HSBC Bank plc

Interim Report 2026

Registered number — 00014259

HSBC

Contents

Presentation of information

This document comprises the Interim Report 2026 for HSBC Bank plc ('the bank' or 'the company') and its subsidiaries (together 'the group'). 'We', 'us' and 'our' refer to HSBC Bank plc together with its subsidiaries. References to 'HSBC', 'HSBC Group' or 'the Group' within this document mean HSBC Holdings plc together with its subsidiaries.

This document contains the interim management report and condensed financial statements of the group, together with the PricewaterhouseCoopers LLP's review report, as required by the Financial Conduct Authority's ('FCA') Disclosure Guidance and Transparency Rules ('DTR').

Within the interim management report and condensed financial statements and related notes, the group has presented income statement figures for the six months to 30 June 2026 with the same period in the prior year to illustrate the current performance compared with the same period in the prior year. Unless otherwise stated, commentary on the income statement compares the six months to 30 June 2026 with the same period in the prior year. Balance sheet commentary compares the position at 30 June 2026 to 31 December 2025.

In accordance with IAS 34 'Interim Financial Reporting', the Interim Report 2026 is intended to provide an update on the Annual Report and Accounts 2025 and therefore focuses on events during the first six months of 2026, rather than duplicating information previously reported.

Our reporting currency is £ sterling. Unless otherwise specified, all $ symbols represent US dollars.

Cautionary statement regarding forward-looking statements

This Interim Report 2026 contains certain forward-looking statements with respect to the group's financial condition; results of operations and business, including the strategic priorities; financial, investment and capital targets; and ability to contribute to the HSBC Group's environmental, social and governance ('ESG') ambitions, targets and commitments.

Statements that are not historical facts, including statements about the group's beliefs and expectations, are forward-looking statements. Words such as 'may', 'will', 'should', 'expects', 'targets', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', or the negative thereof, other variations of these words or similar expressions are intended to identify forward-looking statements. These statements are based on current plans, information, data, forecasts, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements which may or may not prove to be correct. There can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate. The assumptions and judgments may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the group. The group makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements. Forward-looking statements can be made in writing but may also be made verbally by the Directors, officers and employees of the group (including during management presentations) in connection with this document. Forward-looking statements involve inherent risks and uncertainties.

Readers are cautioned that a number of factors, including ESG-related factors, could cause actual results, performance or other future events to differ, in some instances, materially, from those anticipated or implied in any forward-looking statement. This may be due to a variety of risks, uncertainties and other factors including, without limitation, those which relate to general market or economic conditions, regulatory and government policy changes, continued volatility in trade and tariff policies, increased volatility in interest rates and inflation levels and other macroeconomic risks, geopolitical tensions such as the Russia-Ukraine war, the conflict in the Middle East, or any potential military action or conflict elsewhere, the efficacy of the company's and the HSBC Group's actions in managing and mitigating ESG-related risks, and in progressing towards the HSBC Group's ESG ambitions, targets and commitments, technology and cybersecurity risks (including risks relating to deployment of artificial intelligence), sanctions compliance risks, and regulatory enforcement actions. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. Additional risks and factors which may impact the group's future financial condition and performance are identified in 'Risk – Risk overview', 'Risk – Managing risk' and 'Risk – Top and emerging risks' on pages 7 to 9 of the Interim Report 2026.

This Interim Report 2026 contains a number of graphics, text boxes and credentials which aim to give a high-level overview of certain elements of our disclosures and to improve accessibility for readers. These graphics, text boxes and credentials are designed to be read within the context of the Interim Report 2026 as a whole.

Key financial metrics

	Half-year to	
	30 Jun 2026	30 Jun 2025
For the period (£m)		
Profit before tax	**873**	1,164
Net operating income before change in expected credit losses and other credit impairment charges[1]	**3,935**	4,135
Profit attributable to the parent company	**648**	842
Return on average ordinary shareholders' equity (annualised) (%)[2]	**5.2**	6.6
Return on average tangible equity (annualised) (%)	**5.3**	6.6
Cost efficiency ratio (%)[3]	**68.1**	70.7

	At	
At period end (£m)	**30 Jun 2026**	31 Dec 2025
Total equity attributable to the parent company	**25,494**	25,801
Total assets	**769,828**	707,696
Risk-weighted assets[4]	**112,200**	112,340
Loans and advances to customers (net of impairment allowances)	**78,409**	79,858
Customer accounts	**250,384**	244,763
Ratio of customer advances to customer accounts (%)	**31.3**	32.6
Capital ratios (%)[4]		
Common equity tier 1	**17.1**	17.9
Tier 1	**21.2**	21.6
Total capital	**36.9**	36.9
Leverage ratio (%)[5]	**4.1**	4.5

1 Net operating income before change in expected credit losses and other credit impairment charges is also referred to as revenue.
2 The return on average ordinary shareholders' equity is defined as profit attributable to the parent company divided by the average total shareholders' equity.
3 Reported cost efficiency ratio is defined as total operating expenses divided by net operating income before change in expected credit losses and other credit impairment charges.
4 Regulatory ratios and requirements are based on the Prudential rules in force at the time.
5 Leverage metrics exclude central bank claims in accordance with the Prudential Regulation Authority's ('PRA') UK leverage framework.

Purpose and strategy

HSBC in Europe

Europe plays a pivotal role in the global economy, contributing an estimated 21% of global gross domestic product ('GDP') (2026 forecast, IMF World Economic Outlook, April 2026). As one of the world's leading exporters, the region accounted for approximately 49% of global services exports and 36% of global goods exports in 2025 (UNCTAD March 2026 Global Trade Update and Handbook of Statistics). In fact, Europe is ranked as the second largest exporter of manufactured goods after China (2025 actuals, WTO Key Insights and Trends, March 2026). As a global hub and connector, HSBC Bank plc helps facilitate trade and investments within Europe and between Europe and other jurisdictions where HSBC has a presence.

With assets of £770bn at 30 June 2026, HSBC Bank plc is one of Europe's largest banking and financial services organisations. We employ around 9,200 people across our locations. HSBC Bank plc is responsible for HSBC's European business, apart from UK retail and some UK commercial banking activity which, post ring-fencing, is managed by HSBC UK Bank plc.

HSBC Bank plc operates as one integrated business with two main hubs in London and Paris, with a presence in 17 markets[1]. The London hub consists of the UK non-ring-fenced bank, which provides overall governance and management for the Europe region as a whole and is a global centre of excellence for Corporate and Institutional Banking ('CIB') for the HSBC Group.

HSBC Continental Europe ('HBCE'), a wholly-owned subsidiary of the HSBC Bank plc, is the dedicated Intermediate Parent Undertaking ('IPU') for the region and comprises our Paris hub, its EU branches (Belgium, Czech Republic, Germany, Ireland, Italy, Luxembourg, Netherlands, Poland, Spain and Sweden) and subsidiaries in Malta.

HSBC Bank plc also operates a small universal bank in Bermuda, as well as branches in Paris, Israel and Switzerland. Other entities comprise our International Wealth and Premier Banking led operations in the Channel Islands and Isle of Man ('CIIOM'), a Western hub for International Expatriate clients, as well as HSBC Private Bank (Suisse) SA ('PBRS').

1 Full list of markets where HSBC Bank plc has a presence: Belgium, Bermuda, Channel Islands and Isle of Man, Czech Republic, France, Germany, Ireland, Italy, Israel, Luxembourg, Malta (announced planned exit), Netherlands, Poland, Spain, Sweden, Switzerland and the UK.

HSBC Bank plc's strategy and progress

HSBC Bank plc is a critical entity for the Group and a major contributor to global revenues and capabilities. It connects European clients to opportunities across our network, and global clients to opportunities in Europe.

Significant progress has been made in transforming HSBC Bank plc into a simpler, more focused franchise. We have divested non-strategic businesses, refocused countries into sales sites and reshaped technology architecture.

In 2025, we completed the sale of our French Life Insurance business, French home loan business and Private Banking business in Germany. In early 2026, we completed the sales of the UK Life Insurance business and South Africa business.

We fully wound down our Mergers and Acquisitions ('M&A') and Equity Capital Markets ('ECM') businesses in Europe. In parallel, we maintain our focus on growing revenues and driving returns, and where considered appropriate automating manual processes to help bolster the robustness of our control environment.

▶ For further details on the planned disposals please see Note 11: 'Assets held for sale and liabilities of disposal groups held for sale', on page 43.

Business segments

The HSBC Group operates through four businesses – Hong Kong, UK, Corporate and Institutional Banking ('CIB'), International Wealth and Premier Banking ('IWPB').

HSBC Bank plc includes CIB and IWPB businesses in Europe. The region acts as a global connector, linking European clients to opportunities across our network, and global clients to opportunities in Europe. It deploys significant capital to support European clients, that in turn helps drive profitable business booked in other parts of our network.

Corporate and Institutional Banking

Profit before tax £985m (1H25: £1,023m)

Our CIB business is a market leader in cross-border transaction banking and capital markets.

CIB's ambition is to be the world's leading international Corporate & Institutional Bank, focused on Transaction Banking, Financing and Distribution.

International Wealth and Premier Banking

Profit before tax £228m (1H25: £199m)

In Europe, IWPB serves customers through our distinct propositions, Premier and International Banking and our Private Bank, with a focus on serving customers' wealth needs. These customers' needs are catered for through our integrated product and manufacturing capabilities of Wealth & Premier Solutions, Asset Management and Insurance.

Economic background and outlook

UK

The official activity data have confirmed a solid start for the UK economy in 2026. GDP rose by 0.7% in the three months to May (Office for National Statistics – ONS).

However, the Middle East conflict is potentially a significant headwind, mostly due to higher energy prices. The annual rate of consumer price inflation stood at 2.6% in June (ONS), materially higher than would have been expected in the absence of the conflict.

This inflation backdrop has led to a shift in interest rate markets. Before the conflict, market pricing pointed to the prospect of the Bank of England reducing the policy rate, Bank Rate, below its current level of 3.75%. Now, markets suggest that the next rate move could be an increase. The combination of higher inflation and market interest rates is a potential headwind to household and business spending.

If energy supply transiting through the Strait of Hormuz returns closer to normality, energy prices could resume falling, thereby limiting the magnitude and persistence of the impact on inflation. In other words, there may be scope for inflation to fall back next year, and for the headwind to economic growth to prove temporary.

The UK has also seen a political shift, with Andy Burnham becoming Prime Minister after the resignation of Keir Starmer. Through the period of leadership uncertainty, associated financial market volatility has been limited.

Eurozone

Eurozone GDP rose by 1.0% between the second quarter of 2025 and the second quarter of 2026. But volatile multinational company activity in Ireland distorted the numbers – excluding Ireland, annual growth was 1.5% (Eurostat, HSBC calculations). Meanwhile, the unemployment rate stood at a near-record low of 6.3% in June (Eurostat). Part of that reflects resilience in Southern European economies, including Spain, while there is also a tailwind emerging from increased fiscal spending in Germany.

The Middle East conflict, and the resulting uplift to energy prices, has led to higher inflation. The annual consumer price inflation rate was 2.9% in July (Eurostat flash estimate). While that is lower than the 3.2% rate seen in May, given a partial retracement in motor fuel prices, inflation is likely to stay elevated in the near term as higher energy costs pass through the supply chain.

Given concerns about persistent inflation, the European Central Bank ('ECB') raised policy rates in June, with the deposit rate increasing from 2.00% to 2.25%. Financial market pricing implies that policy rates might rise a little further.

However, if there is a lasting peace deal between the US and Iran, and if energy prices fall further, inflation should fall back and, therefore, rate rises might prove limited and temporary.

Financial summary

Use of alternative performance measures

Our reported results are prepared in accordance with International Financial Reporting Standards ('IFRS Accounting Standards') as detailed in the interim condensed consolidated financial statements starting on page 25. In measuring our performance, we use financial measures which eliminate factors that distort period-on-period comparisons. These are considered alternative performance measures.

All alternative performance measures are described and reconciled to the closest reported financial measure when used. For further details refer to 'Return on average ordinary shareholders' equity and return on average tangible equity' note on page 6.

Business segmental results are presented in accordance with IFRS 8 'Operating Segments', as detailed in 'Basis of preparation' in Note 3: 'Segmental analysis' on page 33.

Summary consolidated income statement

	Half-year to	
	30 Jun 2026	30 Jun 2025
	£m	£m
Net interest income	**605**	594
Net fee income	**504**	661
Net income from financial instruments measured at fair value	**2,893**	3,091
Other operating expense	**(67)**	(211)
Net operating income before change in expected credit losses and other credit impairment (charges)/release[1]	**3,935**	4,135
Change in expected credit losses and other credit impairment charges	**(403)**	(75)
Net operating income	**3,532**	4,060
Total operating expenses	**(2,679)**	(2,925)
Operating profit	**853**	1,135
Share of profit in associates and joint ventures	**20**	29
Profit before tax	**873**	1,164
Tax expense	**(215)**	(312)
Profit for the period	**658**	852
Profit attributable to the parent company	**648**	842
Profit attributable to non-controlling interests	**10**	10

1 Net operating income before change in expected credit losses and other credit impairment charges is also referred to as revenue.

Reported performance

Profit before tax ('PBT') of £873m was £291m lower than the first half of 2025. The year-on-year decline is explained by disposal losses recognised on classification to held for sale associated with the planned sale of our business in Malta and an increase in expected credit losses ('ECL') charges, primarily due to a fraud-related, secondary, securitisation exposure with a financial sponsor in the UK. These reductions to PBT were offset by lower restructuring costs and the non-recurrence of disposal losses mainly on the sale of the French insurance business in the prior year.

Net interest income ('NII') increased by £11m or 2% compared with the first half of 2025. The increase was primarily driven by higher NII in Markets Treasury, a lower cost of funds following the disposal of the French retained portfolio of home and certain other loans, and higher NII in Global Payments Solutions, reflecting higher average balances. These increases were partly offset by lower NII in IWPB, reflecting revenue foregone from strategic transactions completed since the prior year, including the UK and French life insurance businesses and the German private banking business.

Net fee income decreased by £157m or 24% compared with the first half of 2025, primarily reflecting lower CIB fee income. Capital Markets and Advisory fees fell following the wind-down of M&A and ECM activities in the UK and Europe. Net fee income in Global Foreign Exchange, and Debt and Equities markets also declined as higher client activity amid elevated market volatility increased volume-linked offsets.

Net income from financial instruments measured at fair value decreased by £198m compared with the first half of 2025. This mainly reflected lower IWPB income, as 1H25 included revenue from businesses now exited (primarily the UK and French life insurance businesses) and mark-to-market gains on interest rates hedges relating to the French retained portfolio of home and certain other loans. These decreases were partly offset in CIB by higher income in Global Foreign Exchange, and Debt and Equities markets, reflecting increased client activity amid elevated market volatility.

Other operating expense was a loss of £67m, an improvement of £144m compared with the first half of 2025. This mainly reflected lower finance-related insurance expenses following the disposals of our French and UK life insurance businesses. This was partly offset by higher losses recognised on assets held for sale, largely driven by the loss recognised on classification to held for sale for the planned sale of our business in Malta, compared with losses recognised on the disposal of our French insurance business in the prior period.

ECL was a net charge of £403m in the first half of 2026 compared with £75m in the first half of 2025, an increase of £328m. This was primarily driven by a fraud-related, secondary, securitisation exposure with a financial sponsor in the UK.

Total operating expenses decreased by £246m or 8% compared with the first half of 2025. Mainly reflecting lower one-off costs as restructuring and other related costs from the prior year organisational simplification did not recur to the same extent in the first half of 2026. Excluding these one-off items, costs also decreased due to the non-recurrence of a prior-year value-in-use impairment and lower simplification and transformation expenditure, offset by the impact of inflation. Costs in IWPB were also lower as 1H25 included costs from businesses since disposed of, primarily the UK and French life insurance businesses and the German private banking business.

Share of profit in associates and joint ventures was £20m compared with a profit of £29m in the first half of 2025, a decrease of £9m, mainly due to an impairment-related valuation loss.

Tax expense was £215m, giving an effective tax rate ('ETR') of 24.7% compared with an ETR of 26.8% for the same period in 2025. The ETR for the first half of 2026 was increased by 6.7% due to non-deductible held for sale loss and costs associated with the planned sale of our business in Malta. In 2025, prior period adjustments increased the ETR by 7.8% for the same period.

Analysis of reported results by business segments

Corporate and Institutional Banking ('CIB')

Profit before tax was £985m, a decrease of £38m compared with the first half of 2025.

Revenue increased by £122m, or 4%, to £3,479m. This was primarily driven by strong trading performance in Global Foreign Exchange, and Debt and Equities markets, reflecting higher client activity and volumes amid elevated market volatility. Global Payments Solutions income also increased on higher average balances and pricing actions.

