31, 2025	Fair Value Measurements on a Recurring Basis					
	Level 1	Level 2	Level 3	Gross Balance	Netting ⁽¹⁾	Net Balance
	(in millions)					
Assets:						
Trading assets, excluding derivatives:						
U.S. Treasury, U.S. Government agencies and sponsored enterprises	\$ 3,791	\$ 1,349	\$ —	\$ 5,140	\$ —	\$ 5,140
Debt securities issued by foreign entities	837	77	—	914	—	914
Equity securities	15,141	—	—	15,141	—	15,141
Precious metals trading	—	196	—	196	—	196
Derivatives: ⁽²⁾						
Interest rate contracts	8	777	1	786	—	786
Foreign exchange contracts	—	9,572	9	9,581	—	9,581
Equity contracts	—	1,174	85	1,259	—	1,259
Precious metals contracts	—	1,883	—	1,883	—	1,883
Credit contracts	—	137	—	137	—	137
Other contracts ⁽³⁾	—	—	4	4	—	4
Derivatives netting	—	—	—	—	(12,109)	(12,109)
Total derivatives	8	13,543	99	13,650	(12,109)	1,541
Securities available-for-sale: ⁽⁴⁾						
U.S. Treasury, U.S. Government agencies and sponsored enterprises	14,277	11,349	—	25,626	—	25,626
Asset-backed securities	—	187	76	263	—	263
Debt securities issued by foreign entities	4,141	—	—	4,141	—	4,141
Loans held for sale ⁽⁵⁾	—	460	166	626	—	626
Other assets:						
Equity securities	—	131	—	131	—	131
Equity securities measured at net asset value ⁽⁶⁾	—	—	—	112	—	112
Total assets	\$ 38,195	\$ 27,292	\$ 341	\$ 65,940	\$ (12,109)	\$ 53,831
Liabilities:						
Domestic deposits ⁽⁵⁾	\$ —	\$ 3,193	\$ 377	\$ 3,570	\$ —	\$ 3,570
Trading liabilities, excluding derivatives	1,438	86	—	1,524	—	1,524
Derivatives: ⁽²⁾						
Interest rate contracts	5	509	2	516	—	516
Foreign exchange contracts	—	8,916	8	8,924	—	8,924
Equity contracts	—	561	74	635	—	635
Precious metals contracts	2	2,048	—	2,050	—	2,050
Credit contracts	—	216	1	217	—	217
Other contracts ⁽³⁾	—	—	17	17	—	17
Derivatives netting	—	—	—	—	(11,341)	(11,341)
Total derivatives	7	12,250	102	12,359	(11,341)	1,018
Long-term debt ⁽⁵⁾	—	5,912	2,354	8,266	—	8,266
Total liabilities	\$ 1,445	\$ 21,441	\$ 2,833	\$ 25,719	\$ (11,341)	\$ 14,378

⁽¹⁾ Represents counterparty and cash collateral netting which allow the offsetting of amounts relating to certain contracts if certain conditions are met.

⁽²⁾ Includes trading derivative assets of \$1,024 million and \$1,366 million and trading derivative liabilities of \$1,098 million and \$831 million at March 31, 2026 and December 31, 2025, respectively, as well as derivatives held for hedging and other non-qualifying economic hedging activities. See Note 7, "Derivative Financial Instruments," for additional information. Excluding changes in fair value of a derivative instrument associated with a qualifying cash flow hedge, which are recognized initially in other comprehensive income (loss), derivative assets and liabilities are recorded at fair value through net income.

⁽³⁾ Consists of swap agreements entered into in conjunction with the sales of Visa Class B Shares.

⁽⁴⁾ Securities available-for-sale are recorded at fair value through other comprehensive income (loss). Changes in the allowance for credit losses on securities available-for-sale are recorded through net income.

⁽⁵⁾ See Note 8, "Fair Value Option," for additional information. Excluding the fair value movement on FVO liabilities attributable to our own credit spread, which is recorded in other comprehensive income (loss), FVO assets and liabilities are recorded at fair value through net income.

⁽⁶⁾ Investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy.

Information on Significant Level 3 assets and liabilities The following table summarizes additional information about changes in the fair value of significant Level 3 assets and liabilities. As a risk management practice, we may risk manage the Level 3 assets and liabilities, in whole or in part, using securities and derivative positions that are classified as Level 1 or Level 2 measurements within the fair value hierarchy. Since those Level 1 and Level 2 risk management positions are not included in the table below, the information provided does not reflect the effect of such risk management activities related to the Level 3 assets and liabilities.

	Jan. 1, 2026	Total Realized / Unrealized Gains (Losses) Included in					Transfers Into Level 3	Transfers Out of Level 3	Mar. 31, 2026	Current Period Unrealized Gains (Losses) Still Held Included in	
		Earnings	Other Compre- hensive Income (Loss)	Purch- ases	Issu- ances	Settle- ments				Earnings	Other Compre- hensive Income (Loss)
(in millions)											
Assets:											
Derivatives, net: ⁽¹⁾											
Equity contracts ...	\$ 11	\$ (60)	\$ —	\$ —	\$ —	\$ (24)	\$ 6	\$ 26	\$ (41)	\$ (44)	\$ —
Asset-backed securities available-for-sale ⁽²⁾	76	—	—	—	—	—	—	—	76	—	—
Loans held for sale ⁽³⁾	166	2	—	90	—	(6)	—	—	252	2	—
Total assets	\$ 253	\$ (58)	\$ —	\$ 90	\$ —	\$ (30)	\$ 6	\$ 26	\$ 287	\$ (42)	\$ —
Liabilities:											
Domestic deposits ⁽³⁾	\$ (377)	\$ (2)	\$ —	\$ —	\$ (80)	\$ 10	\$ (92)	\$ 35	\$ (506)	\$ 5	\$ —
Long-term debt ⁽³⁾	(2,354)	(21)	—	—	(671)	384	(229)	450	(2,441)	—	—
Total liabilities	\$ (2,731)	\$ (23)	\$ —	\$ —	\$ (751)	\$ 394	\$ (321)	\$ 485	\$ (2,947)	\$ 5	\$ —
(in millions)											
Assets:											
Derivatives, net: ⁽¹⁾											
Equity contracts ...	\$ (18)	\$ (41)	\$ —	\$ —	\$ —	\$ (7)	\$ (6)	\$ 42	\$ (30)	\$ (17)	\$ —
Asset-backed securities available-for-sale ⁽²⁾	97	—	1	—	—	(4)	—	—	94	—	1
Loans held for sale ⁽³⁾	154	—	—	2	—	(115)	—	—	41	—	—
Total assets	\$ 233	\$ (41)	\$ 1	\$ 2	\$ —	\$ (126)	\$ (6)	\$ 42	\$ 105	\$ (17)	\$ 1
Liabilities:											
Domestic deposits ⁽³⁾	\$ (291)	\$ (1)	\$ —	\$ —	\$ (15)	\$ 14	\$ (68)	\$ 66	\$ (295)	\$ 1	\$ —
Long-term debt ⁽³⁾	(2,153)	4	—	—	(304)	247	(278)	538	(1,946)	7	—
Total liabilities	\$ (2,444)	\$ 3	\$ —	\$ —	\$ (319)	\$ 261	\$ (346)	\$ 604	\$ (2,241)	\$ 8	\$ —

⁽¹⁾ Level 3 net derivatives included derivative assets of \$133 million and derivative liabilities of \$179 million at March 31, 2026 and derivative assets of \$70 million and derivative liabilities of \$130 million at March 31, 2025. Gains (losses) on derivatives, net are predominantly included in trading revenue and gain (loss) on instruments designated at fair value and related derivatives in the consolidated statement of income.

⁽²⁾ Realized gains (losses) on securities available-for-sale are included in other securities gains, net in the consolidated statement of income. Changes in the allowance for credit losses on securities available-for-sale are included in the provision for credit losses in the consolidated statement of income. Unrealized gains (losses) on securities available-for-sale are included in other comprehensive income (loss).

⁽³⁾ Excluding unrealized gains (losses) on FVO liabilities attributable to our own credit spread, which are recorded in other comprehensive income (loss), gains (losses) on FVO assets and liabilities are included in gain (loss) on instruments designated at fair value and related derivatives in the consolidated statement of income.

Significant Transfers Into and Out of Level 3 Measurements During both the three months ended March 31, 2026 and 2025, we transferred domestic deposits and long-term debt, which we have elected to carry at fair value, from Level 3 to Level 2 as a result of the embedded derivative no longer being unobservable as the derivative option is closer to maturity and the underlying inputs have become more observable. During both the three months ended March 31, 2026 and 2025, we transferred domestic deposits and long-term debt, which we elected to carry at fair value, from Level 2 to Level 3 as a result of a change in the observability of underlying inputs that resulted in the embedded derivative being unobservable.

Significant Unobservable Inputs for Recurring Fair Value Measurements

The following table presents quantitative information about the unobservable inputs used to determine the recurring fair value measurement of significant assets and liabilities classified as Level 3 fair value measurements:

March 31, 2026

Financial Instrument Type	Fair Value (in millions)	Valuation Technique(s)	Significant Unobservable Inputs	Range of Inputs	Weighted Average ⁽¹⁾
Equity derivative contracts ⁽²⁾	\$ (41)	Option pricing model	Equity / Equity Index volatility	5% - 145%	46%
			Equity / Equity and Equity / Index correlation	42% - 98%	84%
			Equity forward price	\$0 - \$55,902	\$1,414
Asset-backed securities available-for-sale	\$ 76	Discounted cash flows	Market assumptions related to yields for comparable instruments	2% - 3%	2%
Loans held for sale	\$ 252	Market comparables and internal assumptions	Adjusted market price	31% - 100%	82%
Domestic deposits (structured deposits) ⁽²⁾⁽³⁾	\$ (506)	Option adjusted discounted cash flows	Equity / Equity Index volatility	5% - 41%	8%
			Equity / Equity and Equity / Index correlation	42% - 95%	73%
Long-term debt (structured notes) ⁽²⁾⁽³⁾	\$ (2,441)	Option adjusted discounted cash flows	Equity / Equity Index volatility	13% - 66%	28%
			Equity / Equity and Equity / Index correlation	45% - 98%	87%
			Credit default swap spreads	545bps	N/A

December 31, 2025

Financial Instrument Type	Fair Value (in millions)	Valuation Technique(s)	Significant Unobservable Inputs	Range of Inputs	Weighted Average ⁽¹⁾
Equity derivative contracts ⁽²⁾	\$ 11	Option pricing model	Equity / Equity Index volatility	5% - 90%	60%
			Equity / Equity and Equity / Index correlation	42% - 98%	84%
			Equity forward price	\$0 - \$57,523	\$2,773
Asset-backed securities available-for-sale	\$ 76	Discounted cash flows	Market assumptions related to yields for comparable instruments	2% - 3%	2%
Loans held for sale	\$ 166	Market comparables and internal assumptions	Adjusted market price	28% - 100%	74%
Domestic deposits (structured deposits) ⁽²⁾⁽³⁾	\$ (377)	Option adjusted discounted cash flows	Equity / Equity Index volatility	5% - 45%	12%
			Equity / Equity and Equity / Index correlation	42% - 93%	75%
Long-term debt (structured notes) ⁽²⁾⁽³⁾	\$ (2,354)	Option adjusted discounted cash flows	Equity / Equity Index volatility	12% - 72%	31%
			Equity / Equity and Equity / Index correlation	48% - 98%	86%
			Credit default swap spreads	722bps	N/A

N/A Not Applicable

(1) For equity derivatives, structured deposits and structured notes, weighted averages are calculated based on the fair value of the instruments. For all remaining instrument types, weighted averages are calculated based on the notional value of the instruments.

(2) We are the client-facing entity and, except for structured notes with embedded credit derivative features, we enter into identical but opposite derivatives to transfer the resultant risks to our affiliates. With the exception of counterparty credit risks, we are market risk neutral in substantially all of the structured notes and deposits. The corresponding intra-group derivatives are presented as equity derivatives in the table.

(3) Structured deposits and structured notes contain embedded derivative features whose fair value measurements contain significant Level 3 inputs. See equity derivatives and credit derivatives below for a discussion of the uncertainty of Level 3 inputs related to structured deposits and structured notes.

Uncertainty of Significant Level 3 Inputs to Fair Value Measurements

Equity derivatives - For certain equity derivatives, particularly those with long-dated maturities and/or strike values far from at-the-money, volatility can be unobservable. A significant increase (decrease) in the implied volatility would have resulted in a

higher (lower) fair value of a long position in the derivative contract. For a derivative referenced to a basket of equities, the fair value measurement is also affected by the correlation of the referenced equities, which can also be unobservable. Correlation measures the relative change in values among two or more variables (i.e., equity pair), which can be positively or negatively correlated. A significant increase (decrease) in the correlation of the referenced variables would have resulted in a higher (lower) fair value of a long position in the derivative contract. In addition, for the majority of unlisted equities and some listed equities, the forward price is unobservable. A significant increase (decrease) in the price would have resulted in a higher (lower) fair value of a long position in the derivative contract.

Credit derivatives - The fair value measurement of certain credit derivatives is primarily affected by the credit spreads of credit default swap contracts. A significant increase (decrease) in the credit spreads would have resulted in a higher (lower) fair value measurement of a long position in the credit derivative.

Asset-backed securities available-for-sale - The fair value measurement of certain asset-backed securities is primarily affected by estimated yields which are determined based on current market yields of comparable instruments adjusted for market liquidity. An increase (decrease) in the yields would have resulted in a lower (higher) fair value measurement of the securities.

Loans held for sale - The fair value measurement of certain commercial loans held for sale is affected by estimated market prices which are unobservable. An increase (decrease) in the estimated prices would have resulted in a higher (lower) fair value measurement of the loans.

Assets and Liabilities Recorded at Fair Value on a Non-recurring Basis Certain financial and non-financial assets are measured at fair value on a non-recurring basis and therefore, are not included in the tables above. These assets include (a) loans classified as held for sale reported at the lower of amortized cost or fair value and (b) impaired loans or assets that are written down to fair value based on the valuation of underlying collateral during the period. These instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustment in certain circumstances (e.g., impairment). The following table presents the fair value hierarchy level within which the fair value of the financial and non-financial assets has been recorded at March 31, 2026 and December 31, 2025. The gains (losses) during the three months ended March 31, 2026 and 2025 are also included.

	Non-Recurring Fair Value Measurements at March 31, 2026				Total Gains (Losses) For the Three Months Ended March 31, 2026
	Level 1	Level 2	Level 3	Total	
	(in millions)				
Consumer loans ⁽¹⁾	\$ —	\$ 93	\$ —	\$ 93	\$ —
Commercial loans held for sale ⁽²⁾	—	480	—	480	1
Commercial loans ⁽³⁾	—	—	316	316	(27)
Total assets at fair value on a non-recurring basis	\$ —	\$ 573	\$ 316	\$ 889	\$ (26)
	Non-Recurring Fair Value Measurements at December 31, 2025				Total Gains (Losses) For the Three Months Ended March 31, 2025
	Level 1	Level 2	Level 3	Total	
	(in millions)				
Consumer loans ⁽¹⁾	\$ —	\$ 94	\$ —	\$ 94	\$ 1
Commercial loans held for sale ⁽²⁾	—	1,277	—	1,277	—
Commercial loans ⁽³⁾	—	—	342	342	(52)
Total assets at fair value on a non-recurring basis	\$ —	\$ 1,371	\$ 342	\$ 1,713	\$ (51)

⁽¹⁾ Represents residential mortgage loans held for investment whose carrying amount was adjusted during the period based on the fair value of the underlying collateral.