ECL was a net charge of £403m compared with £61m in the first half of 2025, representing an adverse movement of £342m. This mainly reflected a fraud-related, secondary, securitisation exposure with a financial sponsor in the UK.

Operating expenses decreased by £182m or 8%, reflecting lower one-off restructuring and other related costs as our organisational simplification programmes began to complete. Excluding these one-off costs, cost reductions were largely offset by higher planned investment in technology and the impact of inflation.

International Wealth and Premier Banking ('IWPB')

Profit before tax was £228m, an increase of £29m compared with the first half of 2025.

Revenue decreased by £41m to £658m. This decrease occurred despite the benefit of the non-recurrence of losses recognised in 1H25 on the disposal of our UK and French life insurance businesses. Excluding these one-off items revenue decreased as first half of 2025 included revenue from businesses since been disposed of.

ECL was nil in 1H26, compared with a net charge of £12m in the first half of 2025.

Operating expenses decreased by £58m or 12% as first half of 2025 included costs from businesses that have since been disposed of, primarily the UK and French life insurance businesses and the German private banking business. The decrease also reflected the non-recurrence of a prior-year value-in-use impairment, partly offset by the impact of inflation.

Corporate Centre

A loss before tax of £340m compared with a loss before tax of £58m in the first half of 2025.

Revenue decreased by £281m, to £(202)m. The first half of 2025 included revenue associated with the French retained portfolio of home and certain other loans. Revenue also decreased due to disposal losses recognised on classification to held for sale associated with the planned sale of our business in Malta.

Operating expenses of £158m were £6m lower than the prior period, primarily due to the non-recurrence of prior-year impairment charges.

Share of profit in associates and joint ventures was a profit of £20m, compared with a profit of £29m in the first half of 2025. The £9m decrease mainly reflected an impairment-related valuation loss.

Review of business position

Summary consolidated balance sheet

	At	
	30 Jun 2026	31 Dec 2025
	£m	£m
Total assets	**769,828**	707,696
– cash and balances at central banks	**90,855**	101,443
– trading assets	**156,927**	131,359
– financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**5,714**	5,752
– derivatives	**180,256**	168,585
– loans and advances to banks	**17,247**	19,349
– loans and advances to customers	**78,409**	79,858
– reverse repurchase agreements – non-trading	**77,771**	68,110
– financial investments	**68,656**	66,614
– assets held for sale	**6,706**	5,558
– other assets	**87,287**	61,068
Total liabilities	**744,171**	681,732
– deposits by banks	**35,713**	39,679
– customer accounts	**250,384**	244,763
– repurchase agreements – non-trading	**58,180**	46,758
– trading liabilities	**51,213**	41,877
– financial liabilities designated at fair value	**45,596**	41,842
– derivatives	**180,464**	166,666
– debt securities in issue	**13,141**	12,823
– liabilities of disposal groups held for sale	**11,832**	15,711
– other liabilities	**97,648**	71,613
Total equity	**25,657**	25,964
Total shareholders' equity	**25,494**	25,801
Non-controlling interests	**163**	163

At 30 June 2026, total reported assets were 8.8% higher than at 31 December 2025. The group maintained a strong and liquid balance sheet, with the ratio of customer advances to customer accounts remaining low at 31.3% at 30 June 2026.

Assets

Cash and balances at central banks decreased by £10.6bn or 10%, primarily reflecting the investment of cash into trading assets due to strong client balances growth in Prime Finance.

Trading assets increased by £25.6bn, driven by higher long equity positions and long positions in trading bonds.

Derivative assets increased by £11.7bn, or 7%, due to mark-to-market movements on foreign exchange, interest rate and equity contracts. The increase in derivative assets was broadly consistent with the movement in derivative liabilities, as the underlying risk was broadly matched.

Loans and advances to customers decreased by £1.4bn, or 2%, due to the classification to held for sale associated with the planned sale of our business in Malta.

Non-trading reverse repurchase agreements increased by £9.7bn, or 14%, reflecting higher underlying activity amid volatile market conditions.

Assets held for sale increased by £1.1bn, following the classification relating to the planned sale of our business in Malta and the German custody business. This was partially offset by disposals of our UK insurance business and our business in South Africa in the first quarter of 2026.

Other assets increased by £26.2bn, mainly reflecting higher settlement balances arising from increased trading volumes during the period.

Liabilities

Customer accounts increased by £5.6bn, or 2%, primarily reflecting increases in interest-bearing accounts and term deposits. This was partially offset by the classification of customer accounts to held for sale relating to the planned sale of our business in Malta.

Trading liabilities increased by £9.3bn, mainly reflecting increases in short equity positions and stock-lending activity.

Debt securities in issue increased by £0.3bn, or 2%, reflecting the issuance of medium-term notes.

Non-trading repurchase agreements increased by £11.4bn, or 24%, reflecting higher underlying activity amid volatile market conditions.

Derivative liabilities increased by £13.8bn. The movement was broadly consistent with the increase in derivative assets, as the underlying risk was broadly matched.

Other liabilities increased by £26.0bn, primarily reflecting higher settlement balances compared with the seasonally low level at December 2025. The movement was consistent with the increase in other assets.

Equity

Total shareholders' equity decreased by £0.3bn, or 1%, compared with 31 December 2025, mainly reflecting a decrease in retained earnings.

Reconciliation of alternative performance measures

Return on average ordinary shareholders' equity and return on average tangible equity

Return on average ordinary shareholders' equity ('RoE') is computed by taking profit attributable to the ordinary shareholders of the parent company ('reported results'), divided by average ordinary shareholders' equity ('reported equity') for the period. The adjustment to reported results and reported equity excludes amounts attributable to non-controlling interests and holders of preference shares and other equity instruments.

Return on average tangible equity ('RoTE') is computed by adjusting reported results for impairment of goodwill and other intangible assets (net of tax), divided by average reported equity adjusted for goodwill and intangibles for the period.

We provide the RoTE ratio in addition to RoE as a way of assessing our performance, which is closely aligned to our capital position.

Return on average ordinary shareholders' equity and return on average tangible equity

	Half-year ended	
	30 Jun 2026	30 Jun 2025
	£m	£m
Profit attributable to the ordinary shareholders, excluding other intangible assets impairment[1]	**549**	756
Equity		
Average total shareholders' equity	**25,657**	27,056
Effect of average preference shares and other equity instruments	**(4,329)**	(3,983)
Average ordinary shareholders' equity	**21,328**	23,073
Other adjustments (net of tax)	**(285)**	(266)
Average tangible equity	**21,043**	22,807
	%	%
Ratio		
Return on average ordinary shareholders' equity (annualised)	**5.2**	6.6
Return on average tangible equity (annualised)	**5.3**	6.6

1 Profit attributable to the ordinary shareholders of the parent company excludes coupons payable to preference shareholders on perpetual subordinated contingent convertible securities and other foreign exchange difference.

Risk

Risk overview

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

All our people are responsible for the management of risk, with the ultimate supervisory oversight residing with the Board. Our group Risk and Compliance function, led by the group Chief Risk and Compliance Officer, is responsible for the Risk Management Framework ('RMF'). Independent from the business segments, including our sales and trading functions, it provides challenge, oversight and appropriate balance of risk and reward in decision-making.

The RMF sets out our risk management approach across the organisation and across all risk types, underpinned by our culture and values. It helps us form an enterprise-wide view of the risks we run and the key principles and practices that we employ in managing these risks, both financial and non-financial. It sets out how we identify, assess and manage the risks that matter the most with respect to our ability to operate, grow, and meet external commitments. It translates our strategy, values and commitments into practical actions and risk-based decisions.

Insurance risk is significantly reduced after the disposal of our French and UK life insurance businesses. HSBC Life Assurance (Malta) Ltd, our sole remaining insurance manufacturing business, was classified as held for sale with HSBC Bank Malta p.l.c. in the first quarter of 2026, with the sale expected to complete in the first half of 2027. Further details are provided on page 43.

A summary of our current policies and practices regarding the management of risk is set out in the 'Risk review' section on pages 15 to 16 of the Annual Report and Accounts 2025.

Managing risk

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

Our operations and portfolios are subject to risks arising from political instability, civil unrest and military conflict, which may lead to disruption of our operations, physical risk to our staff, and/or physical damage to our assets. We are also subject to macroeconomic risks, which may drive changes to our income growth and asset quality. Heightened geopolitical and macroeconomic risk globally, including uncertainty in international trade policy, is subject to close monitoring and review.

Geopolitical developments remain a source of uncertainty for HSBC and our customers. In particular, the conflict in the Middle East has resulted in periodic financial market volatility, higher and more variable oil and gas prices and disruption throughout supply chains.

These developments could weigh on global growth and increase the risk of higher and more sustained inflation. In Europe, inflation has already accelerated, while the conflict has revived energy cost and security risks. Supply chain disruptions have materialised in some corridors and could have long-lasting implications for the direction of trade, and for energy, military and economic security. We keep developments under close review with a focus on potential impacts on our Gulf operations, as well as our customers and suppliers with exposure to the region. We continue to monitor the Russia-Ukraine war, the conflict in the Middle East, and indications of other potential military action or conflict elsewhere, given that these are key sources of uncertainty that may impact HSBC and our customers, including through increased market volatility and supply chain disruptions. Heightened strategic competition between the US and China, together with trade tensions between China and the EU, remains an area of ongoing concern and active monitoring. These developments – including the introduction and the implementation of trade and cross-border investment restrictions are influencing the configuration of global supply chains, which may in turn affect the group's operations.

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

Trade and tariff policy developments remain a source of uncertainty for businesses and consumers. Changes to tariff rates, including sector-specific measures, could reduce capital investment and consumer spending, disrupt supply chains and dampen global trade growth. While the reconfiguration of trade and supply routes may create new opportunities for investment and growth, it could also adversely affect the group and our customers, particularly those operating in markets most exposed to such measures.

We remain subject to interest rate risk, which can affect net interest income, the fair value of our assets and liabilities, and overall financial performance. Interest rate volatility may increase in response to changes in inflation expectations, energy prices, fiscal policy and geopolitical developments, which can alter market expectations for the timing and pace of interest rate changes by major Central Banks. In the year to date, the Bank of England has left interest rates unchanged, while the ECB raised its main policy rates by 25 basis points, judging that inflation risks had increased.

Higher interest rates, or a prolonged period of restrictive policy, could reduce loan demand across key consumer and business segments, weaken credit quality and weigh on real estate and other asset prices. By contrast, lower interest rates, or faster than expected easing, could pressure net interest margins and adversely affect profitability. Interest rate uncertainty may also contribute to broader market volatility, affecting funding costs, hedging effectiveness and the valuation of financial instruments. The duration and severity of any market disruption remain uncertain and could change significantly if geopolitical outcomes differ materially from market expectations.

Our risk profile may be influenced by fiscal policies, public deficits and levels of sovereign indebtedness. In many of our major markets, government debt levels have increased, reflecting higher social welfare commitments and increased expenditure on defence, energy security and climate transition. Higher long-term interest rates across major economies could adversely impact fiscal capacity and debt sustainability, particularly for highly-indebted issuers. Rising funding costs may also weigh on economic growth by increasing the borrowing costs across the economy. It could also create refinancing risks for our customers and counterparties, with implications for credit quality and market conditions.

Exchange rate volatility may also affect our risk exposure through mark-to-market changes in trading positions and the translation effects of currency movements.

We continue to monitor investment and developments in the artificial intelligence ('AI') and technology sectors. While AI may improve productivity and support growth, there is a risk that expected gains fail to materialise or take longer than expected. This could contribute to a disruptive correction to the valuations of AI and technology related assets. AI adoption may also disrupt established business models and labour markets, potentially increasing unemployment in certain sectors and markets. As AI becomes more embedded in decision-making across the economy, the risk of misleading, incorrect or biased outputs could result in market mispricing and operational disruption. These risks could affect HSBC's risk profile and earnings, including by impairing the creditworthiness of borrowers, increasing the financial vulnerability of customers and decreasing the value of collateral and other claims.

In the first half of 2026, management adjustments to ECL were applied to reflect sector or portfolio risks that are not fully captured by our models. We continue to monitor, and seek to manage, the potential implications of all the above developments on our customers and our business.

Key developments in the first half of 2026

In the first half of 2026, we continued to manage risks related to macroeconomic and geopolitical uncertainties. We also continued to develop risk management capabilities through the ongoing enhancement of our RMF. We retained our focus on risk transformation and financial crime and continued to assess the group's operational resilience capability while prioritising the most significant enterprise risks described in our Annual Report and Accounts 2025. More specifically, we sought to enhance our risk management in the following areas:

- We have been advancing our programme aimed at strengthening our regulatory reporting processes and making them more sustainable, including enhancing data, consistency and controls. While this programme continues, there may be impacts on some of our regulatory ratios as we implement recommended changes and continue to enhance our controls across the process.
- We continued to monitor the effectiveness of delivery across the holistic Group data strategy as well as the group Data Strategy informing HSBC Bank plc, and sought to enhance our controls to improve the resilience and sustainability of our data risk environment.
- We enhanced our technology and cybersecurity controls to help improve the resilience and security of our technology services in response to the heightened external threat environment.
- We continued to evaluate and deploy technological solutions to improve our capabilities in the detection and prevention of financial crime.
- We responded to new innovations in the financial system, including growing adoption of digital assets and currencies, as well as the evolving use of AI, and we continued to review and enhance controls across risk areas to help us and our customers safely benefit from innovation.
- As the HSBC Group expands its use of AI, we will maintain human judgement, human decision-making and human accountability at the core. We progressed the development of an integrated capability model and sought to equip our colleagues with the knowledge and skills to understand, develop and use AI technologies responsibly.
- We continued to prioritise the redevelopment of internal ratings-based models to meet Basel 3.1 requirements and maintained implementation of requirements related to the Prudential Regulation Authority's ('PRA') supervisory statement 1/23 – 'Model risk management principles for banks' on track. We also progressed enhancements to the RMF and monitoring processes to help support responsible adoption and oversight of models using AI or generative AI techniques.
- We continued to enhance our processes, framework and controls to improve the oversight of our third parties. We have strengthened our due diligence and monitoring capabilities with respect to our third parties to better manage our supply chain and we continue to assess and seek to manage our operational resilience.
- HSBC Group has continued to enhance the way it identifies and manages climate-related risks, which we have embedded across our wider organisation. This is achieved through risk policies and the further development of our risk metrics and assessments to help monitor and manage exposures across our organisation.
- We continued to promote our whistleblowing service, HSBC Confidential, ensuring it is embedded in our speak-up culture. Continual enhancement is being undertaken to help ensure optimal effectiveness of the service, while maintaining adherence to regulation and legislation.

Top and emerging risks

We identify and report top and emerging risks so that they can be considered in determining whether any incremental action is needed to either prevent them from materialising, or to limit their effect. Top risks are those that have the potential to have a material adverse impact on the financial results, reputation or business model of the group. We actively manage and take actions to mitigate our top risks. Emerging risks are those that, while they could have a material impact on our risk profile, were they to occur, are not considered immediate and are not under active management. Our suite of top and emerging risks is subject to regular review by senior governance forums. We continue to monitor closely the identified risks and agree management actions to remediate and/or reduce them to acceptable levels, as required.

Our current top and emerging risks are summarised on page 9 and discussed in more detail on pages 16-20 of our Annual Report and Accounts 2025.