⁽²⁾ At March 31, 2026 and December 31, 2025, the fair value of the loans held for sale was below cost.

⁽³⁾ Certain commercial loans are individually assessed for impairment. We measure the credit impairment of a collateral-dependent loan based on the fair value of the collateral asset. The collateral often involves properties that are illiquid due to market conditions. As a result, these loans are classified as a Level 3 fair value measurement within the fair value hierarchy.

Significant Unobservable Inputs for Non-Recurring Fair Value Measurements

The following tables present quantitative information about non-recurring fair value measurements of assets and liabilities classified with Level 3 of the fair value hierarchy:

At March 31, 2026

Financial Instrument Type	Fair Value (in millions)	Valuation Technique(s)	Significant Unobservable Inputs	Range of Inputs	Weighted Average ⁽¹⁾
Commercial loans	\$ 316	Valuation of third-party appraisal on underlying collateral	Loss severity rates	0% - 100%	36%

At December 31, 2025

Financial Instrument Type	Fair Value (in millions)	Valuation Technique(s)	Significant Unobservable Inputs	Range of Inputs	Weighted Average ⁽¹⁾
Commercial loans	\$ 342	Valuation of third-party appraisal on underlying collateral	Loss severity rates	0% - 100%	30%

⁽¹⁾ Weighted average is calculated based on the carrying value of the loans.

Valuation Techniques

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Commercial loans held for sale designated under FVO – We elected to apply FVO accounting to certain commercial loans held for sale and related unfunded commitments. Where available, fair value is based on observable market pricing obtained from independent sources, relevant broker quotes or observed market prices of instruments with similar characteristics. Where observable market parameters are not available, fair value is determined based on contractual cash flows adjusted for estimates of prepayment rates, expected default rates and loss severity discounted at management's estimate of the expected rate of return required by market participants. We also consider loan-specific risk mitigating factors such as collateral arrangements in determining the fair value estimate. We also may hold discussions on value directly with potential investors. For certain commercial loans held for sale, the fair value measurement process uses significant unobservable inputs to adjust market prices which are specific to the characteristics of the loans.

Commercial loans held for sale – Commercial loans held for sale (that are not designated under FVO as discussed above) are recorded at the lower of amortized cost or fair value. The fair value of commercial loans held for sale is estimated using observable market pricing obtained from independent sources, relevant broker quotes or observed market prices of instruments with similar characteristics. We also may hold discussions on value directly with potential investors or take into account underlying collateral values.

Precious metals trading – Precious metals trading includes physical inventory and related leases, which are valued primarily using spot prices.

Securities - Where available, debt and equity securities are valued based on quoted market prices. If a quoted market price for the identical security is not available, the security is valued based on quotes from similar securities, where possible. For certain securities, internally developed valuation models are used to determine fair values or validate quotes obtained from pricing services. The following summarizes the valuation methodology used for our major security classes:

- U.S. Treasury, U.S. Government agency and U.S. Government sponsored enterprises – As these securities transact in an active market, fair value measurements are based on quoted prices for the identical security or quoted prices for similar securities with adjustments as necessary made using observable inputs which are market corroborated. For certain government securities which do not transact in an active market, fair value is determined primarily based on pricing information obtained from pricing services and is verified by internal review processes.
- Asset-backed securities – Fair value is primarily determined based on pricing information obtained from independent pricing services adjusted for the characteristics and the performance of the underlying collateral.
- Foreign debt securities - Government and public sector entity/bank securities primarily transact in an active market and therefore fair value measurements are based on quoted prices for the identical security or quoted prices for similar securities with adjustments as necessary made using observable inputs which are market corroborated.
- Equity securities – Fair value measurements are determined based on quoted prices for the identical security. Certain equity securities represent investments in private equity funds that help us comply with the Community Reinvestment Act. The fair value of these investments are estimated using the net asset value per share as calculated by the fund managers. Distributions will be received from the funds as the underlying assets are liquidated. While the funds do not allow us to redeem our investments, we are permitted to sell or transfer our investments subject to the approval of the

fund manager. Unfunded commitments associated with these investments were immaterial at March 31, 2026 and December 31, 2025.

Derivatives – Derivatives are recorded at fair value. Asset and liability positions in individual derivatives that are covered by legally enforceable master netting agreements, including receivables (payables) for cash collateral posted (received), are offset and presented net in accordance with accounting principles which allow the offsetting of amounts.

Derivatives traded on an exchange are valued using quoted prices. OTC derivatives, which comprise a majority of derivative contract positions, are valued using valuation techniques such as discounted cash flows or an option pricing model. The fair value for the majority of our derivative instruments are determined based on internally developed models that utilize independently corroborated market parameters, including interest rate yield curves, option volatilities, and currency rates. For complex or long-dated derivative products where market data is not available, fair value may be affected by the underlying assumptions about, among other things, the timing of cash flows, expected exposure, probability of default and recovery rates. The fair values of certain structured derivative products are sensitive to unobservable inputs such as correlations of the referenced variables and volatilities of embedded options. These estimates are susceptible to significant change in future periods as market conditions change.

Significant inputs related to derivative classes are broken down as follows:

- Credit Derivatives – Use credit default curves and recovery rates which are generally provided by broker quotes and various pricing services. Certain credit derivatives may also use correlation inputs in their model valuation.
- Interest Rate Derivatives – Swaps use interest rate curves based on currency that are actively quoted by brokers and other pricing services. Options will also use volatility inputs which are also quoted in the broker market.
- Foreign Exchange ("FX") Derivatives – FX transactions, to the extent possible, use spot and forward FX rates which are quoted in the broker market. Where applicable, we also use implied volatility of currency pairs as inputs.
- Equity Derivatives – Use listed equity security pricing and implied volatilities from equity traded options position.
- Precious Metal Derivatives – Use spot and forward metal rates which are quoted in the broker market.

As discussed earlier, we make fair value adjustments to model valuations in order to ensure that those values represent appropriate estimates of fair value.

Client share repurchase transactions designated under FVO - We elected to apply FVO accounting to certain client share repurchase transactions. The fair value of the assets and liabilities associated with these transactions is determined based on the value of the remaining shares to be delivered.

Structured notes and deposits designated under FVO – Structured notes and deposits are hybrid instruments with embedded derivatives and are elected to be measured at fair value in their entirety under FVO accounting principles. The valuation of the hybrid instruments is predominantly driven by the derivative features embedded within the instruments and our own credit risk. The valuation of embedded derivatives may include significant unobservable inputs such as correlation of the referenced credit names or volatility of the embedded option. Cash flows of the hybrid instruments in their entirety, including the embedded derivatives, are discounted at an appropriate rate for the applicable duration of the instrument adjusted for our own credit spreads. The credit spreads applied to structured notes are determined with reference to our own debt issuance rates observed in the primary and secondary markets, internal funding rates, and structured note rates in recent executions while the credit spreads applied to structured deposits are determined using market rates currently offered on comparable deposits with similar characteristics and maturities.

Long-term debt designated under FVO – We elected to apply FVO accounting to certain of our own debt issuances, primarily for which fair value hedge accounting otherwise would have been applied. Substantially all of our own debt issuances elected under FVO are traded in secondary markets and, as such, the fair value is determined based on observed prices for the specific instrument. The observed market price of these instruments reflects the effect of our own credit spreads. The credit spreads applied to these instruments were derived from the spreads at the measurement date.

Additional Disclosures About the Fair Value of Financial Instruments that are Not Carried at Fair Value on the Consolidated Balance Sheet The fair value estimates set forth below are made solely to comply with disclosures required by U.S. GAAP and should be read in conjunction with the financial statements and notes included in this report.

The carrying amount of certain financial instruments recorded at cost on the consolidated balance sheet is considered to approximate fair value because they are short-term in nature, bear interest rates that approximate market rates, and generally have negligible credit risk. These items include cash and due from banks, interest bearing deposits with banks, federal funds sold and purchased, securities purchased and sold under resale and repurchase agreements, deposits with no stated maturity (e.g., demand, savings and certain money market deposits), short-term borrowings and dividends payable.

The following table summarizes the carrying value and estimated fair value of our financial instruments, excluding financial instruments that are carried at fair value on a recurring basis, and their classification within the fair value hierarchy:

March 31, 2026	Carrying Value	Fair Value	Level 1	Level 2	Level 3
(in billions)					
Financial assets:					
Short-term financial assets, net of allowance for credit losses	\$ 25.4	\$ 25.4	\$.8	\$ 24.6	\$ —
Federal funds sold and securities purchased under agreements to resell	3.3	3.3	—	3.3	—
Securities held-to-maturity, net of allowance for credit losses	20.0	19.7	4.9	14.8	—
Commercial loans, net of allowance for credit losses	40.8	41.2	—	—	41.2
Commercial loans held for sale .....	.6	.6	—	.6	—
Consumer loans, net of allowance for credit losses	20.3	19.4	—	—	19.4
Financial liabilities:					
Short-term financial liabilities	\$ 8.6	\$ 8.6	\$ —	\$ 8.6	\$ —
Deposits	118.0	118.0	—	118.0	—
Long-term debt	16.7	17.0	—	17.0	—
December 31, 2025	Carrying Value	Fair Value	Level 1	Level 2	Level 3
(in billions)					
Financial assets:					
Short-term financial assets, net of allowance for credit losses	\$ 23.9	\$ 23.9	\$.8	\$ 23.1	\$ —
Federal funds sold and securities purchased under agreements to resell	9.3	9.3	—	9.3	—
Securities held-to-maturity, net of allowance for credit losses	18.3	18.1	2.8	15.3	—
Commercial loans, net of allowance for credit losses	38.9	39.7	—	—	39.7
Commercial loans held for sale	1.3	1.3	—	1.3	—
Consumer loans, net of allowance for credit losses	20.5	19.8	—	—	19.8
Financial liabilities:					
Short-term financial liabilities	\$ 7.3	\$ 7.3	\$ —	\$ 7.3	\$ —
Deposits	120.5	120.5	—	120.5	—
Long-term debt	14.8	15.1	—	15.1	—

Lending-related commitments - The fair value of loan commitments, revolving credit facilities and standby letters of credit are not included in the above table. The majority of the lending-related commitments are not carried at fair value on a recurring basis nor are they actively traded. These instruments generate fees, which approximate those currently charged to originate similar commitments, which are recognized over the term of the commitment period. Deferred fees on loan commitments, revolving credit facilities and standby letters of credit totaled \$204 million and \$205 million at March 31, 2026 and December 31, 2025, respectively.

17. *Litigation and Regulatory Matters*

The following supplements, and should be read together with, the disclosure in Note 26, "Litigation and Regulatory Matters," in our 2025 Form 10-K. Only those matters with significant updates and new matters since our disclosure in our 2025 Form 10-K are reported herein.

In addition to the matters described below and in our 2025 Form 10-K, in the ordinary course of business, we are routinely named as defendants in, or as parties to, various legal actions and proceedings relating to activities of our current and/or former operations. These legal actions and proceedings may include claims for substantial or indeterminate compensatory or punitive damages, or for injunctive relief. In the ordinary course of business, we also are subject to governmental and regulatory examinations, information-gathering requests, investigations and proceedings (both formal and informal), certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. In connection with formal and informal inquiries by these regulators, we receive numerous requests, subpoenas and orders seeking documents, testimony and other information in connection with various aspects of our regulated activities.

Due to the inherent unpredictability of legal matters, including litigation, governmental and regulatory matters, particularly where the damages sought are substantial or indeterminate or when the proceedings or investigations are in the early stages, we cannot determine with any degree of certainty the timing or ultimate resolution of such matters or the eventual loss, fines, penalties or business impact, if any, that may result. We establish reserves for litigation, governmental and regulatory matters when those matters present loss contingencies that are both probable and can be reasonably estimated. Once established, reserves are adjusted from time to time, as appropriate, in light of additional information. The actual costs of resolving litigation and regulatory matters, however, may be substantially higher than the amounts reserved for those matters. Some of our exposure may be offset by applicable insurance coverage. We do not consider the possible availability of insurance coverage in determining the amounts of any accruals (although we record the amount of related insurance recoveries that are deemed probable up to the amount of the accrual).

For the legal matters disclosed below, including litigation and governmental and regulatory matters, as well as for the legal matters disclosed in our 2025 Form 10-K, as to which a loss in excess of accrued liability is reasonably possible in future periods and for which there is sufficient currently available information on the basis of which management believes it can make a reliable estimate, we believe a reasonable estimate could be as much as \$100 million for HUSI. The legal matters underlying this estimate of possible loss will change from time to time and actual results may differ significantly from this current estimate. Based on the facts currently known, in respect of each of the disclosed investigations, it is not practicable at this time for us to determine the terms on which these ongoing investigations will be resolved or the timing of such resolution or for us to estimate reliably the amounts, or range of possible amounts, of any fines and/or penalties. As matters progress, it is possible that any fines and/or penalties could be significant.

Given the substantial or indeterminate amounts sought in certain of these matters, and the inherent unpredictability of such matters, an adverse outcome in certain of these matters could have a material adverse effect on our consolidated financial statements in any particular quarterly or annual period.

Silicon Valley Bank ("SVB") Litigation Following defendants' motion to dismiss, the FDIC intervened in the litigation for the limited purpose of opposing defendants' challenge to the purported assignment of claims to First Citizens.

Anti-Terrorism Act Cases

In April 2026, the court dismissed all claims against HSBC in *Kathaleen Freeman, et al. v. HSBC Holdings plc, et al.* The dismissal remains subject to a possible appeal.

Other Regulatory and Law Enforcement Investigations

In 2014, the Argentine tax authority filed a complaint against several individuals, including some current and former HSBC employees, alleging tax evasion and an unlawful tax association between HSBC Private Bank Suisse SA, HSBC Bank Argentina and HSBC Bank USA and certain HSBC officers, which allegedly enabled HSBC customers to evade Argentine tax obligations. None of the cases was brought to trial. In April 2026, the court granted a request by one defendant (unconnected to HSBC) to dismiss the cases because the statute of limitations had elapsed. In its decision, the court noted that the prosecutor, as well as the tax authority and another complainant, Argentina's financial-intelligence unit, had agreed that the cases should be dismissed on this basis. This matter will no longer be reported.