Risk		Description
Externally driven		
Geopolitical and macroeconomic risks	▲	Our operations and portfolios are subject to risks arising from political instability, civil unrest and military conflict, which may lead to disruption of our operations, physical risk to our staff, and/or physical damage to our assets. We are also subject to macroeconomic risks, which may drive changes to our income growth and asset quality. Heightened geopolitical and macroeconomic risk globally, including uncertainty in international trade policy, is subject to close monitoring and review.
Technology and cybersecurity risk	▲	There is an increased risk of service disruption or data loss arising from technology failures or malicious activity by internal or external threat actors. This is driven by a rapidly evolving external threat environment, where AI is enabling cyber activity to become faster and more scalable across both direct and third-party channels. We continue to monitor changes to the technology and threat landscape, including those arising from ongoing geopolitical and macroeconomic events and the impact these may have on risk management. We operate a continuous improvement programme to help support the resilience and stability of our technology operations and counter a fast-evolving and heightened cyber threat environment, including in response to frontier AI models.
Environmental, social and governance ('ESG') risks	▲	We are subject to ESG risks, including in relation to climate change, nature and human rights. These risks have increased due to diverging national and political agendas, a more complex and prescriptive regulatory environment across the jurisdictions we operate in, as well as the increasing frequency of severe weather events across the globe. Financial institutions' actions and investment decisions in respect of ESG matters continue to be subject to heightened scrutiny by stakeholders. Failure to meet these evolving expectations may have financial and non-financial impacts, including reputational, legal and regulatory compliance risks.
Financial crime risk	▲	We are exposed to financial crime risk from our customers, staff and third parties engaging in criminal activity. The financial crime risk environment is heightened due to increasingly complex geopolitical challenges, the macroeconomic outlook, the complex and dynamic nature of sanctions and export control compliance, evolving financial crime regulations, rapid technological developments, an increasing number of national data privacy requirements and the increasing sophistication of fraud. As a result, we will continue to face the possibility of regulatory enforcement and reputational risk.
Digitalisation and technological advances risk	▲	Developments in technology and the evolving regulatory environment continue to enable new entrants to the banking industry as well as new products and services offered by competitors. This challenges us to continue to innovate with new digital capabilities and evolve our products, to attract, retain and best serve our customers. Along with opportunities, new technology, including generative and agentic AI, can introduce risks and disruption. We seek to manage technology developments with appropriate controls and oversight.
Evolving regulatory environment	▶	The regulatory and compliance risks are set against continued geopolitical risk and regulatory focus on operational resilience, resolvability, prudential requirements, financial reporting and data, ESG, conduct, as well as sound risk and financial crime risk management practices. The approach to regulation is increasingly fragmented, including in relation to AI and digital assets, and a trend towards deregulation has emerged in some jurisdictions, concurrently with regulatory actions to support business growth.
Internally driven		
Data risk	▶	We use data to serve our customers and run our operations, often in real-time within digital experiences and processes. If our data is not accurate and timely, our ability to serve customers, operate with resilience or meet regulatory requirements could be impacted. We seek to ensure that non-public data is kept confidential, and that we comply with the growing number of regulations that govern data privacy and cross-border movement of data.
Risks arising from the receipt of services from third parties	▲	We procure goods and services from a range of third parties. In the current macroeconomic and geopolitical climate, the risk of service disruption in supply chains is elevated, partly due to an industry-wide increase in supply chain cyber threats. We continue to strengthen our controls, oversight and risk management policies and processes to select and manage third parties, including our third parties' own supply chains, particularly for key activities that could affect our operational resilience.
Model risk	▶	Model risk arises whenever business decision-making includes reliance on models. We use models in both financial and non-financial contexts, as well as in a range of business applications. Evolving regulatory requirements and enhanced expectations continue to drive changes to the way model risk is managed across the banking industry, with a particular focus on capital and credit loss models. New technologies, including generative AI, are driving a need for enhanced model risk controls.
Strategic execution risk	▲	Successful execution of our strategy enables us to help address the swiftly changing needs of our customers and stakeholders. We are committed to enhancing the effectiveness of strategic execution risk controls and monitoring. This will help us minimise disruptions during a period of heightened execution risk, driven by the complexity and scale of ongoing strategic, regulatory and technological change.
Risks associated with workforce capability, capacity and environmental factors with potential impact on growth	▶	Our businesses, functions and geographies remain exposed to risks associated with employee retention and talent availability, the evolving skills requirements of our workforce, and compliance with employment laws and regulations. The skills required across the workforce continue to evolve in response to ongoing strategic, regulatory and technological change, increasing the need for timely upskilling and reskilling to maintain capability and capacity. Voluntary attrition across the group is relatively stable compared with the end of 2025, but failure to manage these risks may impact the delivery of our strategic objectives or lead to regulatory sanctions or legal claims, and the risks are heightened during the implementation of organisational change.

▲ Risk heightened during the first half of 2026

▶ Risk remained at the same level as at 31 December 2025

Credit risk

Overview

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from direct lending, trade finance and leasing business, but also from other products, such as guarantees and credit derivatives, or from holding assets in the form of debt securities.

Credit risk in the first half of 2026

There were no material changes to credit risk policy in the first half of 2026.

▶ For a summary of our current policies and practices for the management of credit risk, see page 23 of the Annual Report and Accounts 2025.

At 30 June 2026, gross loans and advances to customers and banks of £96.7bn decreased by £3.2bn on a reported basis compared with 31 December 2025. This included total adverse foreign exchange movements of £0.5bn.

Excluding foreign exchange movements, personal gross loans and advances to customers decreased by £1.7bn. This was partially offset by a £1.1bn increase in wholesale gross loans and advances to customers, alongside a £2.1bn decrease in gross loans and advances to banks. These movements included the reclassification of our business in Malta to held for sale of £3.1bn.

At 30 June 2026, the allowance for ECL on loans and advances to customers, excluding foreign exchange movements, increased by £393m from 31 December 2025.

This was attributable to:

- a £406m increase in wholesale loans and advances to customers, which included a £404m rise in stage 3; partly offset by a £1m decrease in stages 1 and 2. Purchased or originated credit-impaired ('POCI') loans increased by £3m; and
- a £13m decrease in personal loans and advances to customers mainly due to a £7m decrease in stage 3 and £6m decrease in stages 1 and 2.

The ECL net charge was £403m in the first half of 2026 compared with £75m in the first half of 2025, an increase of £328m. This was primarily driven by a £0.3bn fraud-related, secondary, securitisation exposure with a financial sponsor in the UK.

Summary of credit risk

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

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

	At 30 Jun 2026		At 31 Dec 2025	
	Gross carrying/ nominal amount	**Allowance for ECL[1]**	Gross carrying/ nominal amount	Allowance for ECL[1]
	£m	**£m**	£m	£m
Loans and advances to customers at amortised cost	**79,495**	**(1,086)**	80,558	(700)
Loans and advances to banks at amortised cost	**17,249**	**(2)**	19,351	(2)
Other financial assets measured at amortised cost	**270,654**	**(30)**	235,405	(6)
– cash and balances at central banks	**90,855**	**—**	101,443	—
– reverse repurchase agreements – non-trading	**77,771**	**—**	68,110	—
– financial investments	**26,403**	**—**	22,256	—
– assets held for sale	**4,971**	**(28)**	622	(4)
of which: loans and advances to customers	**2,851**	**(27)**	582	(4)
of which: loans and advances to banks	**785**	**—**	12	—
– prepayments, accrued income and other assets[2]	**70,654**	**(2)**	42,974	(2)
Total on-balance sheet	**367,398**	**(1,118)**	335,314	(708)
Loan and other credit-related commitments	**185,102**	**(42)**	140,696	(45)
Financial guarantees[3]	**3,295**	**(5)**	2,809	(7)
Total off-balance sheet[4]	**188,397**	**(47)**	143,505	(52)
	555,795	**(1,165)**	478,819	(760)

	Fair value	**Memorandum allowance for ECL[5]**	Fair value	Memorandum allowance for ECL[5]
	£m	**£m**	£m	£m
Debt instruments measured at fair value through other comprehensive income ('FVOCI')	**43,372**	**(1)**	44,216	(3)
of which: assets held for sale	**1,236**	**—**	—	—

1 The total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.
2 Includes only those financial instruments that are subject to the impairment requirements of IFRS 9. 'Prepayments, accrued income and other assets' as presented within the consolidated balance sheet on page 27 comprises both financial and non-financial assets, including cash collateral, settlement accounts and items in the course of collection from other banks.
3 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.
4 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.
5 Debt instruments measured at FVOCI continue to be measured at fair value with the allowance for ECL as a memorandum item. Change in ECL is recognised in 'Change in expected credit losses and other credit impairment charges' in the income statement.

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

- Stage 1: These financial assets are unimpaired and without a significant increase in credit risk for which a 12-month allowance for ECL is recognised.
- Stage 2: A significant increase in credit risk has been experienced on these financial assets since initial recognition for which a lifetime ECL is recognised.
- Stage 3: There is objective evidence of impairment and the financial assets are therefore considered to be in default or otherwise credit impaired for which a lifetime ECL is recognised.
- Purchased or originated credit-impaired financial assets ('POCI'): Financial assets that are purchased or originated at a deep discount are seen to reflect the incurred credit losses on which a lifetime ECL is recognised.

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

	Gross carrying/nominal amount[1]					Allowance for ECL					ECL coverage %				
	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI[2] £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI[2] £m	Total £m	Stage 1 %	Stage 2 %	Stage 3 %	POCI[2] %	Total %
Loans and advances to customers at amortised cost	**71,851**	**5,530**	**2,071**	**43**	**79,495**	**(51)**	**(85)**	**(925)**	**(25)**	**(1,086)**	**0.1**	**1.5**	**44.7**	**58.1**	**1.4**
– personal	**11,769**	**329**	**256**	**—**	**12,354**	**(10)**	**(6)**	**(72)**	**—**	**(88)**	**0.1**	**1.8**	**28.1**	**—**	**0.7**
– corporate and commercial	**39,956**	**4,140**	**1,260**	**43**	**45,399**	**(33)**	**(73)**	**(469)**	**(25)**	**(600)**	**0.1**	**1.8**	**37.2**	**58.1**	**1.3**
– non-bank financial institutions	**20,126**	**1,061**	**555**	**—**	**21,742**	**(8)**	**(6)**	**(384)**	**—**	**(398)**	**—**	**0.6**	**69.2**	**—**	**1.8**
Loans and advances to banks at amortised cost	**17,176**	**73**	**—**	**—**	**17,249**	**—**	**(2)**	**—**	**—**	**(2)**	**—**	**2.7**	**—**	**—**	**—**
Other financial assets measured at amortised cost	**270,394**	**168**	**88**	**4**	**270,654**	**(11)**	**(5)**	**(14)**	**—**	**(30)**	**—**	**3.0**	**15.9**	**—**	**—**
Loan and other credit-related commitments	**180,555**	**4,281**	**262**	**4**	**185,102**	**(15)**	**(12)**	**(15)**	**—**	**(42)**	**—**	**0.3**	**5.7**	**—**	**—**
– personal	**1,216**	**17**	**—**	**—**	**1,233**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
– corporate and commercial	**62,147**	**3,186**	**262**	**4**	**65,599**	**(12)**	**(11)**	**(15)**	**—**	**(38)**	**—**	**0.3**	**5.7**	**—**	**0.1**
– financial	**117,192**	**1,078**	**—**	**—**	**118,270**	**(3)**	**(1)**	**—**	**—**	**(4)**	**—**	**0.1**	**—**	**—**	**—**
Financial guarantees[3]	**3,066**	**202**	**27**	**—**	**3,295**	**(1)**	**(3)**	**(1)**	**—**	**(5)**	**—**	**1.5**	**3.7**	**—**	**0.2**
– personal	**98**	**—**	**—**	**—**	**98**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
– corporate and commercial	**1,211**	**59**	**27**	**—**	**1,297**	**(1)**	**(3)**	**(1)**	**—**	**(5)**	**0.1**	**5.1**	**3.7**	**—**	**0.4**
– financial	**1,757**	**143**	**—**	**—**	**1,900**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
At 30 Jun 2026	**543,042**	**10,254**	**2,448**	**51**	**555,795**	**(78)**	**(107)**	**(955)**	**(25)**	**(1,165)**	**—**	**1.0**	**39.0**	**49.0**	**0.2**
Loans and advances to customers at amortised cost	74,029	4,914	1,571	44	80,558	(62)	(81)	(535)	(22)	(700)	0.1	1.6	34.1	50.0	0.9
– personal	12,985	802	272	—	14,059	(11)	(11)	(80)	—	(102)	0.1	1.4	29.4	—	0.7
– corporate and commercial	40,553	3,387	1,234	44	45,218	(42)	(66)	(412)	(22)	(542)	0.1	1.9	33.4	50.0	1.2
– non-bank financial institutions	20,491	725	65	—	21,281	(9)	(4)	(43)	—	(56)	—	0.6	66.2	—	0.3
Loans and advances to banks at amortised cost	19,300	51	—	—	19,351	(1)	(1)	—	—	(2)	—	2.0	—	—	—
Other financial assets measured at amortised cost	235,324	30	51	—	235,405	(2)	—	(4)	—	(6)	—	—	7.8	—	—
Loan and other credit-related commitments	136,871	3,716	106	3	140,696	(21)	(13)	(11)	—	(45)	—	0.3	10.4	—	—
– personal	1,244	21	—	—	1,265	—	—	—	—	—	—	—	—	—	—
– corporate and commercial	63,907	2,716	106	3	66,732	(18)	(12)	(11)	—	(41)	—	0.4	10.4	—	0.1
– financial	71,720	979	—	—	72,699	(3)	(1)	—	—	(4)	—	0.1	—	—	—
Financial guarantees[3]	2,653	121	35	—	2,809	(2)	(4)	(1)	—	(7)	0.1	3.3	2.9	—	0.2
– personal	112	—	—	—	112	—	—	—	—	—	—	—	—	—	—
– corporate and commercial	1,046	118	35	—	1,199	(2)	(4)	(1)	—	(7)	0.2	3.4	2.9	—	0.6
– financial	1,495	3	—	—	1,498	—	—	—	—	—	—	—	—	—	—
At 31 Dec 2025	468,177	8,832	1,763	47	478,819	(88)	(99)	(551)	(22)	(760)	—	1.1	31.3	46.8	0.2

1 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.
2 Purchased or originated credit impaired ('POCI').
3 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due ('DPD') and are transferred from stage 1 to stage 2.

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

Stage 2 days past due analysis

	Gross carrying amount			Allowance for ECL			ECL coverage %		
	Stage 2	of which: 1 to 29 DPD[1,2]	of which: 30 and > DPD[1,2]	Stage 2	of which: 1 to 29 DPD[1,2]	of which: 30 and > DPD[1,2]	Stage 2	of which: 1 to 29 DPD[1,2]	of which: 30 and > DPD[1,2]
At 30 Jun 2026	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**	**%**	**%**
Loans and advances to customers at amortised cost	**5,530**	**172**	**51**	**(85)**	**(1)**	**—**	**1.5**	**0.6**	**—**
– personal	**329**	**25**	**11**	**(6)**	**(1)**	**—**	**1.8**	**4.0**	**—**
– corporate and commercial	**4,140**	**17**	**39**	**(73)**	**—**	**—**	**1.8**	**—**	**—**
– non-bank financial institutions	**1,061**	**130**	**1**	**(6)**	**—**	**—**	**0.6**	**—**	**—**
Loans and advances to banks at amortised cost	**73**	**—**	**—**	**(2)**	**—**	**—**	**2.7**	**—**	**—**
Other financial assets measured at amortised cost	**168**	**26**	**3**	**(5)**	**—**	**—**	**3.0**	**—**	**—**
At 31 Dec 2025									
Loans and advances to customers at amortised cost	4,914	76	40	(81)	(2)	(1)	1.6	2.6	2.5
– personal	802	48	11	(11)	(2)	(1)	1.4	4.2	9.1
– corporate and commercial	3,387	27	21	(66)	—	—	1.9	—	—
– non-bank financial institutions	725	1	8	(4)	—	—	0.6	—	—
Loans and advances to banks at amortised cost	51	—	—	(1)	—	—	2.0	—	—
Other financial assets measured at amortised cost	30	1	1	—	—	—	—	—	—

1 Up-to-date accounts in stage 2 are not shown in amounts presented above.
2 The days past due amounts are presented on a contractual basis.

Measurement uncertainty and sensitivity analysis of ECL estimates

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

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

Management judgemental adjustments are used where modelled allowance for ECL does not fully reflect the identified risks and related uncertainty, or to capture significant late-breaking events.

Methodology

At 30 June 2026, four scenarios were used to capture the latest economic expectations and to articulate management's view of the range of risks and potential outcomes. Scenarios are updated with the latest economic forecasts and distributional estimates in each quarter. We derive three scenarios, the Upside, Central and Downside, from external consensus forecasts, market data and distributional estimates of the entire range of economic outcomes. These estimates are used as conditioning assumptions in a modelled expansion of other variables to ensure scenarios are economically coherent and internally consistent. The fourth scenario, the Downside 2, represents management's view of severe downside risks.

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

The Downside 2 explores a more extreme economic outcome than captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations and may instead explore alternative outcomes. It is calibrated to a 5% probability.

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

In the first quarter of 2026, the start of the conflict in the Middle East prompted the addition of a fifth scenario to supplement the standard four. The Downside 1 scenario was a regional conflict scenario that incorporated a sharp increase in oil prices, leading to higher inflation and a tightening of global financial conditions. Growth in the scenario was weaker than in the Central scenario in our major markets, with the Middle East particularly adversely affected.

The Downside 1 scenario was introduced because the Central scenario was based on forecasts produced before the conflict began, and because the outer scenarios for most markets were calibrated as demand shocks linked to higher US tariff rates, and therefore did not capture a supply-side energy shock.

During the second quarter of 2026, the Downside 1 scenario was discontinued as the standard scenarios were assessed to adequately reflect the expected implications and risks from the conflict.