18. New Accounting Pronouncements

The following are new accounting pronouncements issued by the Financial Accounting Standards Board which will be adopted in future periods:

Accounting Standards Update	Summary of Guidance	Financial Statement Impact
Disaggregation of Income Statement Expenses <i>Issued November 2024</i>	<ul style="list-style-type: none"> Requires certain expense captions presented on the face of the income statement to be disaggregated into specific categories in the notes to the financial statements, including a) employee compensation; b) depreciation; and c) intangible asset amortization. A description of the amounts that are not separately disaggregated should be disclosed. Also requires disclosure of the total amount of selling expenses and the entity's definition of selling expenses. 	<ul style="list-style-type: none"> Effective for annual periods beginning January 1, 2027, and interim periods beginning January 1, 2028, with early adoption permitted. The new guidance should be applied prospectively, with a retrospective option. While the adoption of this guidance will result in changes to existing disclosures, it will not have any impact on our financial position or results of operations.
Targeted Improvements to the Accounting for Internal-Use Software <i>Issued September 2025</i>	<ul style="list-style-type: none"> Improves the operability of the software accounting guidance by removing all references to software development project stages. Therefore, an entity is required to capitalize software costs when a) management has authorized and committed to funding the software project and b) it is probable that the project will be completed and the software will be used to perform the function intended. Also clarifies that the disclosures required for property, plant and equipment must also be provided for capitalized internal-use software costs. 	<ul style="list-style-type: none"> Effective for annual and interim periods beginning January 1, 2028, with early adoption permitted. The new guidance may be applied either retrospectively, prospectively to software costs incurred after the adoption date, or on a modified prospective basis. While the adoption of this guidance will result in changes to existing disclosures, we are currently evaluating the impact it will have on our financial position or results of operations.

There have been no additional accounting pronouncements issued that are expected to have a material impact on our consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain matters discussed in this Form 10-Q are not statements of historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We may also make or approve certain statements in future filings with the United States Securities and Exchange Commission ("SEC"), in press releases, or oral or written presentations by representatives of HSBC USA Inc. ("HSBC USA" and, together with its subsidiaries, "HUSI") that may also constitute forward-looking statements. Words such as "may," "will," "should," "would," "could," "appears," "believe," "intends," "expects," "estimates," "targeted," "plans," "anticipates," "goal," and similar expressions and their opposites are intended to identify forward-looking statements but should not be considered as the only means through which these statements may be made. These matters or statements will relate to our future operations, strategy, financial condition, economic forecast, results of operations, plans, objectives, performance or business developments and will involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements.

All forward-looking statements are, by their nature, subject to risks and uncertainties, many of which are beyond our control. Our actual future results may differ materially from those set forth in our forward-looking statements. While there is no assurance that any list of risks and uncertainties or risk factors is complete, below are certain factors which could cause actual results to differ materially from those in the forward-looking statements:

- our ability to effectively implement and deliver on our business strategies, and the effect implementation of our business strategy may have on our financial results, operations and relationships with our customers, regulators, employees and other stakeholders;
- uncertainty concerning the future market and economic conditions in the United States and abroad, including but not limited to, changes in interest rates, energy prices, inflation, supply chain issues, a decline in housing prices, the availability of credit and liquidity, unemployment levels, turmoil in the financial markets and related efforts of government agencies to stabilize the financial system, changes in consumer confidence and consumer spending and behavior, consumer perception as to the continuing availability of credit and price competition in the market segments we serve and the consequences of unexpected geopolitical events, such as trade disputes, tariffs, and armed conflicts or unforeseen events such as natural disasters or pandemics;
- compliance with the Chinese National Security Law, the Hong Kong Autonomy Act and other laws of China and the United States, which may impact, among other things, individuals or entities with which we are able to conduct business;
- changes in laws, regulatory requirements and policies, including the potential impact of any legal, regulatory or policy changes affecting financial institutions and the global economy as a result of changes by the current administration;
- the ability to deliver on our regulatory priorities;
- capital and liquidity requirements under Basel guidance, the Federal Reserve Board's ("FRB") Comprehensive Capital Analysis and Review ("CCAR") program, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act" or "Dodd-Frank") stress testing ("DFAST"), including the U.S. FRB requirements for U.S. global systemically important banks ("G-SIBs") and U.S. intermediate holding companies ("IHCs") owned by non-U.S. G-SIBs to issue total loss-absorbing capacity ("TLAC") instruments;
- regulatory requirements in the U.S. and in non-U.S. jurisdictions to facilitate the future orderly resolution of large financial institutions;
- changes in central banks' policies with respect to the provision or removal of liquidity support to financial markets;
- the ability of HSBC Holdings plc ("HSBC" and, together with its subsidiaries, "HSBC Group") and HSBC Bank USA, National Association (together with its subsidiaries, "HSBC Bank USA") to fulfill the requirements imposed by a consent order or guidance from regulators generally;
- the use of us, or our affiliates, as a conduit for illegal activities without our knowledge by third parties;
- the effectiveness of our risk management framework;
- the financial condition of our clients and counterparties and our ability to manage counterparty risk;
- concentrations of credit and market risk;
- increases in our allowance for credit losses and changes in our assessment of our loan portfolios;
- the ability to successfully implement changes to our operational practices as needed and/or required from time to time;
- damage to our reputation;

- the ability to attract or retain key employees and customers;
- the effects of competition in the markets where we operate including increased competition from non-bank financial services companies, including securities firms;
- the effects of operational risks that are inherent in banking operations, including fraudulent and other criminal activities, breakdowns in processes or procedures and systems failure or non-availability;
- disruption in our and our third-party providers' and partners' operations or other adverse impacts resulting from technology failures, cyberattacks, and inadequate data management and consumer privacy protections;
- the ability of third-party service providers and partners to provide adequate services;
- risks associated with matters such as climate and human rights issues and policies;
- losses suffered due to the negligence, fraud or misconduct of our employees or the negligence, fraud or misconduct on the part of third parties;
- a failure in our internal controls;
- our ability to meet our funding requirements;
- adverse changes to our credit ratings;
- financial difficulties or credit downgrades of mortgage bond insurers;
- changes in Financial Accounting Standards Board and International Accounting Standards Board ("IASB") accounting standards and their interpretation;
- heightened regulatory and government enforcement scrutiny of financial institutions, including in connection with product governance and sales practices, account opening and closing procedures, customer and employee complaints and sales compensation structures related to such practices;
- heightened regulatory and government enforcement scrutiny of financial markets, with a particular focus on traded asset classes, including foreign exchange;
- the possibility of incorrect assumptions or estimates in our financial statements, including reserves related to litigation, deferred tax assets and the fair value of certain assets and liabilities;
- model limitations or failure;
- the possibility of incorrect interpretations, application of or changes in tax laws to which we and our clients are subject;
- unexpected and/or increased expenses relating to, among other things, litigation and regulatory matters, remediation efforts, penalties and fines; and
- the other risk factors and uncertainties described under Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2025 (the "2025 Form 10-K").

Forward-looking statements are based on our current views and assumptions and speak only as of the date they are made. We undertake no obligation to update any forward-looking statement to reflect subsequent circumstances or events. You should, however, consider any additional disclosures of a forward-looking nature that arise after the date hereof as may be discussed in any of our subsequent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q or Current Reports on Form 8-K.

Executive Overview

HSBC USA is a wholly-owned subsidiary of HSBC North America Holdings Inc. ("HSBC North America"), which is an indirect wholly-owned subsidiary of HSBC. HUSI may also be referred to in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") as "we," "us" or "our."

Economic Environment The U.S. economy continued to grow during the first quarter of 2026 despite continued pressures from tariffs, inflation and interest rates as well as increased economic uncertainty due to the impact of the conflict in the Middle East, including higher energy prices resulting from supply chain disruption. U.S. gross domestic product grew at an estimated annual rate of 2.0 percent in the first quarter of 2026, while the personal consumption expenditures price index of 3.5 percent in March 2026 remained above the FRB's target inflation rate. In addition, the total unemployment rate decreased slightly to 4.3 percent in March 2026 compared with 4.4 percent in December 2025. In March 2026, the FRB decided to hold short-term interest rates steady.

The economic uncertainty from the conflict in the Middle East, including higher energy prices, along with tariffs, inflation and interest rates will continue to evolve and impact our business in future periods. Concerns over domestic and global policy issues, geopolitical events and the implications of those events on the markets in general, further add to the uncertainty.

Performance, Developments and Trends The following tables set forth selected financial metrics of HUSI for the three months ended March 31, 2026 and 2025 and at March 31, 2026 and December 31, 2025:

Three Months Ended March 31,	2026	2025
	(dollars are in millions)	
Net income	\$ 291	\$ 201
Rate of return on average:		
Total assets .....	.7 %	.5 %
Common equity	9.5	6.6
Tangible common equity ⁽¹⁾	9.9	6.8
Total equity	9.3	6.4
Net interest margin	1.36	1.29
Efficiency ratio	61	63

⁽¹⁾ The following table provides a reconciliation of average common equity to average tangible common equity:

Three Months Ended March 31,	2026	2025
	(in millions)	
Common equity	\$ 12,371	\$ 12,417
Less: Goodwill	458	458
Tangible common equity	\$ 11,913	\$ 11,959
	March 31,	December 31,
	2026	2025

Additional Select Ratios:

Allowance as a percent of loans ⁽¹⁾78 %	.74 %
Commercial allowance as a percent of loans ⁽¹⁾	1.14	1.11
Loans to deposits ratio ⁽²⁾	51	49
Common equity Tier 1 capital to risk-weighted assets	12.3	12.1
Tier 1 capital to risk-weighted assets	12.5	12.4
Total capital to risk-weighted assets	14.6	14.4
Tier 1 leverage ratio	7.8	7.7
Total equity to total assets	7.2	7.2

⁽¹⁾ Excludes loans held for sale.

⁽²⁾ Represents period end loans, net of allowance for loan losses, as a percentage of total deposits.

Net income was \$291 million during the three months ended March 31, 2026 compared with \$201 million during the three months ended March 31, 2025. Income before income tax was \$379 million during the three months ended March 31, 2026 compared with \$264 million during the three months ended March 31, 2025. The increase in income before income tax during the three months ended March 31, 2026 was primarily due to a lower provision for credit losses on our commercial loan

portfolio. Also contributing to the increase were higher other revenues and higher net interest income, partly offset by higher operating expenses.

See "Results of Operations" for a more detailed discussion of our operating trends. In addition, see "Balance Sheet Review" for further discussion on our asset and liability trends, "Liquidity and Capital Resources" for further discussion on funding and capital and "Credit Quality" for additional discussion on our credit trends.

Basis of Reporting

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

Group Reporting Basis We report financial information to our parent, HSBC, in accordance with HSBC Group accounting and reporting policies, which apply International Financial Reporting Standards ("IFRSs") as issued by the IASB. As a result, our segment results are prepared and presented using financial information prepared on the basis of HSBC Group's accounting and reporting policies ("Group Reporting Basis"). Because operating results on the Group Reporting Basis are used in managing our businesses and rewarding performance of employees, our management also separately monitors profit before tax under this basis of reporting. The following table reconciles our U.S. GAAP versus Group Reporting Basis profit before tax:

Three Months Ended March 31,	2026	2025
	(in millions)	
Profit before tax – U.S. GAAP	\$ 379	\$ 264
Adjustments:		
Expected credit losses ⁽¹⁾	13	33
Other	6	6
Profit before tax – Group Reporting Basis	<u>\$ 398</u>	<u>\$ 303</u>

⁽¹⁾ The expected credit losses adjustment does not include the difference to the provision for credit losses between U.S. GAAP and the Group Reporting Basis associated with loans held for sale.

The significant differences between U.S. GAAP and the Group Reporting Basis as they impact our results are summarized in Note 21, "Business Segments," in our 2025 Form 10-K. There have been no significant changes since December 31, 2025 in the differences between U.S. GAAP and the Group Reporting Basis impacting our results.

Balance Sheet Review

The following section provides a discussion of the significant changes in our balance sheet at March 31, 2026 compared with December 31, 2025.

	March 31, 2026	Increase (Decrease) From December 31, 2025	
		Amount	%
(dollars are in millions)			
Period end assets:			
Short-term investments	\$ 28,645	\$ (4,517)	(14)%
Loans, net	61,105	1,653	3
Loans held for sale	1,378	(547)	(28)
Trading assets	23,604	847	4
Securities	52,530	4,207	9
All other assets	7,487	696	10
	<u>\$ 174,749</u>	<u>\$ 2,339</u>	<u>1 %</u>
Period end liabilities and equity:			
Total deposits	\$ 121,547	\$ (2,550)	(2)%
Trading liabilities	3,150	795	34
Short-term borrowings	8,590	1,301	18
Long-term debt	24,345	1,319	6
Interest, taxes and other liabilities	4,466	1,262	39
Total equity	12,651	212	2
	<u>\$ 174,749</u>	<u>\$ 2,339</u>	<u>1 %</u>

Short-Term Investments Short-term investments include cash and due from banks, interest bearing deposits with banks and federal funds sold and securities purchased under agreements to resell. Balances may fluctuate from period to period depending upon our liquidity position at the time and our strategy for deploying liquidity.

Loans, Net See Note 4, "Loans," in the accompanying consolidated financial statements for a summary of our loans, excluding loans held for sale. See "Credit Quality" in this MD&A for a discussion of trends in our allowance for credit losses.

Commercial loans increased \$1.9 billion primarily due to a \$1.5 billion one-day overdraft to a large corporate client at quarter-end, which was repaid in early April. Also contributing to the increase was new business activity exceeding paydowns and maturities, including new loans provided to the buyer in connection with the sale of a portfolio of commercial real estate loans during the first quarter of 2026 as discussed further below. The increase in commercial non-affiliate loans was primarily in the diversified financials and software industries, partly offset by decreases in the retailing and real estate industries.

Consumer loans decreased \$0.2 billion primarily due to net paydowns in residential mortgage loans.

The weighted average loan-to-value ("LTV") ratio for our residential mortgage loan portfolio, excluding mortgage loans held for sale, was 50 percent at both March 31, 2026 and December 31, 2025, with 99 percent of the portfolio having an LTV ratio of less than 80 percent. LTVs for residential mortgages are calculated using the loan balance at the reporting date. Current estimated property values are derived from the property's appraised value at the time of loan origination updated using the most current Federal Housing Finance Agency's House Price Index data available at either a core-based statistical area or state level.

Loans Held for Sale Loans held for sale were lower primarily due to a decline in commercial loans held for sale driven by the sale of a portfolio of commercial real estate loans with a carrying value of \$0.8 billion during the first quarter of 2026. In connection with the sale, we provided loans to the buyer for a portion of the purchase price. See Note 6, "Loans Held for Sale," in the accompanying consolidated financial statements for additional information.

Trading Assets See Note 2, "Trading Assets and Liabilities," in the accompanying consolidated financial statements for a summary of our trading assets. Trading assets increased primarily due to higher precious metal assets.

- Precious metal assets increased \$1.3 billion driven by higher client metal lease activity.

Securities Securities include securities available-for-sale and securities held-to-maturity. Securities balances were higher primarily due to net purchases of U.S. Treasury and U.S. Government agency securities as part of our continuing strategy to maximize returns while balancing the securities portfolio for risk management purposes.

All Other Assets All other assets include, among other items, properties and equipment, net, and goodwill. All other assets increased primarily due to higher outstanding settlement balances related to security sales and increased low income housing investments.

Deposits The following table summarizes deposit balances by major depositor categories:

	March 31, 2026	Increase (Decrease) From December 31, 2025	
		Amount	%
(dollars are in millions)			
Individuals, partnerships and corporations	\$ 107,339	\$ (1,025)	(1)%
Domestic and foreign banks	12,692	(1,554)	(11)
U.S. government and states and political subdivisions	90	2	2
Foreign governments and official institutions	1,426	27	2
Total deposits	<u>\$ 121,547</u>	<u>\$ (2,550)</u>	<u>(2)%</u>

Total deposits decreased primarily due to lower deposits from affiliates. Also contributing to the decrease were lower commercial deposits reflecting the impact of seasonality as clients managed their cash needs at year-end, partly offset by higher deposits from a large corporate client as well as higher retail savings deposits.

Trading Liabilities See Note 2, "Trading Assets and Liabilities," in the accompanying consolidated financial statements for a summary of our trading liabilities. Trading liabilities increased primarily due to higher payables for precious metals.

- Payables for precious metals increased \$0.9 billion driven by higher metal lease borrowing to support client activity levels.

Short-Term Borrowings Short-term borrowings were higher due to increases in commercial paper outstanding, federal funds purchased and securities sold under repurchase agreements. We continue to actively manage our balance sheet to maximize returns while maintaining adequate liquidity.

Long-Term Debt Long-term debt increased due to debt issuances, including \$3.6 billion of senior debt issued to HSBC North America during the first quarter of 2026, partly offset by debt retirements. Debt issuances during the three months ended March 31, 2026 totaled \$4.9 billion, of which \$1.6 billion was issued by HSBC Bank USA.

Incremental issuances from our shelf registration statement with the SEC totaled \$1.3 billion of senior structured notes during the three months ended March 31, 2026. Total long-term debt outstanding under this shelf was \$9.7 billion and \$9.9 billion at March 31, 2026 and December 31, 2025, respectively.

Incremental issuances from the HSBC Bank USA Global Bank Note Program totaled nil during the three months ended March 31, 2026. Total debt outstanding under this program was \$1.6 billion and \$1.7 billion at March 31, 2026 and December 31, 2025, respectively.

Borrowings from the Federal Home Loan Bank ("FHLB") totaled \$1.0 billion at both March 31, 2026 and December 31, 2025.

Interest, Taxes and Other Liabilities Interest, taxes and other liabilities increased primarily due to higher outstanding settlement balances related to security purchases and increased low income housing liabilities.

Results of Operations

The following section provides a discussion of the significant changes in our operating results for the three months ended March 31, 2026 compared with the three months ended March 31, 2025.

Net Interest Income Net interest income is the total interest income on earning assets less the total interest expense on deposits and borrowed funds. An analysis of consolidated average balances and interest rates is presented in this MD&A under the caption "Consolidated Average Balances and Interest Rates."

The significant components of net interest margin are summarized in the following table:

Three Months Ended March 31,	2026	2026 Compared with 2025 Increase (Decrease)		2025
		Volume	Rate	
(dollars are in millions)				
Interest income:				
Short-term investments	\$ 282	\$ (103)	\$ (49)	\$ 434
Trading securities	102	13	(2)	91
Securities	498	72	(34)	460
Commercial loans	580	16	(76)	640
Consumer loans	218	(15)	(3)	236
Other	16	(3)	—	19
Total interest income	<u>1,696</u>	<u>(20)</u>	<u>(164)</u>	<u>1,880</u>
Interest expense:				
Deposits	759	(47)	(128)	934
Short-term borrowings	98	9	(37)	126
Long-term debt	273	29	(36)	280
Tax liabilities and other	14	(1)	1	14
Total interest expense	<u>1,144</u>	<u>(10)</u>	<u>(200)</u>	<u>1,354</u>
Net interest income	<u>\$ 552</u>	<u>\$ (10)</u>	<u>\$ 36</u>	<u>\$ 526</u>
Yield on total interest earning assets	4.17 %			4.61 %
Cost of total interest bearing liabilities	3.51			4.07
Interest rate spread	.66			.54
Benefit from net non-interest paying funds ⁽¹⁾	.70			.75
Net interest margin on average earning assets	<u>1.36 %</u>			<u>1.29 %</u>

⁽¹⁾ Represents the benefit associated with interest earning assets in excess of interest bearing liabilities. Increased percentages reflect growth in this excess or a higher cost of interest bearing liabilities, while decreased percentages reflect a reduction in this excess or a lower cost of interest bearing liabilities.

Net interest income increased during the three months ended March 31, 2026 primarily due to lower interest expense from deposits and short-term borrowings and higher interest income from securities. The overall increase in net interest income was partly offset by lower interest income from short-term investments, commercial loans and consumer loans. Lower yields on interest earning assets and lower rates paid on interest bearing liabilities reflect the impact of lower market rates.

- Deposits interest expense decreased due to lower rates paid and lower average balances. Lower average balances were driven by lower time deposits as well as lower retail interest bearing deposits reflecting the impact of certain checking accounts becoming noninterest bearing beginning in 2026. Lower average balances were partly offset by growth in commercial deposits reflecting increased business activity.
- Short-term borrowings interest expense was lower due to lower rates paid.
- Securities interest income was higher due to higher average balances, partly offset by lower yields. Higher average balances were driven by increases in U.S. Treasury and U.S. Government agency securities.
- Short-term investments interest income was lower due to lower average balances and lower yields.
- Commercial loans interest income decreased due to lower yields on variable rate loans and newly originated loans, partly offset by higher average balances driven by higher loans to affiliates.

- Consumer loans interest income decreased primarily due to lower average balances driven by the impact of the residential mortgage loan sale during the fourth quarter of 2025.

Provision for Credit Losses The following table summarizes the components of the provision for credit losses:

Three Months Ended March 31,	2026	2025	Increase (Decrease)	
			Amount	%
(dollars are in millions)				
Loans:				
Commercial loans:				
Commercial mortgages ⁽¹⁾	\$ —	\$ 64	\$ (64)	(100.0)%
Business and corporate banking ⁽¹⁾	49	48	1	2.1
Total commercial loans	49	112	(63)	(56.3)
Consumer loans:				
Residential mortgages	2	—	2	*
Other consumer	1	—	1	*
Total consumer loans	3	—	3	*
Total loans	52	112	(60)	(53.6)
Off-balance sheet credit exposures	(4)	6	(10)	*
Total provision for credit losses	\$ 48	\$ 118	\$ (70)	(59.3)%

* Percentage change is greater than 100 percent.

⁽¹⁾ As discussed further in Note 4, "Loans," in the accompanying consolidated financial statements, in the first quarter of 2026, we updated our presentation of commercial loans. Commercial mortgages previously reported within real estate, including construction are now presented as a separate category. Unsecured loans and loans that are indirectly secured by commercial real estate are now included within business and corporate banking. As a result, we have reclassified prior year amounts to conform to the current year presentation.

Our provision for credit losses decreased during the three months ended March 31, 2026 primarily due to a lower provision for credit losses on our commercial loan portfolio.

The provision for credit losses on our commercial loan portfolio decreased \$63 million during the three months ended March 31, 2026. The loss provision in the current year period was driven by downgrades reflecting weakness in the financial condition of certain clients and higher reserves for risk associated with large loan exposures. In the prior year period, the loss provision was driven by downgrades reflecting weakness in the financial condition of certain clients, including the downgrade of a large commercial mortgage loan, and an increase in reserves for risk factors associated with higher risk exposures reflecting uncertainty in the forward economic outlook.

See "Credit Quality" in this MD&A for additional discussion on the allowance for credit losses and liability for off-balance sheet credit exposures.

Other Revenues The following table summarizes the components of other revenues:

Three Months Ended March 31,	2026	2025	Increase (Decrease)	
			Amount	%
(dollars are in millions)				
Trust and investment management fees	\$ 48	\$ 41	\$ 7	17.1 %
Other fees and commissions	203	179	24	13.4
Trading revenue	197	193	4	2.1
Other securities gains, net	11	3	8	*
Servicing and other fees from HSBC affiliates	102	102	—	—
Gain (loss) on instruments designated at fair value and related derivatives	(5)	(3)	(2)	(66.7)
Other income (loss)	(12)	1	(13)	*
Total other revenues	\$ 544	\$ 516	\$ 28	5.4 %

* Percentage change is greater than 100 percent.

Trust and investment management fees increased during the three months ended March 31, 2026 driven by higher average assets under management.

Other fees and commissions were higher during the three months ended March 31, 2026 primarily due to increased fees from guarantees, loan syndication and credit cards reflecting higher business activity compared with prior year period. See Note 10, "Fee Income from Contracts with Customers," in the accompanying consolidated financial statements for additional information including a summary of the components of other fees and commissions.

Trading revenue The following table presents trading revenue by business activity. Not included in the table below is the impact of net interest income associated with trading securities which is an integral part of overall trading performance. Net interest income related to trading activities is recorded in net interest income in the consolidated statement of income. Certain derivatives are economically hedged by holding the underlying interest bearing referenced assets.

Three Months Ended March 31,	2026	2025	Amount	%
(dollars are in millions)				
Business Activities:				
Foreign Exchange	\$ 68	\$ 74	\$ (6)	(8.1)%
Debt Markets	(2)	14	(16)	*
Equities	118	126	(8)	(6.3)
Markets Treasury	—	(13)	13	100.0
Other trading	13	(8)	21	*
Total trading revenue	<u>\$ 197</u>	<u>\$ 193</u>	<u>\$ 4</u>	<u>2.1 %</u>

* Percentage change is greater than 100 percent.

Trading revenue was relatively flat during the three months ended March 31, 2026 as higher revenue in Other trading and Markets Treasury was largely offset by lower revenue in Debt Markets.

- Other trading revenue was higher primarily due to favorable fair value adjustments on certain investments held for Community Reinvestment Act purposes.
- Markets Treasury revenue was higher reflecting the improved performance of economic hedge positions used to manage interest rate risk.
- Debt Markets revenue was lower driven by lower balance sheet deployment and lower valuation gains.

Other securities gains, net increased during the three months ended March 31, 2026 primarily due to higher gains from the sale of U.S. Treasury securities. The gross realized gains and losses from sales of securities, which are included as a component of other securities gains, net above, are summarized in Note 3, "Securities," in the accompanying consolidated financial statements.

Servicing and other fees from HSBC affiliates were flat during the three months ended March 31, 2026 as lower performance fees associated with trading activity booked on the balance sheet of HSBC Bank plc was offset by higher cost reimbursements associated with shared services performed on behalf of other HSBC affiliates.

Gain (loss) on instruments designated at fair value and related derivatives was relatively flat during the three months ended March 31, 2026 as unfavorable movements related to the economic hedging of interest rate and other risks within our hybrid instruments was largely offset by improved fair value adjustments on commercial loans held for sale. See Note 8, "Fair Value Option," in the accompanying consolidated financial statements for additional information including a breakout of these amounts by individual component.

Other income (loss) decreased during the three months ended March 31, 2026 primarily due to lower gains from bank owned life insurance and higher losses on sales of commercial loans.

Operating Expenses The following table summarizes the components of operating expenses:

Three Months Ended March 31,	2026	2025	Increase (Decrease)	
			Amount	%
(dollars are in millions)				
Salaries and employee benefits	\$ 128	\$ 148	\$ (20)	(13.5)%
Support services from HSBC affiliates	460	404	56	13.9
Occupancy expense, net	11	12	(1)	(8.3)
Other expenses:				
Equipment and software	38	34	4	11.8
Marketing	8	8	—	—
Outside services	8	10	(2)	(20.0)
Professional fees	9	11	(2)	(18.2)
Federal Deposit Insurance Corporation ("FDIC") assessment fees	12	20	(8)	(40.0)
Miscellaneous	(5)	13	(18)	*
Total other expenses	70	96	(26)	(27.1)
Total operating expenses	\$ 669	\$ 660	\$ 9	1.4 %
Personnel - average number	1,810	2,085		
Efficiency ratio	61 %	63 %		

* Percentage change is greater than 100 percent.

Salaries and employee benefits decreased during the three months ended March 31, 2026 primarily due to lower salaries expense driven by staff reductions related to the simplification of our organizational structure as well as lower severance related costs.

Support services from HSBC affiliates increased during the three months ended March 31, 2026 due to higher cost allocations from our technology and support service functions, as well as global resourcing and other global support activities. Contributing to the increase were higher costs associated with our investments in systems infrastructure and new technologies. A summary of the services received from various HSBC affiliates is included in Note 11, "Related Party Transactions," in the accompanying consolidated financial statements.

Occupancy expense, net was flat during the three months ended March 31, 2026.

Other expenses decreased during the three months ended March 31, 2026 primarily due to higher expense capitalization related to internally developed software and lower deposit insurance assessment fees.

Efficiency ratio Our efficiency ratio was relatively flat during the three months ended March 31, 2026 as higher other revenues and higher net interest income were offset by higher operating expenses as discussed in detail above.

Income tax expense The following table summarizes our effective tax rate based on the provision for income taxes attributable to pretax income:

Three Months Ended March 31,	2026	2025
(dollars are in millions)		
Income before income tax	\$ 379	\$ 264
Income tax expense	88	63
Effective tax rate	23.2 %	23.9 %

During the three months ended March 31, 2026, income tax expense increased due to higher pre-tax income, while the effective tax rate was relatively flat.

Segment Results – Group Reporting Basis

We have three distinct business segments that we utilize for management reporting and analysis purposes, which are aligned with HSBC's business strategy: International Wealth and Premier Banking ("IWPB"), Corporate and Institutional Banking ("CIB") and a Corporate Center ("CC"). See Item 1, "Business," in our 2025 Form 10-K for a description of our segments, including a discussion of the main business activities of the segments and a summary of their products and services. There have been no changes in the basis of our segmentation compared with the presentation in our 2025 Form 10-K.

Our segment results are presented in accordance with HSBC Group accounting and reporting policies, which apply IFRSs as issued by the IASB. As a result, our segment results are prepared and presented using financial information prepared on the Group Reporting Basis. We continue, however, to monitor capital adequacy and report to regulatory agencies on a U.S. GAAP basis. Our Chief Executive Officer, who is the chief operating decision maker, primarily uses segment profit (loss) before tax under the Group Reporting Basis in monitoring and assessing segment performance, evaluating trends, and deciding how to allocate resources, such as employees.

There have been no changes in the measurement of segment profit compared with the presentation in our 2025 Form 10-K.

The significant differences between U.S. GAAP and the Group Reporting Basis as they impact our results are summarized in Note 21, "Business Segments," in our 2025 Form 10-K. There have been no significant changes since December 31, 2025 in the differences between U.S. GAAP and the Group Reporting Basis impacting our results.

The following section provides a discussion of the significant changes in our segment results for the three months ended March 31, 2026 compared with the three months ended March 31, 2025.

International Wealth and Premier Banking The following table summarizes the Group Reporting Basis results for our IWPB segment:

Three Months Ended March 31,	2026	2025	Increase (Decrease)	
			Amount	%
(dollars are in millions)				
Net interest income	\$ 190	\$ 186	\$ 4	2.2 %
Other operating income	66	51	15	29.4
Total operating income ⁽¹⁾	256	237	19	8.0
Expected credit losses	2	2	—	—
Net operating income	254	235	19	8.1
Operating expenses	186	185	1	.5
Profit before tax	\$ 68	\$ 50	\$ 18	36.0 %

⁽¹⁾ The following table summarizes the impact of key activities on the total operating income of our IWPB segment.

Three Months Ended March 31,	2026	2025	Increase (Decrease)	
			Amount	%
(dollars are in millions)				
Retail Banking	\$ 139	\$ 137	\$ 2	1.5 %
Wealth	85	80	5	6.3
Other ⁽²⁾	32	20	12	60.0
Total operating income	\$ 256	\$ 237	\$ 19	8.0 %

⁽²⁾ Includes cost reimbursements associated with activities performed on behalf of other HSBC affiliates and allocated Markets Treasury revenue.

Our IWPB segment reported a higher profit before tax during the three months ended March 31, 2026 primarily due to higher other operating income.