The Central scenario was judged to have been updated to incorporate the anticipated effects of the conflict, while the outer scenarios were adjusted to reflect supply-side shocks, driven by higher energy prices from protracted conflict in the Middle East. In the standard downside scenarios, inflation and interest rates increase relative to the Central scenario.

Scenario weights were also adjusted during the quarter to reflect an assessment that risks around the Central scenario were more adversely skewed. The Central scenario weighting was left unchanged, but the weighting on the consensus Upside scenario was reduced to reflect the conflict's likely lasting impact on confidence.

The weighting applied to the consensus Downside scenario was increased, given the higher risk of a longer and more damaging conflict than implied by the distribution.

Description of economic scenarios

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

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

The scenarios used to calculate ECL are described below.

The consensus Central scenario

HSBC's Central scenario reflects the impact of the energy price shock resulting from the conflict in the Middle East. Relative to the fourth quarter of 2025, forecast growth is weaker and inflation is higher. Policy interest rates are higher across most major markets in 2026-27, reflecting expected central bank tightening in response to higher oil prices and inflation.

Global GDP is expected to grow by 2.6% in 2026 in the Central scenario and the average rate of global GDP growth is forecast to be 2.7% over the entire forecast period.

The key features of our Central scenario include:

- Growth is forecast to remain positive across our major markets, but to slow over the remainder of 2026, due to the impact of conflict in the Middle East on confidence and activity.
- The price of Brent crude oil is projected to peak in the second quarter of 2026 and is lower over the remainder of the year as the oil market rebalances. The price is forecast to average $91/bbl during 2026 and $80/bbl in 2027.
- Higher energy prices are expected to lift inflation across our major markets, although second-order impacts to wages and service inflation are assumed to be limited. In most markets, inflation is expected to ease back towards central bank targets in 2027.
- Major central banks are forecast to tighten policy during 2026 to keep inflation expectations anchored. Policy easing is then forecast in 2027, as the energy supply shock unwinds.
- In most markets, unemployment is forecast to rise moderately, consistent with weaker economic growth and subdued business confidence that constrains hiring.
- House price growth in the UK is projected to remain positive, but subdued.

The Central scenario was created from consensus forecasts available at the end of May, and reviewed continually until the end of June 2026.

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

Consensus Central scenario 3Q26-2Q31 (as at 2Q26)

	UK	France
GDP (annual average growth rate, %)		
2026	**0.8**	**0.7**
2027	**1.2**	**0.9**
2028	**1.5**	**1.2**
2029	**1.5**	**1.2**
2030	**1.5**	**1.2**
5-year average[1]	**1.4**	**1.1**
Unemployment rate (%)		
2026	**5.3**	**7.9**
2027	**5.2**	**7.8**
2028	**5.0**	**7.6**
2029	**4.8**	**7.5**
2030	**4.6**	**7.4**
5-year average[1]	**4.9**	**7.6**
House prices (annual average growth rate, %)		
2026	**1.7**	**1.7**
2027	**1.6**	**4.4**
2028	**1.8**	**4.0**
2029	**2.4**	**3.1**
2030	**2.5**	**2.4**
5-year average[1]	**2.1**	**3.3**
Inflation (annual average growth rate, %)		
2026	**3.2**	**2.0**
2027	**2.5**	**1.6**
2028	**2.0**	**1.7**
2029	**2.1**	**2.0**
2030	**2.0**	**1.9**
5-year average[1]	**2.3**	**1.9**
Central bank policy rate (annual average, %)		
2026	**3.9**	**2.3**
2027	**4.3**	**2.7**
2028	**4.1**	**2.6**
2029	**4.1**	**2.7**
2030	**4.2**	**2.8**
5-year average[1]	**4.2**	**2.7**

1 The five-year average is calculated over the 20 quarter projection. For the 2Q26 scenario this is from 3Q26 to 2Q31.

Consensus Central scenario 2026–2030 (as at 4Q25)

	UK	France
GDP (annual average growth rate, %)		
2026	1.1	0.9
2027	1.4	1.2
2028	1.5	1.3
2029	1.5	1.3
2030	1.5	1.3
5-year average[1]	1.4	1.2
Unemployment rate (%)		
2026	4.9	7.6
2027	4.7	7.6
2028	4.7	7.5
2029	4.7	7.4
2030	4.7	7.4
5-year average[1]	4.7	7.5
House prices (annual average growth rate, %)		
2026	1.2	4.3
2027	2.8	5.0
2028	3.3	4.1
2029	2.7	3.1
2030	2.4	2.2
5-year average[1]	2.5	3.7
Inflation (annual average growth rate, %)		
2026	2.5	1.4
2027	2.1	1.7
2028	2.1	2.1
2029	2.0	2.1
2030	2.0	1.9
5-year average[1]	2.2	1.9
Central bank policy rate (annual average, %)		
2026	3.5	1.9
2027	3.4	2.0
2028	3.5	2.1
2029	3.7	2.3
2030	3.8	2.5
5-year average[1]	3.6	2.2

1 The five-year average is calculated over the 20 quarter projection. For the 4Q25 scenario it is from 1Q26 to 4Q30.

The consensus Upside scenario

Compared with the Central scenario, the consensus Upside scenario features stronger economic activity in the near term, before converging to long-run trend expectations. It incorporates lower unemployment and higher asset prices than in the Central scenario.

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

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

Consensus Upside scenario (3Q26-2Q31)

	UK		France	
GDP level (%, start-to-peak)[1]	**11.4**	**(2Q31)**	**8.1**	**(2Q31)**
Unemployment rate (%, min)[2]	**3.5**	**(2Q28)**	**6.9**	**(2Q28)**
House price index (%, start-to-peak)[1]	**17.5**	**(2Q31)**	**19.5**	**(2Q31)**
Inflation rate (YoY % change, min)[3]	**1.9**	**(4Q27)**	**0.6**	**(2Q27)**
Central bank policy rate (%, min)[3]	**3.8**	**(3Q26)**	**2.3**	**(3Q26)**

Consensus Upside scenario 2026–2030 (as at 4Q25)

	UK		France	
GDP level (%, start-to-peak)[1]	11.0	(4Q30)	8.5	(4Q30)
Unemployment rate (%, min)[2]	3.2	(4Q27)	6.6	(4Q27)
House price index (%, start-to-peak)[1]	20.0	(4Q30)	22.6	(4Q30)
Inflation rate (YoY % change, max)[3]	3.5	(1Q26)	2.4	(4Q27)
Central bank policy rate (%, max)[3]	3.9	(1Q26)	2.5	(4Q30)

1 Cumulative change to the highest level of the series during the 20-quarter projection.
2 Lowest projected unemployment rate in the scenario.
3 Lowest/highest projected policy rate and year-on-year percentage change in inflation in the scenario.

Downside scenarios

Downside scenarios explore the intensification and crystallisation of a number of risk themes.

In the second quarter of 2026, these scenarios were designed as supply-side shocks, in which higher energy prices push inflation higher and weaken economic growth.

Key downside risks include:

– a prolonged conflict in the Middle East, damage to regional energy infrastructure and sustained disruption of flows through the Strait of Hormuz, which would push oil prices and inflation higher;
– an abrupt repricing of risk assets given elevated valuations, particularly in the technology sector, eroding wealth effects and increasing credit risk;
– an intensification of protectionist policies, which could reduce investment, disrupt international supply chains and lower trade flows;
– persistent tensions between the US and China, which could weigh on confidence and disrupt global goods trade and supply chains for critical technologies.

The consensus Downside scenario

In the consensus Downside scenario, conflict in the Middle East continues for longer than expected, oil prices rise and economic activity is weaker than in the Central scenario.

In the scenario, GDP growth is weaker than in the Central scenario and our major markets enter into recession where unemployment rises and financial asset prices fall. The scenario assumes a prolonged disruption to oil and gas flows through the Strait of Hormuz, leading to a drawdown in oil inventories and a further rise in oil prices.

Oil prices are expected to peak at around $135/bbl by the end of 2026, with flows through the Strait normalising during 2027. The energy price shock causes inflation to rise sharply, prompting central banks to raise policy rates.

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

Consensus Downside scenario (3Q26-2Q31)

	UK		France	
GDP level (%, start-to-trough)[1]	**(0.5)**	**(4Q26)**	**(0.6)**	**(1Q27)**
Unemployment rate (%, max)[2]	**6.6**	**(2Q27)**	**8.8**	**(1Q27)**
House price index (%, start-to-trough)[1]	**(4.4)**	**(3Q27)**	**0.2**	**(3Q26)**
Inflation rate (YoY % change, max)[3]	**4.4**	**(4Q26)**	**3.1**	**(4Q26)**
Central bank policy rate (%, max)[3]	**4.4**	**(1Q27)**	**2.9**	**(3Q27)**

Consensus Downside scenario 2026–2030 (as at 4Q25)

	UK		France	
GDP level (%, start-to-trough)[1]	(0.2)	(2Q27)	(0.4)	(3Q26)
Unemployment rate (%, max)[2]	6.2	(4Q26)	8.6	(3Q26)
House price index (%, start-to-trough)[1]	(4.1)	(1Q27)	0.7	(1Q26)
Inflation rate (YoY % change, min)[3]	1.3	(3Q26)	0.4	(4Q26)
Central bank policy rate (%, min)[3]	2.2	(3Q28)	0.6	(1Q27)

1 Cumulative change to the lowest level of the series during the 20-quarter projection.
2 The highest projected unemployment rate in the scenario.
3 Lowest/highest projected policy rate and year-on-year percentage change in inflation in the scenario.

Downside 2 scenario

The Downside 2 scenario reflects management's view of the tail of the economic distribution. It incorporates the simultaneous crystallisation of a number of risks that lead to a deep global recession, including escalation of geopolitical risks and a more prolonged disruption to energy supply. In this scenario, oil prices are expected to peak at $170/bbl, consistent with conflict escalation, inventory drawdown and substantial damage to Gulf energy infrastructure. Inflation rises sharply, asset prices fall and unemployment rises quickly.

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

Downside 2 scenario (3Q26-2Q31)

	UK		France	
GDP level (%, start-to-trough)[1]	**(8.4)**	**(1Q28)**	**(8.0)**	**(4Q27)**
Unemployment rate (%, max)[2]	**10.1**	**(2Q28)**	**10.5**	**(1Q28)**
House price index (%, start-to-trough)[1]	**(34.0)**	**(3Q28)**	**(11.3)**	**(2Q28)**
Inflation rate (YoY % change, max)[3]	**6.6**	**(4Q26)**	**4.2**	**(1Q27)**
Central bank policy rate (%, max)[3]	**4.7**	**(4Q26)**	**3.1**	**(4Q26)**

Downside 2 scenario 2026–2030 (as at 4Q25)

	UK		France	
GDP level (%, start-to-trough)[1]	(5.3)	(2Q27)	(6.2)	(2Q27)
Unemployment rate (%, max)[2]	8.9	(2Q27)	10.7	(4Q27)
House price index (%, start-to-trough)[1]	(24.2)	(4Q27)	(5.9)	(3Q27)
Inflation rate (YoY % change, min)[3]	(1.9)	(4Q26)	(0.6)	(4Q26)
Central bank policy rate (%, min)[3]	1.4	(1Q27)	0.1	(4Q26)

1 Cumulative change to the lowest level of the series during the 20-quarter projection.
2 The highest projected unemployment rate in the scenario.
3 Lowest/highest projected policy rate and year-on-year percentage change in inflation in the scenario.

Scenario weighting

Scenario weightings are set with reference to consensus forecast probability distributions. Management may subsequently vary weights where they assess that the calibration lags more recent events, or that it does not reflect their view of the distribution of economic, financial and geopolitical risks.

During the first quarter of 2026, the use of a fifth scenario, the Downside 1, to capture the risks associated with conflict in the Middle East, resulted in the reassignment of weight from the Upside and Central scenarios. The Downside 1 received a weight of 30%, with the Upside reduced from 10% to 5% and the Central from 75% to 50%. The weights assigned to the standard downside scenarios remained unchanged.

Although the Downside 1 scenario was discontinued in the second quarter of 2026, scenario weights were adjusted to reflect the higher assessed downside risk relating to the potential duration and impact of conflict in the Middle East.

In the second quarter of 2026, the consensus Upside scenario was assigned a weight of 5% for most of our major markets, down from 10% at 31 December 2025. Management considered the conflict was likely to have an enduring impact on confidence and therefore reduced the likelihood of the Upside scenario.

Although it was noted that the oil price assumption in the Central scenario remained uncertain, the risk was assessed to be adequately addressed in the downside scenarios, in which oil prices are assumed to rise. The weight assigned to the consensus Central scenario was aligned with the calibrated probability of 75%.

The risk of a longer duration conflict and higher oil prices was seen to be higher than implied by the consensus distribution. The weight applied to the consensus Downside scenario was increased to 15% from 10% at 31 December 2025, while the Downside 2 scenario was left unchanged at 5%.

Management continued to monitor developments in the Middle East and their implications for economic forecasts, scenarios and weights after 30 June 2026. It was noted that forecasts had remained stable since the scenarios were created and that while the oil price was volatile, its development remained in line with the price assumption underpinning the Central scenario. Renewed hostilities were also seen to affirm the decision to re-weight scenarios in order to better capture the risk of a more prolonged conflict.

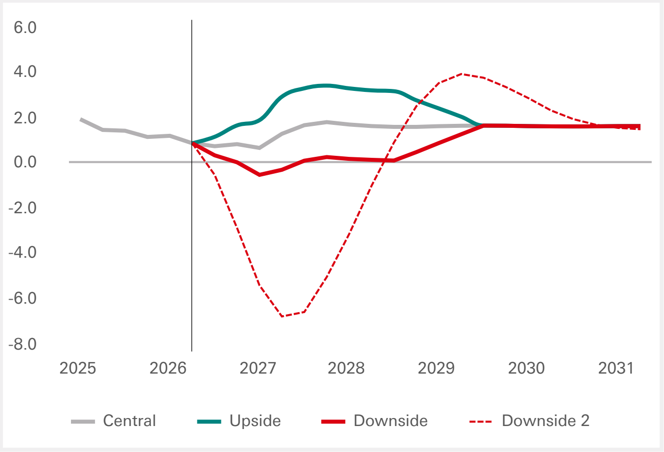
The following table describes the probabilities assigned in each scenario.

Scenario weightings, %

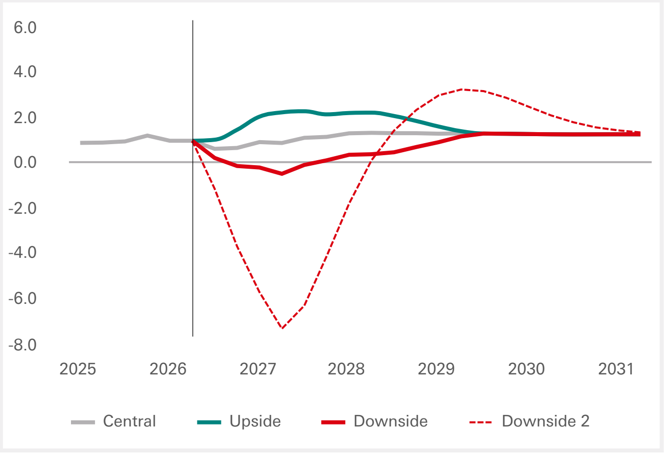
	Standard weights	UK	France
2Q26			
Upside	**10**	**5**	**5**
Central	**75**	**75**	**75**
Downside	**10**	**15**	**15**
Downside 2	**5**	**5**	**5**
4Q25			
Upside	10	10	10
Central	75	75	75
Downside	10	10	10
Downside 2	5	5	5

The following graphs show the historical and forecasted GDP growth rate for the various economic scenarios in the UK and France.

UK



France



Note: Real GDP shown as year-on-year percentage change.

Critical estimates and judgements

The IFRS 9 expected credit losses ('ECL') calculation involved significant judgements, assumptions and estimates. These included selection and configuring economic scenarios amid changing economic conditions and risks and estimating their effect on ECL, especially when historical conditions were not fully captured by credit risk models.

How economic scenarios are reflected in ECL calculations

The methodologies for the application of forward economic guidance into the calculation of ECL for wholesale and retail portfolios are set out on page 35 of the Annual Report and Accounts 2025. Models are used to reflect economic scenarios in ECL estimates. These models are based largely on historical observations and correlations with default.

Economic forecasts and ECL model responses to these forecasts are subject to a degree of uncertainty. The models continue to be supplemented by management judgemental adjustments where required.

Management judgemental adjustments

The management judgemental adjustments in relation to ECL allowance are detailed on page 35 of the Annual Report and Accounts 2025.