Other operating income increased during the three months ended March 31, 2026 due to the improved performance of economic hedge positions used to manage interest rate risk and higher investment management fees driven by higher average assets under management.

Corporate and Institutional Banking The following table summarizes the Group Reporting Basis results for our CIB segment:

Three Months Ended March 31,	2026	2025	Increase (Decrease)	
			Amount	%
(dollars are in millions)				
Net interest income	\$ 485	\$ 473	\$ 12	2.5 %
Other operating income	347	323	24	7.4
Total operating income ⁽¹⁾	832	796	36	4.5
Expected credit losses	34	84	(50)	(59.5)
Net operating income	798	712	86	12.1
Operating expenses	422	423	(1)	(.2)
Profit before tax	\$ 376	\$ 289	\$ 87	30.1 %

⁽¹⁾ The following table summarizes the impact of key activities on the total operating income of our CIB segment. For purposes of the discussion below the table, total operating income is referred to as revenue. In connection with the simplification of our organizational structure and the changes to our business segments as previously disclosed in our 2025 Form 10-K, in the first quarter of 2026, we updated our presentation for the key activities of total operating income to reflect management's current view. As a result, we have reclassified prior year amounts in order to conform to the current year presentation.

Three Months Ended March 31,	2026	2025	Increase (Decrease)	
			Amount	%
(dollars are in millions)				
Wholesale Transaction Banking	\$ 530	\$ 479	\$ 51	10.6 %
Investment Banking	51	52	(1)	(1.9)
Debt and Equity Markets	53	48	5	10.4
Credit and Lending	81	97	(16)	(16.5)
Other ⁽²⁾	117	120	(3)	(2.5)
Total operating income	\$ 832	\$ 796	\$ 36	4.5 %

⁽²⁾ Includes cost reimbursements associated with activities performed on behalf of other HSBC affiliates, allocated Markets Treasury revenue and net interest income on capital held in the business and not assigned to products.

Our CIB segment reported a higher profit before tax during the three months ended March 31, 2026 due to lower expected credit losses, higher other operating income and higher net interest income.

Revenue increased during the three months ended March 31, 2026 primarily due to higher revenue in Wholesale Transaction Banking, partly offset by lower revenue in Credit and Lending.

- Wholesale Transaction Banking revenue increased driven by higher net interest income from higher deposit spreads and the favorable impact of higher deposit balances as well as increased fees from guarantees. Also contributing to the increase was higher foreign exchange revenue from market volatility and higher client activity.
- Credit and Lending revenue decreased primarily due to lower net interest income from lower loan balances and compressed loan spreads.

Expected credit losses decreased during the three months ended March 31, 2026. The loss provision in the current year period was driven by downgrades reflecting weakness in the financial condition of certain clients. In the prior year period, the loss provision was driven by downgrades reflecting weakness in the financial condition of certain clients, including the downgrade of a large commercial mortgage loan, and a higher loss estimate for risk factors associated with higher risk industry exposures.

Corporate Center The following table summarizes the Group Reporting Basis results for our CC segment:

Three Months Ended March 31,	2026	2025	Increase (Decrease)	
			Amount	%
(dollars are in millions)				
Net interest expense	\$ (134)	\$ (100)	\$ (34)	(34.0)%
Other operating income	131	96	35	36.5
Total operating income (expense)	(3)	(4)	1	25.0
Expected credit losses	—	—	—	—
Net operating income (expense)	(3)	(4)	1	25.0
Operating expenses	43	32	11	34.4
Loss before tax	\$ (46)	\$ (36)	\$ (10)	(27.8)%

Our CC segment reported a higher loss before tax during the three months ended March 31, 2026 due to higher net interest expense and higher operating expenses, partly offset by higher other operating income.

Net interest expense increased during the three months ended March 31, 2026 reflecting the impact of higher CIB trading balances discussed below as well as higher retained liquidity charges.

Other operating income increased during the three months ended March 31, 2026 primarily due to higher net funding credits associated with CIB trading activities which increased by \$19 million, reflecting higher trading balances. Also contributing to the increase were favorable fair value adjustments on certain investments held for Community Reinvestment Act purposes.

Operating expenses increased during the three months ended March 31, 2026 primarily due to higher cost allocations from our support service functions.

Reconciliation of Segment Results As previously discussed, segment results are reported on a Group Reporting Basis. See Note 12, "Business Segments," in the accompanying consolidated financial statements for a reconciliation of our Group Reporting Basis segment results to U.S. GAAP consolidated totals.

Credit Quality

In the normal course of business, we enter into a variety of transactions that involve both on and off-balance sheet credit risk. Principal among these activities is lending to various commercial, institutional, governmental and individual customers. We participate in lending activity throughout the United States and, on a limited basis, internationally.

Allowance for Credit Losses / Liability for Off-Balance Sheet Credit Exposures Our accounting policies and methodologies related to the allowance for credit losses and liability for off-balance sheet credit exposures are presented under the caption "Critical Accounting Estimates" in MD&A and in Note 2, "Summary of Significant Accounting Policies and New Accounting Pronouncements," in our 2025 Form 10-K. Our approach toward credit risk management is summarized under the caption "Risk Management" in MD&A in our 2025 Form 10-K. There have been no significant revisions to our policies or methodologies during the first quarter of 2026.

The following table summarizes our allowance for credit losses and the liability for off-balance sheet credit exposures:

	March 31, 2026	December 31, 2025
(in millions)		
Allowance for credit losses:		
Loans:		
Commercial loans	\$ 472	\$ 436
Consumer loans	9	6
Total loans	481	442
Total allowance for credit losses	\$ 481	\$ 442
Liability for off-balance sheet credit exposures	\$ 162	\$ 166

The total allowance for credit losses increased \$39 million compared with December 31, 2025 primarily due to a higher allowance for credit losses on our commercial loan portfolio. The increase in our commercial allowance for credit losses was driven by downgrades reflecting weakness in the financial condition of certain clients and higher reserves for risk associated with large loan exposures.

The liability for off-balance sheet credit exposures decreased \$4 million compared with December 31, 2025.

Analysis of the Allowance for Credit Losses on Loans

The following table presents the allowance for credit losses on loans by major loan categories:

	March 31, 2026		December 31, 2025	
	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans
(dollars are in millions)				
Commercial:				
Commercial mortgages ⁽¹⁾	\$ 108	2 %	\$ 108	3 %
Business and corporate banking ⁽¹⁾	363	50	327	47
Other commercial	1	15	1	16
Total commercial	472	67	436	66
Consumer:				
Residential mortgages	(10)	32	(12)	33
Other consumer	19	1	18	1
Total consumer	9	33	6	34
Total	\$ 481	100 %	\$ 442	100 %

- ⁽¹⁾ As discussed further in Note 4, "Loans," in the accompanying consolidated financial statements, in the first quarter of 2026, we updated our presentation of commercial loans. Commercial mortgages previously reported within real estate, including construction are now presented as a separate category. Unsecured loans and loans that are indirectly secured by commercial real estate are now included within business and corporate banking. As a result, we have reclassified prior year amounts to conform to the current year presentation.

The following table sets forth key ratios for the allowance for credit losses on loans:

	March 31, 2026	December 31, 2025
Ratio of Allowance for credit losses to:		
Loans: ⁽¹⁾		
Commercial:		
Non-affiliates	1.33 %	1.31 %
Affiliates	—	—
Total commercial	1.14	1.11
Consumer	.04	.03
Total loans	.78	.74
Nonperforming loans: ⁽¹⁾⁽²⁾		
Commercial	85 %	82 %
Consumer	4	3
Total nonperforming loans	62	59

- ⁽¹⁾ Ratios exclude loans held for sale as these loans are carried at the lower of amortized cost or fair value.

- ⁽²⁾ Represents our commercial and consumer allowance for credit losses, as appropriate, divided by the corresponding outstanding balance of total nonperforming loans held for investment. Nonperforming loans include accruing loans contractually past due 90 days or more.

See Note 5, "Allowance for Credit Losses," in the accompanying consolidated financial statements for a rollforward of credit losses by loan categories for the three months ended March 31, 2026 and 2025.

The allowance for credit losses on loans as a percentage of total loans held for investment increased compared with December 31, 2025 as the increase in our allowance for credit losses for the reasons discussed above outpaced the increase in total loans held for investment.

The allowance for credit losses on loans as a percentage of nonperforming loans held for investment increased compared with December 31, 2025 as the increase in our allowance for credit losses for the reasons discussed above outpaced the increase in nonperforming loans as discussed further below.

Delinquency The following table summarizes dollars of two-months-and-over contractual delinquency and two-months-and-over contractual delinquency as a percentage of total loans, excluding loans held for sale ("delinquency ratio"):

	March 31, 2026		December 31, 2025	
	Delinquent Loans	Delinquency Ratio	Delinquent Loans	Delinquency Ratio
(dollars are in millions)				
Commercial	\$ 189	.46 %	\$ 126	.32 %
Consumer ⁽¹⁾	154	.76	146	.71
Total	<u>\$ 343</u>	<u>.56</u>	<u>\$ 272</u>	<u>.45</u>

⁽¹⁾ At March 31, 2026 and December 31, 2025, includes \$74 million and \$57 million, respectively, of residential mortgage loans that are carried at the lower of amortized cost or fair value of the collateral less costs to sell.

Our two-months-and-over contractual delinquency ratio increased 11 basis points compared with December 31, 2025 primarily due to higher delinquent loans in our commercial loan portfolio driven by a corporate banking loan which became 60 days past due in the first quarter.

Net Charge-offs of Loans The following table summarizes net charge-off (recovery) dollars as well as net charge-off (recovery) of loans for the period as a percentage of average loans, excluding loans held for sale ("net charge-off ratio"):

	Three Months Ended March 31,					
	2026			2025		
	Net Charge-off Dollars	Average Loans	Net Charge-off Ratio	Net Charge-off Dollars	Average Loans	Net Charge-off Ratio
(dollars are in millions)						
Commercial:						
Commercial mortgages ⁽¹⁾	\$ —	\$ 1,331	— %	\$ —	\$ 3,439	— %
Business and corporate banking ⁽¹⁾	13	29,470	.18	15	29,328	.21
Other commercial	—	10,459	—	—	8,866	—
Total commercial	<u>13</u>	<u>41,260</u>	<u>.13</u>	<u>15</u>	<u>41,633</u>	<u>.15</u>
Consumer:						
Residential mortgages	—	19,727	—	(1)	21,214	(.02)
Other consumer	—	723	—	1	652	.61
Total consumer	<u>—</u>	<u>20,450</u>	<u>—</u>	<u>—</u>	<u>21,866</u>	<u>—</u>
Total	<u>\$ 13</u>	<u>\$ 61,710</u>	<u>.09</u>	<u>\$ 15</u>	<u>\$ 63,499</u>	<u>.10</u>

⁽¹⁾ As discussed further in Note 4, "Loans," in the accompanying consolidated financial statements, in the first quarter of 2026, we updated our presentation of commercial loans. Commercial mortgages previously reported within real estate, including construction are now presented as a separate category. Unsecured loans and loans that are indirectly secured by commercial real estate are now included within business and corporate banking. As a result, we have reclassified prior year amounts to conform to the current year presentation.

Our net charge-off ratio was flat during the three months ended March 31, 2026.

Nonperforming Loans The following table summarizes nonperforming loans, including nonaccrual loans and accruing loans contractually 90 days or more past due, as well as nonperforming loans as a percentage of total loans, excluding loans held for sale ("nonperforming ratio"):

	March 31, 2026		December 31, 2025	
	Nonperforming Loans ⁽¹⁾	Nonperforming Ratio	Nonperforming Loans ⁽¹⁾	Nonperforming Ratio
(dollars are in millions)				
Commercial	\$ 557	1.35 %	\$ 533	1.35 %
Consumer ⁽¹⁾⁽²⁾	223	1.10	219	1.07
Total	<u>\$ 780</u>	<u>1.27</u>	<u>\$ 752</u>	<u>1.26</u>

⁽¹⁾ See Note 4, "Loans," in the accompanying consolidated financial statements for a breakout of nonaccrual loans and accruing loans contractually 90 days or more past due. At both March 31, 2026 and December 31, 2025, total nonperforming loans include \$4 million of accruing loans contractually 90 days or more past due.

⁽²⁾ At March 31, 2026 and December 31, 2025, includes \$116 million and \$99 million, respectively, of residential mortgage loans that are carried at the lower of amortized cost or fair value of the collateral less cost to sell.

Our nonperforming loans ratio was flat compared with December 31, 2025 as higher nonperforming loans in our commercial loan portfolio was offset by higher outstanding loan balances. Higher nonperforming commercial loans were driven by downgrades, partly offset by paydowns.

Our policies and practices for problem loan management and placing loans on nonaccrual status are summarized in Note 2, "Summary of Significant Accounting Policies and New Accounting Pronouncements," in our 2025 Form 10-K.

Concentration of Credit Risk A concentration of credit risk is defined as a significant credit exposure with an individual or group engaged in similar activities or affected similarly by economic conditions. We enter into a variety of transactions in the normal course of business that involve both on and off-balance sheet credit risk. Principal among these activities is lending to various commercial, institutional, governmental and individual customers. We manage the varying degrees of credit risk associated with on and off-balance sheet transactions through specific credit policies and procedures which provide for a strict approval, monitoring and reporting process. It is our policy to require collateral when it is deemed appropriate. Varying degrees and types of collateral are secured depending upon management's credit evaluation.

Commercial Credit Exposure Our commercial credit exposure is diversified across a broad range of industries. Commercial loans outstanding, excluding loans held for sale, and unused commercial commitments by industry are presented in the table below:

	March 31, 2026		December 31, 2025	
	Commercial Utilized	Unused Commercial Commitments	Commercial Utilized	Unused Commercial Commitments
	(in billions)			
Diversified financials	\$ 11.7	\$ 11.5	\$ 9.3	\$ 11.1
Software and services	2.6	6.6	1.8	6.3
Commercial and professional services	2.5	6.7	2.5	6.9
Real estate	2.3	1.6	2.8	1.8
Utilities	2.0	2.3	1.9	2.2
Consumer services	1.8	4.4	1.8	3.8
Retailing	1.7	4.5	2.4	4.3
Capital goods	1.7	6.6	1.7	6.8
Consumer durables and apparel	1.4	3.7	1.6	4.2
Health care equipment and services .....	.9	3.3	.8	3.5
Energy .....	.9	6.1	1.0	7.0
Food, beverage and tobacco .....	.9	2.2	.7	2.6
Technology hardware and equipment .....	.8	6.1	.5	6.8
Chemicals .....	.8	3.9	1.1	4.1
Food and staples retailing .....	.7	1.5	.6	1.6
Metals and mining .....	.6	.6	.9	.5
Pharmaceuticals, biotechnology and life science .....	.3	4.1	.3	4.2
Media and entertainment .....	.3	1.0	.3	3.0
Insurance .....	.3	3.3	.3	3.2
Automobiles and components .....	.3	1.6	.2	1.6
Total commercial credit exposure in top 20 industries ⁽¹⁾	34.5	81.6	32.5	85.5
All other industries .....	.9	7.0	.8	6.7
Total commercial credit exposure ⁽²⁾	\$ 35.4	\$ 88.6	\$ 33.3	\$ 92.2

⁽¹⁾ Based on utilization at March 31, 2026.