Management judgemental adjustments to ECL at 30 Jun 2026[1]

	Retail £m	Wholesale[2] £m	Total £m
Modelled ECL (A)[3]	98	116	214
Corporate lending adjustments	—	10	10
Other credit judgements	6	35	41
Total management judgemental adjustments (B)[4]	6	45	51
Other adjustments (C)[5]	1	—	1
Final ECL (A+B+C)[6]	105	161	266

Management judgemental adjustments to ECL at 31 Dec 2025[1]

	Retail £m	Wholesale[2] £m	Total £m
Modelled ECL (A)[3]	100	120	220
Corporate lending adjustments	—	14	14
Other credit judgements	6	26	32
Total management judgemental adjustments (B)[4]	6	40	46
Other adjustments (C)[5]	—	—	—
Final ECL (A+B+C)[6]	106	160	266

1 Management judgemental adjustments presented in the table reflect increases or (decreases) in allowance for ECL, respectively.
2 The wholesale portfolio corresponds to adjustments to the performing portfolio (stage 1 and stage 2).
3 (A) refers to probability-weighted allowance for ECL before any adjustments are applied.
4 (B) refers to adjustments that are applied where management believes allowance for ECL does not sufficiently reflect the credit risk/expected credit losses of any given portfolio at the reporting date. These can relate to risks or uncertainties that are not reflected in the model and/or to any late-breaking events.
5 (C) refers to adjustments to allowance for ECL made to address process limitations and data/model deficiencies and can also include, where appropriate, the impact of new models where governance has sufficiently progressed to allow an accurate estimate of ECL allowance to be incorporated into the total reported ECL.
6 As presented within our internal credit risk governance (see page 23 of the Annual Report and Accounts 2025).

At 30 June 2026, wholesale management judgemental adjustments were an increase to allowance for ECL of £45m (31 December 2025: £40m increase). Corporate lending adjustments were made to reflect identified model limitations and data related adjustments. Other credit judgements were posted to reflect portfolio characteristics and emerging risks not captured in modelled results. At 30 June 2026, retail management judgemental adjustments were an increase to allowance for ECL of £6m (31 December 2025: £6m increase). 'Other credit judgements' remained stable compared with 31 December 2025. The adjustments are due to model limitations and country-specific risks related to future macroeconomic conditions not fully captured by the modelled output.

Economic scenarios sensitivity analysis of ECL estimates

The economic scenarios sensitivity analysis of ECL estimates is detailed on page 36 of the Annual Report and Accounts 2025.

Wholesale and retail ECL sensitivity

The wholesale and retail sensitivity tables present the 100%-weighted results for each of the four scenarios. These exclude portfolios held by the insurance business, private banking and small portfolios, and as such cannot be directly compared with personal and wholesale lending presented in other credit risk tables. In both the wholesale and retail analysis, the comparative period results for the Downside 2 scenario are also not directly comparable with the current period, because they reflect different risks relative to the consensus scenarios for the period end.

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

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

IFRS 9 ECL sensitivity to future economic conditions

	Reported Gross carrying amount	Reported allowance for ECL	Consensus Central scenario allowance for ECL	Consensus Upside scenario allowance for ECL	Consensus Downside scenario allowance for ECL	Consensus Downside 2 scenario allowance for ECL
At 30 Jun 2026	£m	£m	£m	£m	£m	£m
Corporate and commercial and non-bank financial institutions[1,2,3]	344,564	159	140	116	186	427
– of which: UK	134,787	33	28	23	40	110
– of which: France	147,160	89	83	71	105	183
Mortgages[4]	4,309	42	41	41	42	51
– of which: UK	1,966	1	1	1	2	3
Credit cards and other retail[4]	64	1	1	1	1	1
At 31 Dec 2025						
Corporate and commercial and non-bank financial institutions[1,2,3]	357,486	163	152	131	190	356
– of which: UK	143,166	30	28	24	37	76
– of which: France	148,420	91	89	78	105	143
Mortgages[4]	4,389	46	46	46	46	56
– of which: UK	1,973	2	2	2	2	4
Credit cards and other retail[4]	66	1	1	1	1	1

1 Allowance for ECL sensitivity includes off-balance sheet financial instruments. These are subject to significant measurement uncertainty.
2 Includes low credit-risk financial instruments such as debt instruments at FVOCI, which have high carrying amounts but low ECL under all the above scenarios.
3 Excludes defaulted obligors.
4 Allowance for ECL sensitivities exclude portfolios utilising less complex modelling approaches.

Compared with 31 December 2025, the ECL impact observed under the Downside 2 scenario reflects the conflict in the Middle East now being incorporated into the Downside 2 calibration, resulting in a deeper and more prolonged fall in GDP, a sharper rise in unemployment, a more persistent inflation shock and a larger decline in house prices.

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

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

The transfers of financial instruments represent the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL. The net remeasurement of ECL arising from stage transfers represents the increase or decrease due to these transfers, for example, moving from a 12-month (stage 1) to a lifetime (stage 2) ECL measurement basis. Net remeasurement excludes the underlying customer risk rating ('CRR')/probability of default ('PD') movements of the financial instruments transferring stage. This is captured, along with other credit quality movements in the 'changes in risk parameters – credit quality' line item.

Changes in 'Net new and further lending/repayments' represent the impact from volume movements within the group's lending portfolio and include new financial assets originated or purchased, further lending and repayments (including final repayments).

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees[1]

(Reviewed)

	Non-credit impaired				Credit impaired					
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2026	**185,540**	**(86)**	**8,802**	**(99)**	**1,712**	**(547)**	**47**	**(22)**	**196,101**	**(754)**
Transfers of financial instruments:	**(2,158)**	**(10)**	**1,192**	**13**	**966**	**(5)**	**—**	**—**	**—**	**(2)**
– transfers from stage 1 to stage 2	**(5,309)**	**8**	**5,309**	**(8)**	**—**	**—**	**—**	**—**	**—**	**—**
– transfers from stage 2 to stage 1	**3,636**	**(18)**	**(3,636)**	**18**	**—**	**—**	**—**	**—**	**—**	**—**
– transfers to stage 3	**(516)**	**1**	**(512)**	**5**	**1,028**	**(8)**	**—**	**—**	**—**	**(2)**
– transfers from stage 3	**31**	**(1)**	**31**	**(2)**	**(62)**	**3**	**—**	**—**	**—**	**—**
Net remeasurement of ECL arising from transfer of stage	**—**	**10**	**—**	**(16)**	**—**	**(1)**	**—**	**—**	**—**	**(7)**
Net new and further lending/ repayments	**2,524**	**4**	**343**	**7**	**(220)**	**33**	**—**	**—**	**2,647**	**44**
Changes to risk parameters – credit quality	**—**	**5**	**—**	**(14)**	**—**	**(457)**	**—**	**(3)**	**—**	**(469)**
Changes to model used for ECL calculation	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Assets written off	**—**	**—**	**—**	**—**	**(19)**	**19**	**—**	**—**	**(19)**	**19**
Foreign exchange	**(1,266)**	**1**	**(93)**	**1**	**(20)**	**6**	**—**	**—**	**(1,379)**	**8**
Others[2,3]	**(3,756)**	**9**	**(158)**	**6**	**(59)**	**11**	**—**	**—**	**(3,973)**	**26**
At 30 Jun 2026	**180,884**	**(67)**	**10,086**	**(102)**	**2,360**	**(941)**	**47**	**(25)**	**193,377**	**(1,135)**
ECL income statement change for the period		**19**		**(23)**		**(425)**		**(3)**		**(432)**
Recoveries										**5**
Others										**18**
Total ECL income statement change for the period										**(409)**
At 1 Jan 2025	177,176	(74)	10,494	(133)	2,302	(694)	41	(18)	190,013	(919)
Transfers of financial instruments:	(480)	(36)	49	58	431	(22)	—	—	—	—
– transfers from stage 1 to stage 2	(8,451)	8	8,451	(8)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	8,162	(43)	(8,162)	43	—	—	—	—	—	—
– transfers to stage 3	(311)	1	(459)	31	770	(32)	—	—	—	—
– transfers from stage 3	120	(2)	219	(8)	(339)	10	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	29	—	(22)	—	(1)	—	—	—	6
Net new and further lending/ repayments	6,272	(3)	(1,896)	48	(741)	58	6	—	3,641	103
Changes to risk parameters – credit quality	—	(8)	—	(76)	—	(207)	—	(4)	—	(295)
Changes to model used for ECL calculation	—	6	—	28	—	—	—	—	—	34
Assets written off	—	—	—	—	(344)	344	—	—	(344)	344
Foreign exchange	5,705	(1)	350	(5)	78	(18)	—	—	6,133	(24)
Others[2,4]	(3,133)	1	(195)	3	(14)	(7)	—	—	(3,342)	(3)
At 31 Dec 2025	185,540	(86)	8,802	(99)	1,712	(547)	47	(22)	196,101	(754)
ECL income statement change for the period		24		(22)		(150)		(4)		(152)
Recoveries										6
Others										(19)
Total ECL income statement change for the period										(165)

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees[1] (continued)

	At 30 Jun 2026		**Half-year ended 30 Jun 2026**	At 31 Dec 2025		12 months ended 31 Dec 2025
	Gross carrying/ nominal amount	**Allowance for ECL**	**ECL charge**	Gross carrying/ nominal amount	Allowance for ECL	ECL charge
	£m	**£m**	**£m**	£m	£m	£m
As above	**193,377**	**(1,135)**	**(409)**	196,101	(754)	(165)
Other financial assets measured at amortised cost	**270,654**	**(30)**	**(1)**	235,405	(6)	(1)
Non-trading reverse purchase agreement commitments	**91,764**	**—**	**—**	47,313	—	—
Performance and other guarantees not considered for IFRS 9			**5**			1
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/Summary consolidated income statement	**555,795**	**(1,165)**	**(405)**	478,819	(760)	(165)
Debt instruments measured at FVOCI	**43,372**	**(1)**	**2**	44,216	(3)	11
Total allowance for ECL/total income statement ECL change for the period		**(1,166)**	**(403)**		(763)	(154)

1 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.
2 Includes the period on period movement in exposures relating to other HSBC Group companies. At 30 June 2026, this amount decreased by £0.9bn and was classified as stage 1 with no ECL (At 31 December 2025: £3.0bn increase).
3 Includes £3.1bn of gross carrying loans and advances to customers and banks and corresponding allowance for ECL of £29m, which were classified to assets held for sale as disclosed in Note 11: 'Assets held for sale and liabilities of disposal groups held for sale' on page 43.
4 Includes £5.6bn of gross carrying loans and advances to customers and corresponding allowance for ECL of £6m in relation to disposal of our retained home and other retail loans in France and £0.7bn of gross carrying loans and advances to customers and banks, which were classified to assets held for sale as disclosed in Note 34: 'Assets held for sale and liabilities of disposal groups held for sale' on page 162 of the Annual Report and Accounts 2025.

Treasury risk

Overview

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

Key developments in the first half of 2026

- Despite a volatile macroeconomic and geopolitical environment, HSBC Bank plc continues to maintain and benefit from a healthy capital, liquidity and funding position.
- During H1 2026, the bank assessed the impact of the external environment on its capital and liquidity positions by modelling scenarios linked to the Middle East conflict. The scenarios varied in severity and duration and included higher oil prices, rising inflation and unemployment, slower GDP growth and market disruption.
- HSBC is expanding its stablecoin and digital asset offering and we are developing treasury risk frameworks and policies to help support clear governance and the management of liquidity, capital and interest rate risk, helping us to scale activity safely and consistently.
- See page 9 for a summary of key risks including geopolitical and macroeconomic risks that we are managing.

▶ For quantitative disclosures on capital ratios, own funds and RWAs, see page 19. For quantitative disclosures on interest rate in the banking book, see page 18.

Capital, liquidity and funding risk management processes

Assessment and risk appetite

A summary of our risk management approach and processes is set out on pages 56 to 59 of our Annual Report and Accounts 2025.

HSBC Holdings provides the minimum requirement for own funds and eligible liabilities ('MREL') to HSBC Bank plc and its other subsidiaries, including equity and non-equity capital.

These investments are funded by HSBC Holdings' own equity capital and MREL-eligible debt. MREL includes own funds and eligible liabilities that can be written down or converted into capital resources in order to absorb losses or recapitalise a bank in the event of its failure.

For a description of our approach to stress testing and recovery and resolution planning see page 57 of the Annual Report and Accounts 2025.

For details on Regulatory developments, see our Pillar 3 Disclosures at 30 June 2026, which is expected to be published on or around 10 August 2026 at www.hsbc.com/investors.

Measurement of interest rate risk in the banking book processes

A summary of our risk management approach and processes is set out on page 57 of our Annual Report and Accounts 2025.

Banking net interest income sensitivity disclosure

An immediate interest rate rise of 100bps would increase projected banking NII by £59m. An immediate interest rate fall of 100bps would decrease projected banking NII by £61m.

The sensitivity of banking NII for 12 months as at 30 June 2026 increased by £27m in the plus 100bps parallel shock, and by £30m in the minus 100bps parallel shock, when compared with 31 December 2025. The increase in sensitivities is driven by changes in balance sheet composition.

Banking NII sensitivity to an instantaneous change in yield curves (12 months)

	+100bps parallel	**-100bps parallel**	**-100bps parallel**	
	Year 1 (Jul 2026 to Jun 2027)		**Year 2 (Jul 2027 to Jun 2028)**	**Year 3 (Jul 2028 to Jun 2029)**
Based on balance sheet at 30 Jun 2026 (£m)	**59**	**(61)**	**(110)**	**(130)**
	Year 1 (Jan 2026 to Dec 2026)		Year 2 (Jan 2027 to Dec 2027)	Year 3 (Jan 2028 to Dec 2028)
Based on balance sheet at 31 Dec 2025 (£m)	32	(31)	(62)	(90)

Capital risk in the first half of 2026

Capital overview

Capital adequacy metrics

	At	
	30 Jun 2026	31 Dec 2025
Risk-weighted assets ('RWAs') (£m)		
Credit risk	**55,992**	59,541
Counterparty credit risk	**23,683**	20,999
Market risk	**17,599**	16,799
Operational risk	**14,926**	15,001
Total RWAs	**112,200**	112,340
Capital (£m)		
Common equity tier 1 ('CET1') capital	**19,180**	20,063
Tier 1 capital	**23,783**	24,272
Total capital	**41,356**	41,473
Capital ratios (%)		
Common equity tier 1	**17.1**	17.9
Total tier 1	**21.2**	21.6
Total capital ratio	**36.9**	36.9
Leverage ratio		
Tier 1 capital (£m)	**23,783**	24,272
Total leverage ratio exposure measure (£m)	**585,511**	534,474
Leverage ratio (%)	**4.1**	4.5

We refer to the UK Capital Requirements Regulation, the PRA Rulebook and any laws, regulations, requirements, rules, guidelines, standards and policies relating to capital adequacy, leverage and liquidity adopted by the relevant regulators, as applicable, and which are applicable to HSBC as the 'Prudential rules'. Any references to European Union ('EU') regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulation and/or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018 and as may be subsequently amended under UK law.

Capital figures and ratios in the previous table are calculated in accordance with the Prudential rules. Effective 1 January 2025, the IFRS 9 transitional arrangements came to an end, followed by the end of the UK Capital Requirements Regulation grandfathering provisions on 28 June 2025. Our capital figures are therefore the same, for both the transitional and end-point basis.

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

Own funds

Own funds disclosure

		At	
		30 Jun 2026	31 Dec 2025
Ref*		£m	£m
6	**Common equity tier 1 capital before regulatory adjustments**	**20,654**	22,255
28	Total regulatory adjustments to common equity tier 1	**(1,474)**	(2,192)
29	**Common equity tier 1 capital**	**19,180**	20,063
36	Additional tier 1 capital before regulatory adjustments	**4,603**	4,209
44	**Additional tier 1 capital**	**4,603**	4,209
45	**Tier 1 capital**	**23,783**	24,272
51	Tier 2 capital before regulatory adjustments	**17,573**	17,201
58	**Tier 2 capital**	**17,573**	17,201
59	**Total capital**	**41,356**	41,473
	Capital ratios	**%**	%
61	Common equity tier 1 (as a percentage of total risk exposure amount)	**17.09**	17.86
62	Tier 1 (as a percentage of total risk exposure amount)	**21.20**	21.61
63	**Total capital (as a percentage of total risk exposure amount)**	**36.86**	36.92

* These are references to lines prescribed in the Pillar 3 'Own funds disclosure' template.