⁽²⁾ Excludes commercial credit exposures with affiliates.

Geographic Concentrations The following table reflects regional exposure for our mortgage loan portfolios, excluding loans held for sale:

	March 31, 2026		December 31, 2025	
	Commercial Mortgages	Residential Mortgages	Commercial Mortgages	Residential Mortgages
New York State	34 %	27 %	33 %	27 %
California	4	48	5	48
North Central United States	14	1	11	1
North Eastern United States, excluding New York State	3	7	7	7
Southern United States	43	9	43	9
Western United States, excluding California	2	8	1	8
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Residential Mortgage Loans Our residential mortgage loan portfolio includes the following types of loans:

- Interest-only loans – A loan which allows a customer to pay the interest-only portion of the monthly payment for a period of time which results in lower payments during the initial loan period.
- Adjustable rate mortgage ("ARM") loans – A loan which allows us to adjust pricing on the loan in line with market movements.

The following table summarizes the balances of interest-only and ARM loans in our residential mortgage loan portfolio, excluding loans held for sale. Each category is not mutually exclusive and loans may appear in more than one category below.

	March 31, 2026	December 31, 2025
	(in billions)	
Interest-only loans	\$ 4.4	\$ 4.4
ARM loans ⁽¹⁾	14.7	14.8

⁽¹⁾ During the remainder of 2026 and during 2027, approximately \$0.5 billion and \$1.0 billion, respectively, of the ARM loans will experience their first interest rate reset.

Credit Risks Associated with Derivative Contracts Credit risk associated with derivatives is measured as the net replacement cost of derivative contracts in a receivable position in the event the counterparties of such contracts fail to perform under the terms of those contracts. In managing derivative credit risk, both the current exposure, which is the replacement cost of contracts on the measurement date, as well as an estimate of the potential change in value of contracts over their remaining lives are considered. Counterparties to our derivative activities are subject to regular credit review by Credit Risk. To minimize credit risk, we may enter into legally enforceable master netting agreements which reduce risk by permitting the close out and netting of transactions with the same counterparty upon occurrence of certain events. In addition, we reduce credit risk by obtaining collateral from counterparties. The determination of the need for and the levels of collateral will differ based on an assessment of the credit risk of the counterparty and/or regulatory requirements.

The table below presents total credit risk exposure calculated using the general risk-based capital rules of the Basel III Standardized Approach which includes the net positive mark-to-market of the derivative contracts plus any adjusted potential future exposure as measured in reference to the notional amount. The regulatory capital rules recognize that bilateral netting agreements reduce credit risk and, therefore, allow for reductions of risk-weighted assets when netting requirements have been met and collateral exists. As a result, risk-weighted amounts for regulatory capital purposes are a portion of the original gross exposures. Furthermore, many contracts contain provisions that allow us to close out the transaction if the counterparty fails to post required collateral. In addition, many contracts give us the right to break the transactions earlier than the final maturity date. As a result, these contracts have potential future exposures that are often much smaller than the future exposures derived from the regulatory capital rules.

	March 31, 2026	December 31, 2025
	(in billions)	
Risk associated with derivative contracts:		
Total credit risk exposure	\$ 12.3	\$ 11.0
Less: collateral held against exposure	4.5	3.3
Net credit risk exposure	<u>\$ 7.8</u>	<u>\$ 7.7</u>

Liquidity and Capital Resources

Effective liquidity management is defined as ensuring we can meet customer loan requests, customer deposit maturities/withdrawals and other cash commitments efficiently under both normal operating conditions and under unpredictable circumstances of industry or market stress. To achieve this objective, we have guidelines that require sufficient liquidity to cover potential funding requirements in both the short- and long-term and to avoid over-dependence on volatile, less reliable funding markets. Guidelines are set for the consolidated balance sheet of HSBC USA to ensure that it is a source of strength for our regulated, deposit-taking banking subsidiary, as well as to address the more limited sources of liquidity available to it as a holding company. Similar guidelines are set for HSBC Bank USA to ensure that it can meet its liquidity needs in various stress scenarios. Cash flow analysis, including stress testing scenarios, forms the basis for liquidity management and contingency funding plans. See "Risk Management" in this MD&A for further discussion of our approach towards liquidity and funding risk management, including information regarding the key measures employed to define, monitor and control our liquidity and funding risk.

Interest Bearing Deposits with Banks totaled \$24.6 billion and \$23.1 billion at March 31, 2026 and December 31, 2025, respectively, of which \$24.4 billion and \$23.0 billion, respectively, were held with the Federal Reserve Bank. Balances may fluctuate from period to period depending upon our liquidity position at the time and our strategy for deploying liquidity. Surplus interest bearing deposits with the Federal Reserve Bank may be deployed into securities purchased under agreements to resell or other investments depending on market conditions and the opportunity to maximize returns.

Federal Funds Sold and Securities Purchased under Agreements to Resell totaled \$3.3 billion and \$9.3 billion at March 31, 2026 and December 31, 2025, respectively. Balances may fluctuate from period to period depending upon our liquidity position at the time and our strategy for deploying liquidity.

Trading Assets includes securities totaling \$21.1 billion and \$21.2 billion at March 31, 2026 and December 31, 2025, respectively. See "Balance Sheet Review" in this MD&A for further analysis and discussion on trends.

Securities includes securities available-for-sale and securities held-to-maturity totaling \$52.5 billion and \$48.3 billion at March 31, 2026 and December 31, 2025, respectively. See "Balance Sheet Review" in this MD&A for further analysis and discussion on trends.

Short-Term Borrowings totaled \$8.6 billion and \$7.3 billion at March 31, 2026 and December 31, 2025, respectively. See "Balance Sheet Review" in this MD&A for further analysis and discussion on short-term borrowing trends.

Deposits totaled \$121.5 billion and \$124.1 billion at March 31, 2026 and December 31, 2025, respectively. See "Balance Sheet Review" in this MD&A for further analysis and discussion on deposit trends.

Long-Term Debt increased to \$24.3 billion at March 31, 2026 from \$23.0 billion at December 31, 2025. See "Balance Sheet Review" in this MD&A for further analysis and discussion on long-term debt trends. The following table presents the maturities of long-term debt at March 31, 2026:

	(in billions)
2026	\$ 1.7
2027	3.5
2028	5.6
2029	4.1
2030	3.3
Thereafter	6.1
Total	<u>\$ 24.3</u>

Under our shelf registration statement on file with the SEC, we may issue certain securities including debt securities and preferred stock. We satisfy the eligibility requirements for designation as a "well-known seasoned issuer," which allows us to file a registration statement that does not have a limit on issuance capacity. The ability to issue under the registration statement is limited by the authority granted by the Board of Directors. At March 31, 2026, we were authorized to issue up to \$15.0 billion, of which \$5.3 billion was available. HSBC Bank USA has a Global Bank Note Program that provides for the aggregate issuance of \$40.0 billion of subordinated and senior notes, of which \$12.0 billion remained available to be issued at March 31, 2026.

As a member of the FHLB and the Federal Reserve Bank of New York, we have secured borrowing facilities which are collateralized by loans and investment securities. At March 31, 2026, long-term debt included \$1.0 billion of borrowings from the FHLB facility. Based upon the amounts pledged as collateral under these facilities, we have additional borrowing capacity of up to \$35.8 billion.

Preferred Equity See Note 17, "Preferred Stock," in our 2025 Form 10-K for information regarding all outstanding HSBC USA preferred share issues.

Common Equity During the first quarter of 2026, HSBC USA did not receive any cash capital contributions from its parent, HSBC North America, and did not make any capital contributions to its subsidiary, HSBC Bank USA.

Capital Ratios In managing capital, we develop targets for common equity Tier 1 capital to risk-weighted assets, Tier 1 capital to risk-weighted assets, total capital to risk-weighted assets and Tier 1 capital to adjusted quarterly average assets (i.e., the "Tier 1 leverage ratio"). Capital targets are reviewed at least annually to ensure they reflect our business mix and risk profile, as well as real-time conditions and circumstances. The following table summarizes HSBC USA's Basel III capital ratios:

	March 31, 2026	December 31, 2025
Common equity Tier 1 capital to risk-weighted assets	12.3 %	12.1 %
Tier 1 capital to risk-weighted assets	12.5	12.4
Total capital to risk-weighted assets	14.6	14.4
Tier 1 leverage ratio ⁽¹⁾	7.8	7.7

⁽¹⁾ Adjusted quarterly average assets, the Tier 1 leverage ratio denominator, reflects quarterly average assets adjusted for amounts permitted to be deducted from Tier 1 capital.

We manage capital in accordance with HSBC Group policy. The HSBC North America Internal Capital Adequacy Assessment Process ("ICAAP") works in conjunction with the HSBC Group's ICAAP. The HSBC North America ICAAP applies to HSBC USA and HSBC Bank USA and evaluates regulatory capital adequacy and capital adequacy under various stress scenarios. Our approach is to meet our capital needs for these stress scenarios locally through activities which reduce risk. To the extent that local alternatives are insufficient, as a wholly-owned subsidiary of HSBC, we would seek support from our ultimate parent. Regulatory capital requirements are based on the amount of capital required to be held, plus applicable capital buffers, as defined by regulations, and the amount of risk-weighted assets and leverage exposure, also calculated based on regulatory definitions.

We are subject to regulatory capital rules issued by U.S. banking regulators including Basel III (the "Basel III rule"). The Basel III rule establishes minimum capital ratios and overall capital adequacy standards for banks and bank holding companies ("BHCs"). HSBC North America, HSBC USA and HSBC Bank USA each calculate their risk-based capital requirements for credit risk under the Standardized Approach in the Basel III rule. In 2019, the FRB and the other federal banking agencies jointly finalized rules to implement the Economic Growth, Regulatory Relief and Consumer Protection Act that tailor the application of the enhanced prudential standards for large BHC and foreign banking organizations (the "Tailoring Rules"). The Tailoring Rules assign each BHC and IHC with \$50 billion or more in total U.S. assets into one of five classifications (Categories I through IV, and 'other firms') based on its size and four risk-based indicators. Under the Tailoring Rules, HSBC North America and HSBC Bank USA are subject to Category IV standards. For additional discussion of the Basel III rule requirements, including required minimum capital ratios, as well as further discussion of the Tailoring Rules and Category IV standards see Part I, "Regulation and Competition - Regulatory Capital and Liquidity Requirements," in our 2025 Form 10-K. We continue to review the composition of our capital structure.

While BHC regulatory capital compliance is generally performed at the HSBC North America level, and also separately for HSBC Bank USA, as a BHC we are required to meet minimum capital requirements imposed by the FRB. We present our capital ratios, together with HSBC Bank USA's in Note 13, "Retained Earnings and Regulatory Capital Requirements," in the accompanying consolidated financial statements.

Regulatory Developments In March 2026, U.S. banking regulators proposed changes to the regulatory capital rules with public comments due by June 18, 2026. As Category IV firms, HSBC North America and HSBC Bank USA are subject to the changes in the Standardized Approach and would also be required to recognize most components of accumulated other comprehensive income ("AOCI") in regulatory capital over a five-year phase-in period. We are analyzing the proposed changes to determine the potential effects on our capital requirements. If adopted as proposed, we currently expect the net impact of these changes would result in an initial decrease in the capital requirements of HSBC North America, HSBC USA and HSBC Bank USA, which would be largely offset as the recognition of AOCI is phased into our capital requirements.

Capital Planning and Stress Testing The FRB requires certain U.S. top-tier BHCs and IHCs, including HSBC North America, to comply with the FRB's capital plan rule and CCAR program, as well as the supervisory stress tests conducted by the FRB. The stress tests are forward looking exercises to assess the impact of hypothetical macroeconomic baseline and severely adverse scenarios provided by the FRB on the financial condition and capital adequacy of a CCAR firm over a nine quarter planning horizon. As a Category IV firm, HSBC North America is subject to supervisory stress testing on a biennial basis, and it may opt-in to such testing in an "off year" in order to recalibrate its stress capital buffer based on its most recent supervisory stress test. The FRB continues to supervise Category IV firms on an ongoing basis, including evaluation of the capital adequacy and

capital planning processes during off-cycle years. For further discussion of capital planning and stress testing, including detail regarding the FRB's supervisory assessment as part of the CCAR process, see Part I, "Regulation and Competition - Regulatory Capital and Liquidity Requirements," in our 2025 Form 10-K.

HSBC North America submitted its 2026 CCAR capital plan in April 2026. Although HSBC North America is subject to the 2026 supervisory stress test, the FRB has extended until October 2027 the deadline for notifying HSBC North America of its preliminary and final stress capital buffer ("SCB") requirements calculated in 2026. As a result, absent further action from the FRB, HSBC North America will remain subject to its current SCB until the new final SCB requirement is issued in 2027.

2026 Funding Strategy Our current estimate for funding needs and sources for 2026 are summarized in the following table:

	Actual January 1 through March 31, 2026	Estimated April 1 through December 31, 2026	Estimated Full Year 2026
(in billions)			
Increase (decrease) in funding needs:			
Net change in loans	\$ 1	\$ 4	\$ 5
Net change in short-term investments and securities	—	8	8
Net change in trading and other assets	1	(3)	(2)
Total funding needs	<u>\$ 2</u>	<u>\$ 9</u>	<u>\$ 11</u>
Increase (decrease) in funding sources:			
Net change in deposits	\$ (3)	\$ 8	\$ 5
Net change in trading and other short-term liabilities	4	(1)	3
Net change in long-term debt	1	2	3
Total funding sources	<u>\$ 2</u>	<u>\$ 9</u>	<u>\$ 11</u>

The above table reflects a long-term funding strategy. Daily balances fluctuate as we accommodate customer needs, while ensuring that we have liquidity in place to support the balance sheet maturity funding profile. Should market conditions deteriorate, we have contingency plans to generate additional liquidity through the sales of assets or financing transactions. We remain confident in our ability to access the market for long-term debt funding needs in the current market environment. We continue to seek well-priced and stable customer deposits.

HSBC Bank USA is subject to significant restrictions imposed by federal law on extensions of credit to, and certain other 'covered transactions' with HSBC USA and other affiliates. For further discussion, see Part I, "Regulation and Competition - Affiliate Transaction Restrictions," in our 2025 Form 10-K.

See "Risk Management" in this MD&A for further discussion relating to our liquidity contingency plans and our approach to liquidity and funding risk management.

Off-Balance Sheet Arrangements As part of our normal operations, we enter into credit derivatives and various off-balance sheet arrangements with affiliates and third parties. These arrangements arise principally in connection with our lending and client intermediation activities and involve primarily commitments to extend credit and, in certain cases, guarantees.

Commitments to extend credit include arrangements whereby we are contractually obligated to extend credit in the form of loans, participations in loans or similar transactions. At March 31, 2026 and December 31, 2025, we had commitments to extend credit totaling \$95.9 billion and \$99.8 billion, respectively, comprised primarily of commercial commitments and, to a lesser extent, consumer commitments. Commercial commitments comprise primarily those related to secured and unsecured loans and lines of credit. Consumer commitments comprise unused credit card lines, where we have the right to change terms or conditions upon notification to the customer, and commitments to extend credit secured by residential properties, where we have the right to change terms or conditions, for cause, upon notification to the customer. For a summary of guarantees, including standby letters of credit and certain credit derivative transactions, as well as the contractual amounts outstanding at March 31, 2026 and December 31, 2025, see Note 15, "Guarantee Arrangements, Pledged Asset and Repurchase Agreements," in the accompanying consolidated financial statements.

The contractual amounts of these financial instruments represent our maximum possible credit exposure in the event that a counterparty draws down the full commitment amount or we are required to fulfill our maximum obligation under a guarantee. Many of these commitments and guarantees expire unused or without default. As a result, we believe that the contractual amount is not representative of the actual future credit exposure or funding requirements.

Our off-balance sheet arrangements also include transactions with unconsolidated variable interest entities ("VIEs"). See Note 14, "Variable Interest Entities," in the accompanying consolidated financial statements for a summary of these unconsolidated VIEs.

Fair Value

Fair Value Hierarchy Fair value measurement accounting principles establish a three-tiered fair value hierarchy structure that prioritizes the inputs to determine the fair value of an asset or liability. See Note 16, "Fair Value Measurements," in the accompanying consolidated financial statements for further discussion. The Fair Value Framework distinguishes between inputs that are based on observed market data and unobservable inputs that reflect market participants' assumptions. The determination of the level of fair value hierarchy within which the fair value measurement of an asset or a liability is classified often requires judgment and may change over time as market conditions evolve.

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts traded on an active exchange. Instruments traded in the over-the-counter ("OTC") market can also be considered as Level 1 where transactions occur with sufficient frequency and volume. Non-exchange-traded instruments classified as Level 1 assets include securities issued by the U.S. Treasury, certain securities issued by U.S. Government agencies and U.S. Government sponsored enterprises, and certain foreign government-backed debt.

Level 2 inputs are those that are observable either directly or indirectly but do not qualify as Level 1 inputs. We classify U.S. Government agency and U.S. Government sponsored mortgage-backed securities, non-exchange-traded derivative contracts, certain asset-backed securities, certain equity securities, certain foreign debt securities, precious metals, certain loans held for sale, residential mortgage loans whose carrying amount was reduced based on the fair value of the underlying collateral, and certain client share repurchase transactions as Level 2 measurements.

Level 3 inputs are unobservable estimates that management expects market participants would use to determine the fair value of the asset or liability. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. We develop Level 3 inputs based on the best information available in the circumstances. At March 31, 2026 and December 31, 2025, our Level 3 assets and liabilities measured at fair value included the following: certain structured deposits and structured notes for which the embedded derivatives have significant unobservable inputs (e.g., volatility or default correlations), certain asset-backed securities, individually assessed commercial loans, derivatives with certain inputs which are unobservable, certain loans held for sale and swap agreements entered into in conjunction with the sales of Visa Class B Shares for which the fair value is dependent upon the final resolution of the related litigation. See Note 16, "Fair Value Measurements," in the accompanying consolidated financial statements for additional information on Level 3 inputs.

Level 3 Measurements The following table provides information about Level 3 assets/liabilities in relation to total assets/liabilities measured at fair value:

	March 31, 2026	December 31, 2025
	(dollars are in billions)	
Level 3 assets ⁽¹⁾⁽²⁾	\$.8	\$.6
Total assets measured at fair value ⁽¹⁾⁽³⁾	73.1	67.6
Level 3 liabilities ⁽¹⁾	3.1	2.8
Total liabilities measured at fair value ⁽¹⁾	27.7	25.7
Level 3 assets as a percent of total assets measured at fair value	1 %	1 %
Level 3 liabilities as a percent of total liabilities measured at fair value	11 %	11 %

⁽¹⁾ Presented without netting which allows the offsetting of amounts relating to certain contracts if certain conditions are met.

⁽²⁾ Includes \$0.5 billion of recurring Level 3 assets and \$0.3 billion of non-recurring Level 3 assets at March 31, 2026. Includes \$0.3 billion of recurring Level 3 assets and \$0.3 billion of non-recurring Level 3 assets at December 31, 2025.

⁽³⁾ Includes \$72.2 billion of assets measured on a recurring basis and \$0.9 billion of assets measured on a non-recurring basis at March 31, 2026. Includes \$65.9 billion of assets measured on a recurring basis and \$1.7 billion of assets measured on a non-recurring basis at December 31, 2025.

Significant Changes in Fair Value for Level 3 Assets and Liabilities See Note 16, "Fair Value Measurements," in the accompanying consolidated financial statements for information on additions to and transfers into (out of) Level 3 measurements during the three months ended March 31, 2026 and 2025 as well as for further details including the classification hierarchy associated with assets and liabilities measured at fair value.

Risk Management

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

We aim to use a comprehensive risk management approach across the organization and across all risk types, underpinned by our culture and values. This is outlined in our risk management framework, including the key principles and practices that we employ in managing material risks, both financial and non-financial. This framework sets out in a consistent way how we identify, assess and manage the risks that matter the most with respect to our ability to operate, grow, and meet regulatory commitments. It translates our strategy, values and commitments into practical actions and risk-aware decisions.

Our Board of Directors has ultimate supervisory responsibility for the effective management of risk and approves our risk appetite. It is advised on risk matters by the Risk Committee of the Board of Directors, notably risk appetite and its alignment with our strategy, risk governance and internal controls, as well as high-level risk related matters. We use a defined executive risk governance structure to help ensure there is appropriate oversight and accountability embedded throughout our business for the effective management of risk.

Our *material risks* The principal risks associated with our operations include the following:

- *Credit risk* is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract;
- *Treasury risk* is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements, including the risk of an adverse impact on earnings or capital due to changes in market interest rates;
- *Market risk* is the risk of an adverse financial impact on trading activities arising from changes in market parameters such as interest rates, foreign exchange rates, asset prices, volatilities, correlations and credit spreads;
- *Climate risk* relates to the financial and non-financial impacts that may arise as a consequence of climate change;
- *Resilience risk* is the risk of sustained and significant business disruption causing the inability to provide critical services to our customers, affiliates and counterparties;
- *Regulatory compliance risk* is the risk associated with breaching our duty to clients and other counterparties, inappropriate market conduct (including unauthorized trading) and breaching related financial services regulatory standards;
- *Financial crime risk* is the risk that our products and services will be exploited for criminal activity, including fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing;
- *Strategic risk* is the risk that the business will fail to identify, execute and react appropriately to opportunities and/or threats arising from changes in the market, some of which may emerge over a number of years such as changing economic and political circumstances, customer requirements, demographic trends, regulatory developments or competitor action; and
- *Model risk* is the risk of the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions.

See "Risk Management" in MD&A in our 2025 Form 10-K for a more complete discussion of the objectives of our risk management system as well as our risk management policies and practices. There have been no material changes to our approach to risk management since December 31, 2025.

Credit Risk Management Credit risk is managed through a robust risk identification and control framework which outlines clear and consistent policies, principles and guidance for risk managers. Credit risk is monitored using various internal risk management measures and within limits approved by individuals within a framework of delegated authorities. Our credit risk management procedures are designed for all stages of economic and financial cycles, including challenging periods of market volatility and economic uncertainty. During the first quarter of 2026, economic uncertainty increased due to the impact of the conflict in the Middle East, including higher energy prices, in addition to the ongoing uncertainty associated with tariffs, inflation and interest rates. We continue to monitor the performance of our material commercial loans as conditions evolve and take necessary credit actions where warranted. See "Risk Management" in MD&A in our 2025 Form 10-K for a more complete discussion of our approach to credit risk.

Treasury Risk Management We continuously monitor our capital ratios and the impact of market events on our liquidity positions and will continue to adapt our frameworks as necessary to reflect market events and the evolving regulatory landscape and view as to best practices. See "Risk Management" in MD&A in our 2025 Form 10-K for a more complete discussion of our approach to treasury risk.

Capital risk See "Liquidity and Capital Resources" in this MD&A for a discussion of our approach to capital risk management, including our capital ratios and regulatory capital requirements.

Liquidity and funding risk As part of our approach towards liquidity and funding risk management, we employ the measures discussed below to define, monitor and control our liquidity and funding risk in accordance with HSBC policy.

HSBC North America is subject to the U.S. liquidity coverage ratio ("LCR") rule, which is designed to be a short-term liquidity measure to ensure banks have sufficient High Quality Liquid Assets ("HQLA") to cover net stressed cash outflows over the next 30 days, and both HSBC North America and HSBC Bank USA calculate and report their LCR to U.S. regulators on a daily basis. During the three months ended March 31, 2026, HSBC Bank USA's LCR remained above 100 percent. Under the Tailoring Rules, a 70 percent LCR requirement applies to Category IV firms with weighted short-term wholesale funding that equals or exceeds \$50 billion. As a result, a LCR of 100 percent or higher reflects an unencumbered HQLA balance that is equal to or exceeds 70 percent of a Category IV firm's liquidity needs for a 30 calendar day liquidity stress scenario. HQLA consists of cash or assets that can be converted into cash at little or no loss of value in private markets.

HSBC North America is also subject to the U.S. net stable funding ratio ("NSFR") rule, which is a longer term liquidity measure with a 12-month time horizon to ensure a sustainable maturity structure of assets and liabilities, and both HSBC North America and HSBC Bank USA calculate and report their NSFR to U.S. regulators. At both March 31, 2026 and December 31, 2025, HSBC Bank USA's NSFR exceeded 100 percent. Under the Tailoring Rules, a 70 percent NSFR requirement applies to Category IV firms with weighted short-term wholesale funding that equals or exceeds \$50 billion. As a result, a NSFR of 100 percent or more reflects an available stable funding balance from liabilities and capital over the next 12 months that is equal to or exceeds 70 percent of a Category IV firm's required amount of stable funding for assets and off-balance sheet exposures. In addition, under the United Kingdom ("U.K.") Prudential Regulatory Authority ("PRA") based NSFR rule, HSBC USA's NSFR exceeded 100 percent at both March 31, 2026 and December 31, 2025. Under the U.K. PRA NSFR rule, a NSFR of 100 percent or more reflects an available stable funding balance from liabilities and capital over the next 12 months that is equal to or exceeds the required amount of stable funding for assets and off-balance sheet exposures.

As a Category IV firm, HSBC North America is subject to liquidity stress testing and related liquidity buffer and liquidity risk management requirements. HSBC North America and HSBC Bank USA have liquidity profiles to support compliance with these rules and may need to make changes to their liquidity profiles to support compliance with any future rules.

Our liquidity and funding risk management approach includes deposits, supplemented by wholesale borrowing to fund our balance sheet, and using security sales or secured borrowings for liquidity stress situations in our liquidity contingency plans. In addition, regulations require banks to retain a portfolio of HQLA. As such, we are maintaining a large portfolio of high quality sovereign and sovereign guaranteed securities.

Our ability to regularly attract wholesale funds at a competitive cost is enhanced by strong ratings from the major credit rating agencies. The following table reflects the short and long-term credit ratings of HSBC USA and HSBC Bank USA at March 31, 2026:

	Moody's	S&P	Fitch
HSBC USA:			
Short-term borrowings.....	P-1	A-2	F1+
Long-term/senior debt.....	A2	A-	A+
HSBC Bank USA:			
Short-term borrowings.....	P-1	A-1	F1+
Long-term/senior debt.....	Aa3	A+	AA-

Rating agencies continue to evaluate economic and geopolitical trends, regulatory developments, future profitability, risk management practices and legal matters, all of which could lead to adverse ratings actions.

Although we closely monitor and strive to manage factors influencing our credit ratings, there is no assurance that our credit ratings will not change in the future. At March 31, 2026, none of the ratings on the debt of HSBC USA or HSBC Bank USA from any of the rating agencies were under review for potential downgrade.

See "Liquidity and Capital Resources" in this MD&A for further discussion of our liquidity position, including additional information regarding our outstanding borrowings, the remaining availability of our debt issuance programs and our funding strategy.

Interest rate risk Various techniques are utilized to quantify and monitor risks associated with the repricing characteristics of our assets, liabilities and derivative contracts. See "Risk Management" in MD&A in our 2025 Form 10-K for a more complete discussion of our approach to interest rate risk.

Economic value of equity ("EVE") EVE represents the present value of the banking book cash flows that could be provided to our equity holder under a managed run-off scenario. An EVE sensitivity represents the change in EVE due to a defined movement in interest rates. We manage to an immediate parallel upward shock of 200 basis points and an immediate parallel downward shock of 200 basis points to the market implied interest rates. At both March 31, 2026 and December 31, 2025, our EVE remained within risk limits for the up 200 and down 200 basis point interest rate shock scenarios.

Earnings-at-risk Earnings-at-risk is a measure of interest rate risk in the banking book generated by our non-trading assets and liabilities that primarily includes loans, deposits with banks, investment securities, deposits, long-term debt and any associated interest rate hedges that are not held for trading intent or in order to hedge positions held with trading intent. Earnings-at-risk utilizes a number of interest rate scenarios to estimate the impact on projected banking book net interest income over a twelve month period, such as rate shock scenarios which assume immediate market rate movements by 100 basis points, as well as scenarios in which rates gradually rise or fall by 100 basis points. In the gradual scenarios, 25 percent of the interest rate movement occurs at the beginning of each quarter. The following table reflects the estimated impact of the earnings-at-risk scenarios on projected banking book net interest income:

	March 31, 2026		December 31, 2025	
	Amount	%	Amount	%
(dollars are in millions)				
Estimated increase (decrease) in projected banking book net interest income (reflects projected rate movements on April 1, 2026 and January 1, 2026, respectively):				
Resulting from a gradual 100 basis point increase in the yield curve	\$ (62)	(2)%	\$ (20)	(1)%
Resulting from a gradual 100 basis point decrease in the yield curve	25	1	6	—
Other significant scenarios monitored (reflects projected rate movements on April 1, 2026 and January 1, 2026, respectively):				
Resulting from an immediate 100 basis point increase in the yield curve	(78)	(3)	(26)	(1)
Resulting from an immediate 100 basis point decrease in the yield curve	51	2	9	—

The projections do not take into consideration possible complicating factors such as the effect of changes in interest rates on the credit quality, size and composition of the balance sheet. Therefore, although this provides a reasonable estimate of interest rate sensitivity, actual results will differ from these estimates, possibly by significant amounts.

Non-trading value at risk ("VaR") Non-trading VaR estimates potential valuation changes that could arise from market movements impacting the behavioralized interest rate risk of non-trading financial assets and liabilities held by the businesses and transfer priced into and managed by Markets Treasury, and the associated hedging activity performed by Markets Treasury (including our investment portfolio of available-for-sale and held-to-maturity securities). Our investment portfolio holdings comprise mainly U.S. Treasury, U.S. Government agency and U.S. Government sponsored securities. Our non-trading VaR exposure is driven by interest rates and mortgage-backed security spread volatility. Refer to "Market Risk Management" below for further discussion regarding VaR and the management of market risk in our non-trading portfolios.

The following table summarizes our non-trading VaR:

	Credit Spread	Interest Rate	Portfolio Diversification ⁽¹⁾	Total ⁽¹⁾
(in millions)				
At March 31, 2026	\$ 121	\$ 153	\$ (127)	\$ 147
Three Months Ended March 31, 2026				
Average	118	133	(126)	125
Maximum	121	156		147
Minimum	114	109		110
At December 31, 2025	\$ 118	\$ 137	\$ (130)	\$ 125

⁽¹⁾ Refer to the Trading VaR table in "Market Risk Management" below for additional information.