At 30 June 2026, our common equity tier 1 ('CET1') capital ratio decreased to 17.1% from 17.9% at 31 December 2025. The key drivers of the decline in our CET1 ratio were:

- a 0.6 percentage point decrease from capital reduction mainly due to dividend payments offset by regulatory profits for the period;
- a 0.2 percentage point decrease from FX movement, prudential valuation adjustments and other movements.

Throughout the first half of 2026, we complied with the PRA's regulatory capital adequacy requirements.

Risk-weighted assets

RWA movement by key driver

	Total RWAs
	£m
RWAs at 1 Jan 2026	**112,340**
Asset size	**3,975**
Asset quality	**388**
Model updates	**113**
Methodology and policy	**(3,261)**
Acquisitions and disposals	**(1,494)**
Foreign exchange movement	**139**
Total RWA movement	**(140)**
RWAs at 30 Jun 2026	**112,200**

During the first half of the year, RWAs decreased by £0.1bn. Excluding foreign currency translation differences of £0.1bn, overall RWAs remained broadly unchanged.

Asset size

The £4.0bn increase in Asset size was mainly driven by:

- £3.0bn rise in Counterparty Credit Risk RWAs primarily due to a rise in derivatives and Securities Financing Transactions portfolio driven by client activity and favourable yields, mainly in our CIB business.
- £0.7bn rise in Market risk RWAs due to a £0.9bn increase in the Risk not in Value at Risk ('RNIV') in the CIB business, partially offset by a £0.2bn fall in foreign exchange risk in the Corporate Centre.
- £0.3bn rise in Credit Risk RWAs primarily due to an increase in corporate loan exposures in our CIB business.

Asset quality

The asset quality increase of £0.4bn was primarily driven by risk parameters changes in Credit Risk.

Model updates

The £0.1bn rise in RWAs is primarily attributable to an update of Probability of Default ('PD') model for HSBC Continental Europe ('HBCE') mid-market exposures.

Methodology and policy

The £3.3bn decrease was primarily driven by methodology changes within our CIB business, alongside the restructuring of securitisation positions.

Acquisitions and disposals

The £1.5bn decrease was mainly driven by the disposals of the UK Life Insurance and South Africa businesses.

Leverage ratio

Our leverage ratio was 4.1% at 30 June 2026, down from 4.5% at 31 December 2025. The increase in Leverage exposure, driven by the balance sheet growth, led to a fall of 0.3 percentage points in leverage ratio. This was compounded by a reduction of 0.1 percentage points due to a decrease in Tier 1 capital.

At 30 June 2026, our UK minimum leverage ratio requirement of 3.25% was supplemented by a countercyclical leverage ratio buffer of 0.40%. The leverage ratio is expressed in terms of Tier1 capital but this buffer translated to CET1 capital value of £2.3bn. We exceeded these leverage requirements throughout 1H26.

Leverage ratio

	At	
	30 Jun 2026	31 Dec 2025
	£m	£m
Tier 1 capital	**23,783**	24,272
Total leverage ratio exposure	**585,511**	534,474
	%	%
Leverage ratio	**4.1**	4.5

Pillar 3 disclosure requirements

Pillar 3 of the Basel regulatory framework is related to market discipline and aims to make financial services firms more transparent by requiring publication of wide-ranging information on their risks, capital and management. Our Pillar 3 Disclosures at 30 June 2026 is expected to be published on or around 10 August 2026, on our website www.hsbc.com/investors.

Market risk in the first half of 2026

There were no material changes to the policies and practices for the management of market risk in the first half of 2026.

We continued to manage market risk prudently in the first half of 2026. Market risk was managed using a complementary set of risk measures and limits including stress testing and scenario analysis. Main sensitivity exposures and Value at Risk ('VaR') levels remained within risk appetite, as the business pursued its core market making activities in support of our customers. We employed stress testing tools to assess a range of political and technical scenarios that were relevant during the first half of the year.

Trading portfolios

Value at risk of the trading portfolios

The Trading VaR predominantly resides within Market Securities Services where it stood at £22m as at 30 June 2026, compared with £23m at 31 December 2025. The Trading VaR was driven by the market making activity in developed and emerging markets across rates, FX, equities and credit products. The Total Trading VaR peaked at £29.5m in early June 2026 driven by client activity in FX options business and Central and Eastern Europe positions to support client flows. Overall, despite this peak, the market volatility risk profile has remained broadly stable with Total Trading VaR operating at steady levels since the start of the year.

The trading VaR for the half-year to 30 June 2026 is shown in the table below.

Trading VaR, 99% 1 day

	Foreign exchange ('FX') and commodity	Interest rate ('IR')	Equity ('EQ')	Credit spread ('CS')	Portfolio diversification[1]	Total[2]
	£m	£m	£m	£m	£m	£m
Half-year to 30 Jun 2026	**5.2**	**11.1**	**11.7**	**6.0**	**(11.9)**	**22.0**
Average	**9.3**	**11.2**	**11.1**	**6.7**	**(15.0)**	**23.2**
Maximum	**18.6**	**15.3**	**15.0**	**11.3**		**29.5**
Minimum	**5.2**	**7.5**	**9.3**	**4.2**		**18.0**
Half-year to 30 Jun 2025	7.5	7.4	10.5	9.0	(15.0)	19.4
Average	9.3	11.2	11.1	6.6	(14.7)	23.5
Maximum	20.1	19.2	15.3	11.0		32.3
Minimum	3.8	6.0	8.6	3.8		16.3
Half-year to 31 Dec 2025	9.5	8.2	12.5	4.5	(11.8)	23.0
Average	7.8	10.5	11.8	5.5	(13.2)	22.4
Maximum	12.8	18.7	14.9	9.8		32.2
Minimum	2.7	5.9	9.7	3.9		17.1

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, interest rate, equity and foreign exchange, together in one portfolio. It is measured as the difference between the sum of the VaR by individual risk type and the combined total VaR. A negative number represents the benefit of portfolio diversification. As the maximum occurs on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit for this measure.
2 The Total VaR is non-additive across risk types due to diversification effect and it includes 'Risks Not in VaR' ('RNIV') add-ons.

Back-testing

In the first half of 2026, HSBC Bank plc experienced three back testing exceptions in total, two of which against hypothetical profit and loss (P&L) as well as one against actual P&L.

The first exception against hypothetical P&L occurred at the end of January primarily driven by the one-day gold spot price move and the second exception on the 9 March due to a sell-off in Emerging Markets and short dated G10 rates on the back of the Middle East conflict.

The actual P&L exception occurred after completion of the monthly Fair Value Adjustment for end of March. Losses were recorded across multiple desks, driven mainly by the change in reserves from the fair value process ('FVA') run at month end.

Non-trading portfolios

Value at risk of the non-trading portfolios

Non-trading portfolios comprise positions that primarily arise from the interest rate management of our retail and wholesale banking assets and liabilities, and financial investments measured at fair value through other comprehensive income ('FVOCI') or at amortised cost. The use of value at risk ('VaR') is integrated into the market risk management of non-trading portfolios to have a complete picture of risk, complementing risk sensitivity analysis.

A summary of the methodology for our VaR of non-trading portfolios can be found on page 58 of our Annual Report and Accounts 2025.

The VaR for non-trading activity decreased by £11.1m since the end of 2025, largely driven by the decrease in duration risk of the Markets Treasury portfolio in the first half of the year. The average portfolio diversification effect between interest rate and credit spread exposure decreased from £3.3m to £0.4m, due to higher correlations between the two asset classes.

The non-trading VaR for the half-year to 30 June 2026 is shown in the table below.

Non-trading VaR, 99% 10 day

	Interest rate ('IR') £m	Credit spread ('CS') £m	Portfolio diversification[1] £m	Total[2] £m
Half-year to 30 Jun 2026	**95.4**	**40.3**	**1.3**	**137.0**
Average	**103.1**	**39.3**	**0.4**	**142.9**
Maximum	**121.8**	**41.4**		**157.8**
Minimum	**88.6**	**38.0**		**129.2**
Half-year to 30 Jun 2025	88.1	41.9	(6.0)	123.9
Average	89.1	42.9	(3.7)	128.3
Maximum	115.9	45.7		147.2
Minimum	75.0	41.4		113.2
Half-year to 31 Dec 2025	112.8	38.7	(3.4)	148.1
Average	107.5	40.9	(3.3)	145.2
Maximum	121.2	42.5		161.7
Minimum	89.4	37.9		125.7

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 - interest rate and credit spreads = 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 effect.

Non-trading VaR excludes equity risk on securities held at fair value, non-trading book foreign exchange risk, insurance operations and the risks arising from long term capital issuance. HSBC's management of market risk in the non-trading book is described on page 58 of our Annual Report and Accounts 2025.

Board Changes

Eric Strutz stepped down as Chair of the Risk Committee and member of the Nomination, Remuneration and Governance Committee with effect from 28 February 2026. Eric Strutz remained a member of the Risk Committee.

Sonya Branch, Michiel de Jong and Eileen Murray were appointed to the Board as non-executive Directors with effect from 1 March 2026.

Lewis O'Donald became Chair of the Risk Committee and member of the Nomination, Remuneration and Governance Committee and stepped down as a member of the Operational Resilience & Technology Committee (formerly the Transformation, Operational Resilience & Technology Committee) with effect from 1 March 2026.

Sonya Branch was appointed as a member of the Operational Resilience & Technology Committee with effect from 1 April 2026.

Michiel de Jong was appointed as a member of the Risk Committee with effect from 1 April 2026.

Euleen Goh was appointed as a member of the Audit Committee with effect from 1 April 2026.

At the conclusion of the Annual General Meeting held on 8 May 2026, Ann Godbehere, who served as Chair of the Board, together with Eric Strutz retired from the Board as non-executive Directors. Eileen Murray was appointed as Chair of the Board with effect from 8 May 2026.

Kavita Mahtani retired from the Board as an Executive Director with effect from 29 May 2026.

Statement of Directors' Responsibilities

The Directors, who are required to prepare the condensed consolidated interim financial statements on a going concern basis unless it is not appropriate, are satisfied that the group and bank have the resources to continue in business for the foreseeable future and that the financial statements continue to be prepared on a going concern basis.

The Directors, the names of whom are set out below, confirm that to the best of their knowledge:

– the interim condensed financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ('IASB') and as adopted by the UK and the EU, and the Disclosure Guidance and Transparency Rules ('DTR') sourcebook of the UK's Financial Conduct Authority;
– this Interim Report 2026 gives a true and fair view of the assets, liabilities and financial position of the group and of the profit or loss of the group for that period; and
– this Interim Report 2026 includes a fair review of the information required by:
  – DTR 4.2.7R being an indication of important events that have occurred during the first six months of the financial year ending 31 December 2026 and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year.

E Murray† (Chair); M Roberts (Chief Executive Officer); S Branch†; P Clackson†; J Ellis (nee Robinson)†; E Goh†; K Gurney; D Hannigan†; M de Jong†; L O'Donald† and A Wright†.

On behalf of the Board

Michael Roberts
Director
03 August 2026
Registered number 00014259

† Independent non-executive Director

Independent Review Report to HSBC Bank plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed HSBC Bank plc's condensed consolidated interim financial statements (the 'interim financial statements') in the Interim report of HSBC Bank plc for the 6 month period ended 30 June 2026 (the 'period').

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with the basis of the policies set out in the 2025 annual financial statements, International Accounting Standards 34 ('IAS 34') 'Interim Financial Reporting' as adopted by the United Kingdom ('UK'), IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ('IASB'), IAS 34 'Interim Financial Reporting' as adopted by the European Union ('EU'), and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority.

The interim financial statements comprise:

- the consolidated balance sheet as at 30 June 2026;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of changes in equity for the period then ended;
- the consolidated statement of cash flows for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim report of HSBC Bank plc have been prepared in accordance with the basis of the policies set out in the 2025 annual financial statements, International Accounting Standards 34 ('IAS 34') 'Interim Financial Reporting' as adopted by the United Kingdom (UK), IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ('IASB'), IAS 34 'Interim Financial Reporting' as adopted by the European Union ('EU'), and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ('ISRE (UK) 2410'). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim report, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim report, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report.

Use of this report

This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
03 August 2026

Interim condensed financial statements

Contents

Consolidated income statement

	Half-year to	
	30 Jun 2026	30 Jun 2025
	£m	£m
Net interest income	**605**	594
– interest income	**7,664**	8,224
– interest expense	**(7,059)**	(7,630)
Net fee income	**504**	661
– fee income	**1,440**	1,516
– fee expense	**(936)**	(855)
Net income from financial instruments held for trading or managed on a fair value basis	**2,893**	3,091
Gains less losses from financial investments	**20**	28
Losses recognised on Assets held for sale	**(214)**	(42)
Other operating income/(expense)	**127**	(197)
Net operating income before change in expected credit losses and other credit impairment charges[1]	**3,935**	4,135
Change in expected credit losses and other credit impairment charges	**(403)**	(75)
Net operating income	**3,532**	4,060
Total operating expenses	**(2,679)**	(2,925)
– employee compensation and benefits	**(803)**	(1,040)
– general and administrative expenses	**(1,685)**	(1,702)
– depreciation and impairment of property, plant and equipment and right of use assets	**(34)**	(62)
– amortisation and impairment of intangible assets	**(157)**	(121)
Operating profit	**853**	1,135
Share of profit in associates and joint ventures	**20**	29
Profit before tax	**873**	1,164
Tax expense	**(215)**	(312)
Profit for the period	**658**	852
Profit attributable to the parent company	**648**	842
Profit attributable to non-controlling interests	**10**	10

1 Net operating income before change in expected credit losses and other credit impairment charges is also referred to as revenue.

The accompanying notes on pages 32 to 45, the ‘Summary of financial instruments to which the impairment requirements in IFRS 9 are applied’, ‘Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector’, and ‘Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees’ tables in the ‘Credit risk’ section form an integral part of these condensed financial statements.

Consolidated statement of comprehensive income

	Half-year to	
	30 Jun 2026	30 Jun 2025
	£m	£m
Profit for the period	**658**	852
Other comprehensive income/(expense)		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Debt instruments at fair value through other comprehensive income	**3**	(919)
– fair value gains/(losses)[1]	**32**	(872)
– fair value gains transferred to the income statement on disposal	**(22)**	(20)
– expected credit recoveries recognised in income statement	**(2)**	—
– income taxes	**(5)**	(27)
Cash flow hedges	**(123)**	277
– fair value (losses)/gains	**(109)**	257
– fair value (gains)/losses reclassified to the income statement	**(61)**	125
– income taxes	**47**	(105)
Finance income from insurance contracts	**—**	16
– before income taxes	**—**	21
– income taxes	**—**	(5)
Exchange differences and other	**(164)**	390
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit asset/liability	**19**	21
– before income taxes	**24**	22
– income taxes	**(5)**	(1)
Equity instruments designated at fair value through other comprehensive income	**—**	3
– fair value gains	**—**	4
– income taxes	**—**	(1)
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	**67**	106
– before income taxes	**92**	145
– income taxes	**(25)**	(39)
Other comprehensive expense for the period, net of tax	**(198)**	(106)
Total comprehensive income for the period	**460**	746
Attributable to:		
– the parent company	**453**	730
– non-controlling interests	**7**	16

1 Amount in 1H25 includes a £1bn fair value post-tax loss in other comprehensive income relating to the French retained portfolio of home and certain other loans which was recycled to the income statement following the completion of its sale.

Consolidated balance sheet

	At	
	30 Jun 2026	31 Dec 2025
	£m	£m
Assets		
Cash and balances at central banks	**90,855**	101,443
Trading assets	**156,927**	131,359
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**5,714**	5,752
Derivatives	**180,256**	168,585
Loans and advances to banks	**17,247**	19,349
Loans and advances to customers	**78,409**	79,858
Reverse repurchase agreements – non-trading	**77,771**	68,110
Financial investments	**68,656**	66,614
Assets held for sale[1]	**6,706**	5,558
Prepayments, accrued income and other assets	**84,076**	58,617
Current tax assets	**1,275**	463
Interests in associates and joint ventures	**763**	769
Goodwill and intangible assets[2]	**292**	276
Deferred tax assets	**881**	943
Total assets	**769,828**	707,696
Liabilities and equity		
Liabilities		
Deposits by banks	**35,713**	39,679
Customer accounts	**250,384**	244,763
Repurchase agreements – non-trading	**58,180**	46,758
Trading liabilities	**51,213**	41,877
Financial liabilities designated at fair value	**45,596**	41,842
Derivatives	**180,464**	166,666
Debt securities in issue	**13,141**	12,823
Liabilities of disposal groups held for sale[1]	**11,832**	15,711
Accruals, deferred income and other liabilities	**75,888**	50,923
Current tax liabilities	**288**	266
Provisions[3]	**1,165**	1,500
Deferred tax liabilities	**1**	5
Subordinated liabilities	**20,306**	18,919
Total liabilities	**744,171**	681,732
Equity		
Total shareholders' equity	**25,494**	25,801
– called up share capital	**797**	797
– share premium account	**3,582**	3,582
– other equity instruments	**4,593**	4,197
– other reserves	**(5,454)**	(5,151)
– retained earnings	**21,976**	22,376
Non-controlling interests	**163**	163
Total equity	**25,657**	25,964
Total liabilities and equity	**769,828**	707,696

1 Includes businesses classified as held-for-sale as part of a broader restructuring of our European business. Refer to Note 11 'Assets held for sale and liabilities of disposal groups held for sale' on page 43.
2 Refer to Note 7 'Goodwill and intangible assets' on page 40.
3 Refer to Note 8 'Provisions' on page 40.

Consolidated statement of changes in equity

				Other reserves							
	Called up share capital & share premium	Other equity instruments	Retained earnings	Financial assets at FVOCI reserve	Cash flow hedging reserve	Foreign exchange reserve	Group reorganisation reserve ('GRR')[5]	Insurance finance reserve[1]	Total share-holders' equity	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2026	4,379	4,197	22,376	82	(17)	2,476	(7,692)	—	25,801	163	25,964
Profit for the period	—	—	648	—	—	—	—	—	648	10	658
Other comprehensive (expense)/income (net of tax)	—	—	86	4	(123)	(162)	—	—	(195)	(3)	(198)
– debt instruments at fair value through other comprehensive income	—	—	—	3	—	—	—	—	3	—	3
– equity instruments designated at fair value through other comprehensive income	—	—	—	—	—	—	—	—	—	—	—
– cash flow hedges	—	—	—	—	(123)	—	—	—	(123)	—	(123)
– remeasurement of defined benefit asset/liability	—	—	19	—	—	—	—	—	19	—	19
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk[2]	—	—	67	—	—	—	—	—	67	—	67
– foreign exchange reclassified to income statement on disposal of a foreign operation	—	—	—	—	—	(25)	—	—	(25)	—	(25)
– other reserve reclassified to income statement on disposal of a foreign operation	—	—	—	—	—	—	—	—	—	—	—
– insurance finance income recognised in other comprehensive income	—	—	—	—	—	—	—	—	—	—	—
– exchange differences	—	—	—	1	—	(137)	—	—	(136)	(3)	(139)
Total comprehensive income/(expense) for the period	—	—	734	4	(123)	(162)	—	—	453	7	460
Capital securities issued during the period	—	396	—	—	—	—	—	—	396	—	396
Dividends paid[4]	—	—	(1,137)	—	—	—	—	—	(1,137)	(7)	(1,144)
Net impact of equity-settled share-based payments	—	—	(10)	—	—	—	—	—	(10)	—	(10)
Change in business combinations and other movements	—	—	13	(22)	—	—	—	—	(9)	—	(9)
At 30 Jun 2026	4,379	4,593	21,976	64	(140)	2,314	(7,692)	—	25,494	163	25,657

Consolidated statement of changes in equity (continued)

	Called up share capital & share premium	Other equity instruments	Retained earnings	Other reserves: Financial assets at FVOCI reserve	Other reserves: Cash flow hedging reserve	Other reserves: Foreign exchange reserve	Other reserves: Group reorganisation reserve ('GRR')[5]	Other reserves: Insurance finance reserve[1]	Total share-holders' equity	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2025	4,379	3,921	25,040	(692)	(227)	1,686	(7,692)	480	26,895	158	27,053
Profit for the period	—	—	842	—	—	—	—	—	842	10	852
Other comprehensive (expense)/income (net of tax)	—	—	128	(958)	278	406	—	34	(112)	6	(106)
– debt instruments at fair value through other comprehensive income	—	—	—	(920)	—	—	—	—	(920)	1	(919)
– equity instruments designated at fair value through other comprehensive income	—	—	—	3	—	—	—	—	3	—	3
– cash flow hedges	—	—	—	—	277	—	—	—	277	—	277
– remeasurement of defined benefit asset/ liability	—	—	21	—	—	—	—	—	21	—	21
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk[2]	—	—	106	—	—	—	—	—	106	—	106
– foreign exchange reclassified to income statement on disposal of a foreign operation	—	—	—	—	—	—	—	—	—	—	—
– insurance finance income recognised in other comprehensive income	—	—	—	—	—	—	—	16	16	—	16
– exchange differences	—	—	1	(41)	1	406	—	18	385	5	390
Total comprehensive income/(expense) for the period	—	—	970	(958)	278	406	—	34	730	16	746
Capital securities issued during the period	—	187	—	—	—	—	—	—	187	—	187
Dividends paid[4]	—	—	(167)	—	—	—	—	—	(167)	(6)	(173)
Net impact of equity-settled share-based payments	—	—	(9)	—	—	—	—	—	(9)	—	(9)
Change in business combinations and other movements	—	—	(3)	6	—	—	—	—	3	—	3
At 30 Jun 2025	4,379	4,108	25,831	(1,644)	51	2,092	(7,692)	514	27,639	168	27,807

Consolidated statement of changes in equity (continued)

	Called up share capital & share premium	Other equity instruments	Retained earnings	Other reserves: Financial assets at FVOCI reserve	Other reserves: Cash flow hedging reserve	Other reserves: Foreign exchange reserve	Other reserves: Group reorganisation reserve ('GRR')[5]	Other reserves: Insurance finance reserve[1]	Total share-holders' equity	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jul 2025	4,379	4,108	25,831	(1,644)	51	2,092	(7,692)	514	27,639	168	27,807
Loss for the period	—	—	(1,433)	—	—	—	—	—	(1,433)	—	(1,433)
Other comprehensive income/(expense)(net of tax)	—	—	(209)	1,725	(68)	384	—	(514)	1,318	5	1,323
– debt instruments at fair value through other comprehensive income	—	—	—	1,191	—	—	—	—	1,191	—	1,191
– equity instruments designated at fair value through other comprehensive income	—	—	—	14	—	—	—	—	14	—	14
– cash flow hedges	—	—	—	—	(68)	—	—	—	(68)	—	(68)
– remeasurement of defined benefit asset/ liability	—	—	23	—	—	—	—	—	23	—	23
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk[2]	—	—	(233)	—	—	—	—	—	(233)	—	(233)
– foreign exchange reclassified to income statement on disposal of a foreign operation	—	—	—	—	—	24	—	—	24	—	24
– other reserve reclassified to income statement on disposal of a foreign operation[3]	—	—	—	558	—	—	—	(517)	41	—	41
– insurance finance expense recognised in other comprehensive income	—	—	—	—	—	—	—	(9)	(9)	—	(9)
– exchange differences	—	—	1	(38)	—	360	—	12	335	5	340
Total comprehensive (expense)/income for the period	—	—	(1,642)	1,725	(68)	384	—	(514)	(115)	5	(110)
Capital securities issued during the period	—	89	—	—	—	—	—	—	89	—	89
Dividends paid[4]	—	—	(1,784)	—	—	—	—	—	(1,784)	(10)	(1,794)
Net impact of equity-settled share-based payments	—	—	(15)	—	—	—	—	—	(15)	—	(15)
Change in business combinations and other movements	—	—	(14)	1	—	—	—	—	(13)	—	(13)
At 31 Dec 2025	4,379	4,197	22,376	82	(17)	2,476	(7,692)	—	25,801	163	25,964

1 The insurance finance reserve reflects the impact of the adoption of the other comprehensive income option for our insurance business in France. Underlying assets supporting these contracts are measured at fair value through other comprehensive income. Under this option, only the amount that matches income or expenses recognised in profit or loss on underlying items is included in finance income or expenses, resulting in the elimination of income statement accounting mismatches. The remaining amount of finance income or expenses for these insurance contracts is recognised in other comprehensive income ('OCI').
2 The cumulative amount of change in fair value attributable to changes in own credit risk of financial liabilities designated at fair value was a gain of £15m (1H25: gain of £222m and 2H25: loss of £(314)m).
3 Includes insurance finance income reclassification of £0.5bn and £0.6bn fair value losses reclassification following completion of the sale of our French life insurance business.
4 The dividends to the parent company include dividends on ordinary share capital £1,036m (1H25: £81m and 2H25: £1,602m) and coupon payments on additional tier 1 instrument £101m (1H25: £86m and 2H25: £182m).
5 GRR is an accounting reserve resulting from the ring-fencing implementation.

Consolidated statement of cash flows

	Half-year to	
	30 Jun 2026	30 Jun 2025
	£m	£m
Profit before tax	**873**	1,164
Adjustments for non-cash items:		
Depreciation, amortisation and impairment	**191**	183
Net loss from investing activities	**137**	13
Share of profit in associates and joint ventures	**(20)**	(29)
Change in expected credit losses gross of recoveries and other credit impairment charges	**432**	76
Provisions including pensions	**8**	189
Share-based payment expense	**32**	41
Other non-cash items included in profit before tax	**(55)**	(80)
Elimination of exchange differences[1]	**707**	(55)
Changes in operating assets and liabilities		
Change in loans, deposits and other operating assets and liabilities[2]	**1,394**	(16,487)
Dividend received from associates	**31**	—
Contributions paid to defined benefit plans	**(12)**	(10)
Tax paid	**(944)**	(274)
Net cash from operating activities	**2,774**	(15,269)
Purchase of financial investments	**(16,804)**	(21,869)
Proceeds from the sale and maturity of financial investments	**12,226**	17,071
Net cash flows from the purchase and sale of property, plant and equipment and right-of-use assets	**(7)**	(8)
Net investment in intangible assets	**(172)**	(64)
Net cash outflow from investment in associates and from acquisition of businesses and subsidiaries	**(2)**	(21)
Net cash flow on disposal of subsidiaries, businesses, associates and joint ventures[3]	**(1,554)**	—
Net cash from investing activities	**(6,313)**	(4,891)
Issue of ordinary share capital and other equity instruments	**396**	187
Subordinated loan capital issued	**1,481**	419
Subordinated loan capital repaid	**(566)**	(1,216)
Dividends to the parent company	**(1,137)**	(167)
Dividend paid to non-controlling interests	**(7)**	(6)
Net cash from financing activities	**167**	(783)
Net decrease in cash and cash equivalents	**(3,372)**	(20,943)
Cash and cash equivalents at the beginning of the period	**146,899**	162,928
Exchange differences in respect of cash and cash equivalents	**(960)**	1,856
Cash and cash equivalents at the end of the period[4]	**142,567**	143,841

1 Adjustment to bring changes between opening and closing balance sheet amounts to average rates. This is not done on a line-by-line basis, as details cannot be determined without unreasonable expense.
2 This line item comprises amounts previously presented as 'Change in operating assets' and 'Change in operating liabilities'.
3 Includes cash inflow from the sale of our UK life insurance business of £247m and cash outflows related to the phased sale of our German custody business of £(1.7)bn and the sale of our South Africa business of £(95)m.
4 Includes £816m (1H25: £1.8bn) of cash and cash equivalents classified as held for sale.

Notes on the interim condensed financial statements

Contents

1 Basis of preparation and material accounting policies

(a) Compliance with International Financial Reporting Standards

The interim condensed consolidated financial statements of HSBC Bank plc ('the bank') and its subsidiaries (together 'the group') have been prepared on the basis of the policies set out in the 2025 annual financial statements except for those related to certain amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures' as set out below. They have also been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the UK, IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ('IASB'), IAS 34 'Interim Financial Reporting' as adopted by the EU and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority. Therefore, they include an explanation of events and transactions that are significant to an understanding of the changes in the group's financial position and performance since the end of 2025.

These interim condensed consolidated financial statements should be read in conjunction with the Annual Report and Accounts 2025 which was prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. These interim condensed consolidated financial statements were also prepared in accordance with International Financial Reporting Standards ('IFRS Accounting Standards') as issued by the IASB, including interpretations issued by the IFRS Interpretations Committee.

At 30 June 2026, there were no IFRS Accounting Standards effective for the half-year to 30 June 2026 affecting these financial statements that were not approved for adoption in the UK by the UK Endorsement Board. There was no difference between IFRS Accounting Standards adopted by the UK, IFRS Accounting Standards as adopted by the EU and IFRS Accounting Standards issued by the IASB in terms of their application to the group.

Standards applied during the half-year to 30 June 2026

On 1 January 2026 the group adopted 'Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7'. In addition to guidance as to when certain financial liabilities can be deemed settled when using an electronic payment system, the amendments also provide further clarification regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arising from ESG-related contingencies, and financial assets with certain non-recourse features. These amendments had no material effect on the group.

(b) Use of estimates and judgements

Management believes that the critical estimates and judgements applicable to the group are those that relate to impairment of amortised cost and FVOCI debt financial assets, the valuation of financial instruments, deferred tax assets, provisions for liabilities and non-current assets held for sale.

There were no material changes in the current period to any of the critical estimates and judgements disclosed in 2025, which are stated on pages 100 to 111 of the Annual Report and Accounts 2025.

(c) Composition of the group

There were no material changes in the composition of the group in the half-year to 30 June 2026.

For details of future business disposals see Note 11: 'Assets held for sale and liabilities of disposal groups held for sale'.

(d) Future accounting developments

IFRS 18 'Presentation and Disclosure in Financial Statements'

In April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual reporting periods beginning on or after 1 January 2027. The new accounting standard aims to give users of financial statements more transparent and comparable information about an entity's financial performance. It will replace IAS 1 'Presentation of Financial Statements' but carries over many requirements from that IFRS Accounting Standard unchanged. In addition, there are three sets of new requirements relating to the structure of the income statement, management-defined performance measures, and the aggregation and disaggregation of financial information.

While IFRS 18 will not change recognition criteria or measurement bases, it will have an impact on presenting information in the financial statements, in particular the income statement and to a lesser extent the cash flow statement. The group is currently evaluating impacts and ensuring data readiness is adequate in anticipation of implementation.

Amendments to IAS 28 'Investments in Associates and Joint Ventures'

In June 2026, the IASB issued 'Amendments to the Fair Value Option for Investments in Associates and Joint Ventures - Amendments to IAS 28', applicable when an entity first applies IFRS 18. These narrow-scope amendments clarify that entities with a specified main business activity of investing in assets as assessed under IFRS 18 can choose to apply the fair value option to their investments in associates and joint ventures. The group is considering these amendments in the light of ongoing IFRS 18 preparatory work.

(e) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the group and parent company have the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources.

These considerations include stressed scenarios that reflect the uncertainty in the macroeconomic environment, as well as considering potential impacts from other top and emerging risks, including climate change and the related impacts on profitability, capital and liquidity.

(f) Accounting policies

Except as described above, the accounting policies applied by the group for these interim condensed consolidated financial statements are consistent with those described on pages 100 to 111 of the Annual Report and Accounts 2025, as are the methods of computation.

(g) Presentation of information

Below disclosure is marked as '(Reviewed)' and is presented in the 'Credit risk' section on pages 17 to 18, rather than in the notes to the financial statements:

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

2 Dividends

Dividends to the parent company

	Half-year to			
	30 Jun 2026		30 Jun 2025	
	£ per share	**£m**	£ per share	£m
Dividends paid on ordinary shares				
In respect of previous year:				
– fourth interim dividend	**0.157**	**125**	—	—
In respect of current year:				
– first interim dividend	**0.060**	**48**	0.102	81
– first special dividend[1]	**0.769**	**613**	—	—
– second special dividend[1]	**0.314**	**250**	—	—
Total	**1.300**	**1,036**	0.102	81
Total coupons on capital securities classified as equity		**101**		86
Dividends to parent		**1,137**		167

1 Special dividend declared/paid on CET1 capital in 2026.

3 Segmental analysis

The group's Operating Committee is considered to be the Chief Operating Decision Maker ('CODM') for the purposes of identifying the group's reportable segments.

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

Where relevant, income and expense amounts presented include the results of inter-segment funding along with inter-company and inter-business line transactions. All such transactions are undertaken on arm's length terms. Measurement of segmental assets, liabilities, income and expenses is in accordance with the group's accounting policies. Shared costs are included in segments on the basis of actual recharges. The intra-group elimination items for the business segments are presented in Corporate Centre.

The types of products and services from which each reportable segment derives its revenue are discussed in the 'Strategic Report – Business segments' on page 3.