Market Risk Management Exposure to market risk is separated into two portfolios:

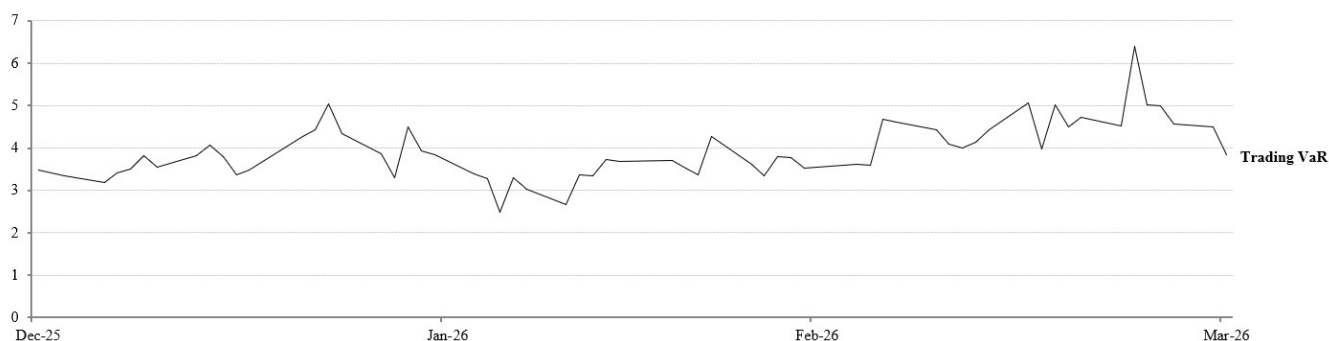
- Trading portfolios comprise positions held for client servicing and market-making, with the intention of short-term resale and/or to hedge risks resulting from such positions.
- Non-trading portfolios comprise positions that primarily arise from the interest rate management of our retail and wholesale banking assets and liabilities as well as financial investments classified as available-for-sale and held-to-maturity.

We apply similar risk management policies and measurement techniques to both trading and non-trading portfolios. Our objective is to manage and control market risk exposures to optimize return on risk while maintaining a market profile consistent with our established risk appetite. See "Risk Management" in MD&A in our 2025 Form 10-K for a more complete discussion of our approach to market risk.

Value at risk ("VaR") VaR is a technique for estimating potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is integrated into market risk management and calculated for all trading positions regardless of how we capitalize them. In addition, we calculate VaR for non-trading portfolios to have a complete picture of risk. VaR measures are calculated to a 99 percent confidence level and use a one-day holding period for trading VaR and a 10-day holding period for non-trading VaR.

Trading VaR Trading VaR is generated principally from trading activities within the CIB business segment. These primarily include positions in various products across rates, foreign exchange and credit asset classes.

The following graph summarizes daily VaR for our trading portfolios at a 99 percent confidence level (in millions):



The following table summarizes our trading VaR:

	Credit Spread	Foreign Exchange and Commodity	Interest Rate	Portfolio Diversification ⁽¹⁾	Total ⁽²⁾
(in millions)					
At March 31, 2026	\$ 3	\$ 1	\$ 2	(\$ 2)	\$ 4
Three Months Ended March 31, 2026					
Average	3	1	2	(2)	4
Maximum	4	3	4		6
Minimum	2	1	1		2
At December 31, 2025	\$ 3	\$ 1	\$ 2	(\$ 3)	\$ 3

⁽¹⁾ Portfolio diversification is the market risk dispersion effect of holding a portfolio containing different risk types. It represents the reduction in unsystematic market risk that occurs when combining a number of different risk types, for example, foreign exchange, interest rate and credit spread, together in one portfolio. It is measured as the difference between the sum of the VaR by individual risk type and the combined total VaR. A negative number represents the benefit of portfolio diversification. As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit for these measures.

⁽²⁾ The total VaR is non-additive across risk types due to diversification effects. For presentation purposes, portfolio diversification of the VaR for trading portfolios includes VaR-based risk-not-in-VaR.

Refer to "Treasury Risk Management" above for disclosure of our non-trading VaR.

Back-testing We routinely validate the accuracy of our VaR models by back-testing them against hypothetical profit and loss that excludes non-modeled items such as fees, commissions and revenues of intra-day transactions from the actual reported profit and loss. We would expect, under stable market conditions, to experience two or three losses in excess of VaR at the 99 percent confidence level over a one-year period. However, in periods of unstable market conditions, we could see an increase in the number of back-testing exceptions.

During the first quarter of 2026, we experienced no loss back-testing exceptions.

CONSOLIDATED AVERAGE BALANCES AND INTEREST RATES

The following table summarizes the quarter-to-date average daily balances of the principal components of assets, liabilities and equity together with their respective interest amounts and rates earned or paid. Net interest margin is calculated by dividing net interest income by the average interest earning assets from which interest income is earned. Loan interest for the three months ended March 31, 2026 and 2025 included fees of \$11 million and \$7 million respectively.

Three Months Ended March 31,	2026			2025		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate
	(dollars are in millions)					
Assets:						
Interest bearing deposits with banks	\$ 25,788	\$ 225	3.54 %	\$ 31,140	\$ 313	4.08 %
Federal funds sold and securities purchased under resale agreements ⁽¹⁾	2,614	57	8.84	7,242	121	6.78
Trading securities	21,186	102	1.95	18,447	91	2.00
Securities	50,096	498	4.03	42,991	460	4.34
Loans:						
Commercial	43,127	580	5.45	42,034	640	6.17
Consumer	20,451	218	4.32	21,867	236	4.38
Total loans	63,578	798	5.09	63,901	876	5.56
Other	1,531	16	4.24	1,808	19	4.26
Total interest earning assets	\$ 164,793	\$ 1,696	4.17 %	\$ 165,529	\$ 1,880	4.61 %
Allowance for credit losses	(433)			(550)		
Cash and due from banks	613			656		
Other assets	8,275			8,030		
Total assets	\$ 173,248			\$ 173,665		
Liabilities and Equity:						
Domestic deposits:						
Savings deposits	\$ 44,974	\$ 231	2.08 %	\$ 44,669	\$ 280	2.54 %
Time deposits	15,607	153	3.98	21,657	281	5.26
Other interest bearing deposits	32,526	330	4.11	32,547	320	3.99
Foreign deposits	6,708	45	2.72	6,501	53	3.31
Total interest bearing deposits	99,815	759	3.08	105,374	934	3.59
Short-term borrowings:						
Securities sold under repurchase agreements ⁽¹⁾	1,861	49	10.68	1,382	53	15.55
Commercial paper	4,340	44	4.11	5,494	71	5.24
Other short-term borrowings	1,624	5	1.25	419	2	1.94
Total short-term borrowings	7,825	98	5.08	7,295	126	7.00
Long-term debt	23,192	273	4.77	20,929	280	5.43
Total interest bearing debt	130,832	1,130	3.50	133,598	1,340	4.07
Tax liabilities and other	1,323	14	4.29	1,426	14	3.98
Total interest bearing liabilities	\$ 132,155	\$ 1,144	3.51 %	\$ 135,024	\$ 1,354	4.07 %
Net interest income/Interest rate spread		\$ 552	.66 %		\$ 526	.54 %
Noninterest bearing deposits	23,105			20,346		
Other liabilities	5,352			5,613		
Total equity	12,636			12,682		
Total liabilities and equity	\$ 173,248			\$ 173,665		
Net interest margin on average earning assets			1.36 %			1.29 %

⁽¹⁾ The denominators used in the calculation of the rates on federal funds sold and securities purchased under resale agreements and securities sold under repurchase agreements reflect the net amounts presented in the balance sheet.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Information required by this Item is included within Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations in the Risk Management section under the captions "Treasury Risk Management - Interest Rate Risk" and "Market Risk Management."

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures We maintain a system of disclosure controls and procedures designed to ensure that information required to be disclosed by HSBC USA in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported on a timely basis. Our Board of Directors, operating through its Audit Committee, which is composed entirely of independent non-executive directors, provides oversight to our financial reporting process.

We conducted an evaluation, with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report so as to alert them in a timely fashion to material information required to be disclosed in reports we file under the Exchange Act.

Changes in Internal Control over Financial Reporting There has been no change in HSBC USA's internal control over financial reporting that occurred during the quarter ended March 31, 2026 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

See Note 17, "Litigation and Regulatory Matters," in the accompanying consolidated financial statements for our legal proceedings disclosure, which is incorporated herein by reference.

Item 5. Other Information

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

To comply with this requirement, HSBC has requested relevant information from its affiliates globally. During the period covered by this Form 10-Q HUSI did not engage in activities or transactions requiring disclosure pursuant to Section 13(r) other than those activities related to frozen accounts and transactions permitted under relevant U.S. sanctions programs described under "Frozen Accounts and Transactions" below. The following activities conducted by our affiliates are disclosed in response to Section 13(r) and are not material to the business of the HSBC Group:

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

There was no measurable gross revenue in the first quarter of 2026 under those guarantees and counter indemnities. The HSBC Group does not allocate direct costs to fees and commissions and, therefore, has not disclosed a separate net profit measure. The HSBC Group is seeking to cancel all relevant guarantees and counter indemnities, and does not currently intend to provide any new guarantees or counter indemnities involving Iran. No guarantees were cancelled in the first quarter of 2026, and approximately 14 remain outstanding.

Activity related to U.S. Executive Order 13224

The HSBC Group has individual and corporate customers in the Middle East that, during the first quarter of 2026, made local currency check payments for the rental of property to a corporate entity designated under Executive Order 13224. The HSBC Group processed these checks on behalf of its customers.

For this activity, there was no measurable gross revenue or net profit to the HSBC Group during the first quarter of 2026.

Activity related to U.S. Executive Order 13382

The HSBC Group had an individual customer in Asia that became designated under Executive Order 13382 in the fourth quarter of 2025. The customer's accounts were restricted at the time of designation and the relationship was exited in the first quarter of 2026. As part of the exit process, the HSBC Group returned the customer's funds to the customer.

For this activity, there was no measurable gross revenue or net profit to the HSBC Group during the first quarter of 2026.

Other activity

The HSBC Group has a non-Iranian insurance company customer in the Middle East that, during the first quarter of 2026, made local currency domestic payments for the reimbursement of medical treatment to a hospital located outside Iran that is owned by the Government of Iran. The HSBC Group processed these payments from its customer to the hospital.

The HSBC Group has a corporate customer in the Middle East that received a local currency check from a hospital located outside Iran that is owned by the Government of Iran during the first quarter of 2026. The HSBC Group processed the check from the hospital to its customer.

The HSBC Group has two individual customers in the Middle East that received local currency checks from an insurance company that is owned by the Government of Iran during the first quarter of 2026. The HSBC Group processed the checks from the insurance company to its customers.

The HSBC Group has individual and corporate customers in Europe that, during the first quarter of 2026, made local currency domestic payments to, or received such payments from, an Iranian embassy. Generally, these customers appear to receive consular or other services provided by the embassy or provide goods and services that support the conduct of the official business of the embassy. The HSBC Group processed these payments between its customers and the Iranian embassy.

For these activities, there was no measurable gross revenue or net profit to the HSBC Group during the first quarter of 2026.

Frozen accounts and transactions The HSBC Group and HSBC Bank USA (a subsidiary of HUSI) maintain several accounts that are frozen as a result of relevant sanctions programs, and safekeeping boxes and other similar custodial relationships, for which no activity, except as licensed or authorized, or otherwise related to the maintenance of such accounts as consistent with applicable law, took place during the first quarter of 2026. There was no measurable gross revenue or net profit to the HSBC Group during the first quarter of 2026 relating to these frozen accounts.

Item 6. Exhibits

- 3(i) [Articles of Incorporation and amendments and supplements thereto \(incorporated by reference to Exhibit 3\(a\) to HSBC USA Inc.'s Annual Report on Form 10-K for the year ended December 31, 1999, Exhibit 3 to HSBC USA Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, Exhibit 3.2 to HSBC USA Inc.'s Current Report on Form 8-K filed April 4, 2005, Exhibit 3.3 to HSBC USA Inc.'s Current Report on Form 8-K filed April 4, 2005, Exhibit 3.2 to HSBC USA Inc.'s Current Report on Form 8-K filed October 14, 2005, Exhibit 3.2 to HSBC USA Inc.'s Current Report on Form 8-K filed May 22, 2006 and Exhibit 3.2 to HSBC USA Inc.'s Current Report on Form 8-K filed May 31, 2016\).](#)
- 3(ii) Bylaws of HSBC USA Inc., as Amended and Restated effective April 30, 2026 (incorporated by reference to [Exhibit 3.2 to HSBC USA Inc.'s Current Report on Form 8-K filed May 1, 2026](#)).
- 31 [Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32 [Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document⁽¹⁾
- 101.SCH Inline XBRL Taxonomy Extension Schema Document⁽¹⁾
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document⁽¹⁾
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document⁽¹⁾
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document⁽¹⁾
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document⁽¹⁾
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
-

⁽¹⁾ Pursuant to Rule 405 of Regulation S-T, includes the following financial information included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2026, formatted in Inline eXtensible Business Reporting Language ("Inline XBRL"): (i) the Consolidated Statement of Income for the three months ended March 31, 2026 and 2025, (ii) the Consolidated Statement of Comprehensive Income for the three months ended March 31, 2026 and 2025, (iii) the Consolidated Balance Sheet at March 31, 2026 and December 31, 2025, (iv) the Consolidated Statement of Changes in Equity for the three months ended March 31, 2026 and 2025, (v) the Consolidated Statement of Cash Flows for the three months ended March 31, 2026 and 2025, and (vi) the Notes to Consolidated Financial Statements.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, HSBC USA Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 5, 2026

HSBC USA INC.

By: /s/ ANDREW FULLAM

Andrew Fullam

Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

Certification of Chief Executive Officer

I, Jason Henderson, certify that:

1. I have reviewed this report on Form 10-Q of HSBC USA Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2026

/s/ JASON HENDERSON

Jason Henderson
Chair of the Board, President
and Chief Executive Officer

Certification of Chief Financial Officer

I, Andrew Fullam, certify that:

1. I have reviewed this report on Form 10-Q of HSBC USA Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2026

/s/ ANDREW FULLAM

Andrew Fullam

Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

**Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

The certification set forth below is being submitted in connection with the HSBC USA Inc. (the “Company”) Quarterly Report on Form 10-Q for the period ending March 31, 2026 as filed with the Securities and Exchange Commission on the date hereof (the “Report”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Jason Henderson, certify that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of HSBC USA Inc.

Date: May 5, 2026

/s/ JASON HENDERSON

Jason Henderson
Chair of the Board, President
and Chief Executive Officer

This certification accompanies each Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by HSBC USA Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

The signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to HSBC USA Inc. and will be retained by HSBC USA Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

The certification set forth below is being submitted in connection with the HSBC USA Inc. (the “Company”) Quarterly Report on Form 10-Q for the period ending March 31, 2026 as filed with the Securities and Exchange Commission on the date hereof (the “Report”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Andrew Fullam, certify that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of HSBC USA Inc.

Date: May 5, 2026

/s/ ANDREW FULLAM

Andrew Fullam

Chief Financial Officer

This certification accompanies each Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by HSBC USA Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

The signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to HSBC USA Inc. and will be retained by HSBC USA Inc. and furnished to the Securities and Exchange Commission or its staff upon request.