By operating segment:

Profit/(loss) before tax

	CIB	IWPB	Corporate Centre	Total
	£m	£m	£m	£m
Half-year to 30 Jun 2026				
Net operating income/(expense) before change in expected credit losses and other credit impairment charges[1]	**3,479**	**658**	**(202)**	**3,935**
– of which: net interest income/(expense)	**1,701**	**370**	**(1,466)**	**605**
Change in ECL and other credit impairment charges	**(403)**	**—**	**—**	**(403)**
Net operating income/(expense)	**3,076**	**658**	**(202)**	**3,532**
Total operating expenses	**(2,091)**	**(430)**	**(158)**	**(2,679)**
Operating profit/(loss)	**985**	**228**	**(360)**	**853**
Share of profit in associates and joint ventures	**—**	**—**	**20**	**20**
Profit/(loss) before tax	**985**	**228**	**(340)**	**873**
Cost efficiency ratio %	**60.1**	**65.3**	**—**	**68.1**
Half-year to 30 Jun 2025				
Net operating income before change in expected credit losses and other credit impairment charges[1]	3,357	699	79	4,135
– of which: net interest income/(expense)	1,546	452	(1,404)	594
Change in expected credit losses and other credit impairment charges	(61)	(12)	(2)	(75)
Net operating income	3,296	687	77	4,060
Total operating expenses	(2,273)	(488)	(164)	(2,925)
Operating profit/(loss)	1,023	199	(87)	1,135
Share of profit in associates and joint ventures	—	—	29	29
Profit/(loss) before tax	1,023	199	(58)	1,164
Cost efficiency ratio %	67.7	69.8	—	70.7

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

External net operating income is attributed to countries on the basis of the location of the branch responsible for reporting the results or advancing the funds:

	Half-year to	
	30 Jun 2026	30 Jun 2025
	£m	£m
External net operating income by country[1]	**3,935**	4,135
– United Kingdom	**2,324**	2,140
– France	**445**	762
– Germany	**377**	440
– Bermuda	**152**	159
– Switzerland	**143**	145
– Other countries	**494**	489

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue.

Balance sheet by business segments

	CIB	IWPB	Corporate Centre	Total
	£m	£m	£m	£m
30 Jun 2026				
Loans and advances to customers	**62,867**	**15,522**	**20**	**78,409**
Customer accounts	**211,457**	**38,881**	**46**	**250,384**
31 Dec 2025				
Loans and advances to customers	62,922	16,928	8	79,858
Customer accounts	203,131	41,593	39	244,763

4 Net fee income

	Half-year to	
	30 Jun 2026	30 Jun 2025
	£m	£m
Net fee income by product		
Funds under management	**262**	262
Broking income	**203**	198
Account services	**173**	168
Underwriting	**162**	176
Global custody	**101**	94
Credit facilities	**97**	151
Other securities – (including stock lending)	**74**	45
Remittances	**71**	61
Loans granted other than prepayment fees	**28**	36
Corporate finance	**12**	51
Other	**257**	274
Fee income	**1,440**	1,516
Less: fee expense	**(936)**	(855)
Net fee income	**504**	661

Net fee income by business segment

	CIB	IWPB	Corporate Centre	Total
	£m	£m	£m	£m
Half-year to 30 Jun 2026				
Fee income	**1,448**	**296**	**(304)**	**1,440**
Less: fee expense	**(1,175)**	**(65)**	**304**	**(936)**
Net fee income	**273**	**231**	**—**	**504**
Half-year to 30 Jun 2025				
Fee income	1,514	296	(294)	1,516
Less: fee expense	(1,074)	(75)	294	(855)
Net fee income	440	221	—	661

5 Fair values of financial instruments carried at fair value

The accounting policies, control framework, and the hierarchy used to determine fair values are consistent with those applied for the Annual Report and Accounts 2025.

Financial instruments carried at fair value and bases of valuation

	At 30 Jun 2026				At 31 Dec 2025			
	Quoted market price Level 1	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Recurring fair value measurements								
Assets								
Trading assets	**121,688**	**32,993**	**2,246**	**156,927**	96,697	32,132	2,530	131,359
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**52**	**4,638**	**1,024**	**5,714**	671	4,093	988	5,752
Derivatives	**1,537**	**176,497**	**2,222**	**180,256**	1,270	164,687	2,628	168,585
Financial investments	**36,516**	**5,604**	**133**	**42,253**	37,614	6,610	133	44,357
Liabilities								
Trading liabilities	**30,749**	**20,443**	**21**	**51,213**	26,077	15,750	50	41,877
Financial liabilities designated at fair value	**—**	**40,822**	**4,774**	**45,596**	145	37,568	4,129	41,842
Derivatives	**1,899**	**175,835**	**2,730**	**180,464**	1,405	162,671	2,590	166,666

Financial instruments carried at fair value and bases of valuation – assets and liabilities held for sale

	At 30 Jun 2026				At 31 Dec 2025			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Recurring fair value measurements								
Assets								
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**627**	**—**	**2**	**629**	4,717	18	—	4,735
Derivatives	**—**	**2**	**—**	**2**	—	6	—	6
Financial investments	**1,132**	**105**	**—**	**1,237**	—	—	—	—
Liabilities								
Financial liabilities designated at fair value	**148**	**—**	**—**	**148**	1,003	—	—	1,003
Derivatives	**—**	**2**	**—**	**2**	—	10	—	10

Fair value adjustments

	At 30 Jun 2026 £m	At 31 Dec 2025 £m
Type of adjustment		
Risk-related	**276**	260
– bid-offer	**171**	161
– uncertainty	**62**	62
– credit valuation adjustment	**34**	36
– funding fair value adjustment	**9**	1
– other	**—**	—
Model-related	**24**	24
– model limitation	**24**	24
– other	**—**	—
Inception profit (Day 1 P&L reserves)	**95**	75
	395	359

Transfers between Level 1 and Level 2 fair values

	Assets				Liabilities		
	Financial investments £m	Trading assets £m	Designated and otherwise mandatorily measured at fair value through profit or loss £m	Derivatives £m	Trading liabilities £m	Designated at fair value £m	Derivatives £m
At 30 Jun 2026							
Transfers from Level 1 to Level 2	**—**	**632**	**—**	**—**	**39**	**—**	**—**
Transfers from Level 2 to Level 1	**—**	**961**	**—**	**—**	**249**	**—**	**—**
Full year to 31 Dec 2025							
Transfers from Level 1 to Level 2	—	938	—	—	220	—	—
Transfers from Level 2 to Level 1	—	610	—	—	118	—	—

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarterly reporting period. Transfers are primarily attributable to changes in price transparency and in the assessment of observability.

Fair value valuation bases

Financial instruments measured at fair value using a valuation technique with significant unobservable inputs – Level 3

	Assets					Liabilities			
	Financial investments £m	Held for trading £m	Designated and otherwise mandatorily measured at fair value through profit or loss £m	Derivatives £m	Total £m	Held for trading £m	Designated at fair value £m	Derivatives £m	Total £m
Private equity including strategic investments	**117**	**1**	**1,002**	**—**	**1,120**	**—**	**1**	**—**	**1**
Structured notes	**—**	**—**	**—**	**—**	**—**	**—**	**4,768**	**—**	**4,768**
Other derivatives	**—**	**—**	**—**	**2,222**	**2,222**	**—**	**—**	**2,730**	**2,730**
Bonds	**—**	**782**	**—**	**—**	**782**	**4**	**—**	**—**	**4**
Loans	**16**	**897**	**3**	**—**	**916**	**3**	**—**	**—**	**3**
Other portfolios	**—**	**566**	**19**	**—**	**585**	**14**	**5**	**—**	**19**
At 30 Jun 2026	**133**	**2,246**	**1,024**	**2,222**	**5,625**	**21**	**4,774**	**2,730**	**7,525**
Private equity including strategic investments	117	1	985	—	1,103	—	1	—	1
Structured notes	—	—	—	—	—	—	4,128	—	4,128
Other derivatives	—	—	—	2,628	2,628	—	—	2,590	2,590
Bonds	—	1,328	—	—	1,328	31	—	—	31
Loans	16	757	3	—	776	8	—	—	8
Other portfolios	—	444	—	—	444	11	—	—	11
At 31 Dec 2025	133	2,530	988	2,628	6,279	50	4,129	2,590	6,769

The basis for determining the fair value of the financial instruments in the table above is explained on page 129 of the Annual Report and Accounts 2025.

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy

Movement in Level 3 financial instruments

	Assets				Liabilities		
	Financial investments	Trading assets	Designated and otherwise mandatorily measured at fair value through profit or loss	Derivatives	Trading liabilities	Designated at fair value	Derivatives
	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2026	**133**	**2,530**	**988**	**2,628**	**50**	**4,129**	**2,590**
Total gains/(losses) on assets and total (gains)/losses on liabilities recognised in profit or loss	**—**	**(31)**	**(12)**	**372**	**(3)**	**16**	**619**
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	**—**	**(31)**	**—**	**372**	**(3)**	**16**	**619**
– net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	**—**	**—**	**—**	**—**	**—**	**—**	**—**
– other income/(losses)	**—**	**—**	**(12)**	**—**	**—**	**—**	**—**
Total losses or gains recognised in other comprehensive income ('OCI')[1]	**—**	**7**	**4**	**(2)**	**—**	**(18)**	**(3)**
Purchases	**—**	**1,015**	**40**	**—**	**8**	**—**	**—**
New issuances	**—**	**—**	**—**	**—**	**—**	**2,798**	**—**
Sales	**—**	**(1,553)**	**(12)**	**—**	**(74)**	**—**	**—**
Settlements	**—**	**(93)**	**16**	**(846)**	**(31)**	**(1,802)**	**(376)**
Transfers out	**(64)**	**(99)**	**—**	**(221)**	**(1)**	**(803)**	**(379)**
Transfers in	**64**	**470**	**—**	**292**	**72**	**454**	**279**
At 30 Jun 2026	**133**	**2,246**	**1,024**	**2,223**	**21**	**4,774**	**2,730**
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 30 Jun 2026	**—**	**26**	**(11)**	**548**	**9**	**(47)**	**(838)**
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	**—**	**26**	**—**	**548**	**9**	**—**	**(838)**
– net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	**—**	**—**	**—**	**—**	**—**	**—**	**—**
– other income/(losses)	**—**	**—**	**(11)**	**—**	**—**	**(47)**	**—**
At 1 Jan 2025	1,079	3,570	1,082	1,882	624	2,962	2,355
Total gains/(losses) on assets and total (gains)/losses on liabilities recognised in profit or loss	(2)	(33)	29	737	(15)	(61)	702
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	—	(33)	—	737	(15)	(61)	702
– net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	—	—	—	—	—	—	—
– other income/(losses)	(2)	—	29	—	—	—	—
Total losses or gains recognised in other comprehensive income ('OCI')[1]	49	(49)	(43)	6	—	41	5
Purchases	83	1,322	67	—	46	—	—
New issuances	—	—	—	—	—	1,617	—
Sales	(37)	(964)	(2)	—	(9)	—	—
Settlements	(21)	(861)	(28)	(450)	(251)	(849)	(288)
Transfers out	(969)	(760)	(7)	(234)	(372)	(845)	(362)
Transfers in	—	310	7	328	11	173	363
At 30 Jun 2025	182	2,535	1,105	2,269	34	3,038	2,775
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 30 Jun 2025	—	10	8	700	22	(98)	(1,011)
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	—	10	—	700	22	—	(1,011)
– net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	—	—	—	—	—	—	—
– other income/(losses)	—	—	8	—	—	(98)	—

1 Included in 'financial investments: fair value gains/(losses)' in the current year and 'exchange differences' in the consolidated statement of comprehensive income.

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarterly reporting period. Transfers are primarily attributable to changes in price transparency and in the assessment of observability.

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

Sensitivity of Level 3 fair values to reasonably possible alternative assumptions

	At							
	30 Jun 2026				31 Dec 2025			
	Reflected in profit or loss		**Reflected in OCI**		Reflected in profit or loss		Reflected in OCI	
	Favourable changes	**Unfavourable changes**	**Favourable changes**	**Unfavourable changes**	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Derivatives, trading assets and trading liabilities[1]	**373**	**(176)**	**—**	**—**	334	(174)	—	—
Designated and otherwise mandatorily measured at fair value through profit or loss	**418**	**(156)**	**—**	**—**	359	(140)	—	—
Financial investments	**—**	**—**	**10**	**(10)**	—	—	12	(11)
Total	**791**	**(332)**	**10**	**(10)**	693	(314)	12	(11)

1 Derivatives, trading assets and trading liabilities are presented as one category to reflect the manner in which these instruments are risk managed.

Sensitivity of Level 3 fair values to reasonably possible alternative assumptions by instrument type

	At							
	30 Jun 2026				31 Dec 2025			
	Reflected in profit or loss		**Reflected in OCI**		Reflected in profit or loss		Reflected in OCI	
	Favourable changes	**Unfavourable changes**	**Favourable changes**	**Unfavourable changes**	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Private equity including strategic investments	**402**	**(140)**	**10**	**(10)**	348	(129)	12	(11)
Structured notes	**15**	**(15)**	**—**	**—**	11	(11)	—	—
Other derivatives	**156**	**(85)**	**—**	**—**	121	(91)	—	—
Bonds	**6**	**(6)**	**—**	**—**	6	(5)	—	—
Loans	**150**	**(27)**	**—**	**—**	102	(31)	—	—
Other portfolios	**62**	**(59)**	**—**	**—**	105	(47)	—	—
Total	**791**	**(332)**	**10**	**(10)**	693	(314)	12	(11)

The sensitivity analysis aims to measure a range of fair values consistent with the application of a 95% confidence interval. Methodologies take account of the nature of the valuation technique employed, as well as the availability and reliability of observable proxy and historical data.

When the fair value of a financial instrument is affected by more than one unobservable assumption, the above table reflects the most favourable or the most unfavourable change from varying the assumptions individually.

Key unobservable inputs to Level 3 financial instruments

The following table lists key unobservable inputs to Level 3 financial instruments and provides the range of those inputs at 30 June 2026. There has been no change to the key unobservable inputs to Level 3 financial instruments and inter-relationships therein, which are detailed on pages 134 and 135 of the Annual Report and Accounts 2025.

Quantitative information about significant unobservable inputs in Level 3 valuations

	At							
	30 Jun 2026						31 Dec 2025	
	Fair value				Full range of inputs		Full range of inputs	
	Assets £m	Liabilities £m	Valuation techniques	Key unobservable inputs	Lower	Higher	Lower	Higher
Private equity including strategic investments[1]	1,120	1	Price – Net asset value	Current Value/Cost	0	6	0	6
Structured notes:	—	4,768						
– equity-linked notes	—	4,231	Model-Option model	Equity volatility	6%	174%	7%	132%
			Model-Option model	Equity correlation	25%	100%	27%	100%
– FX-linked notes	—	23	Model-Option model	FX volatility	6%	43%	4%	10%
– other	—	514						
Derivatives	2,222	2,730						
Interest rate derivatives:	442	639						
– securitisation swaps	75	198	Model-Discounted cash flow	Constant Prepayment rate	5%	10%	5%	10%
– long-dated swaptions	3	2	Model-Option model	IR volatility	8%	22%	5%	19%
– other	364	439						
FX derivatives:	442	445						
– FX options	244	259	Model-Option model	FX volatility	0%	23%	0%	57%
– other	198	186						
Equity derivatives:	1,190	1,381						
– long-dated single stock options	26	296	Model-Option model	Equity volatility	5%	119%	5%	100%
– other	1,164	1,085						
Credit derivatives:	81	239						
– total return swaps	45	213	Market proxy	Price	66	100	68	102
– other credit derivatives	36	26						
Other derivatives	67	26						
Bonds	782	4	Market proxy	Price	0	103	0	107
Loans	916	3	Market proxy	Price	0	102	0	102
Other portfolios[2]	585	19						
At 30 Jun	5,625	7,525						

1 'Private equity including strategic investments' includes private equity, private credit and private equity fund.
2 'Other portfolios' includes a range of smaller asset holdings.

6 Fair values of financial instruments not carried at fair value

The bases for measuring the fair values of loans and advances to banks and customers, financial investments, deposits by banks, customer accounts, debt securities in issue, subordinated liabilities, non-trading repurchase and reverse repurchase agreements are explained on page 136 of the Annual Report and Accounts 2025.

Fair values of financial instruments not carried at fair value on the balance sheet

	At 30 Jun 2026		At 31 Dec 2025	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Assets				
Loans and advances to banks	17,247	17,247	19,349	19,349
Loans and advances to customers	78,409	78,459	79,858	79,890
Reverse repurchase agreements – non-trading	77,771	77,772	68,110	68,117
Financial investments – at amortised cost	26,403	26,301	22,256	22,400
Liabilities				
Deposits by banks	35,713	35,714	39,679	39,680
Customer accounts	250,384	250,398	244,763	244,777
Repurchase agreements – non-trading	58,180	58,180	46,758	46,759
Debt securities in issue	13,141	13,149	12,823	12,833
Subordinated liabilities	20,306	20,817	18,919	19,450

Fair values of financial instruments not carried at fair value and bases of valuation – assets and disposal groups held for sale

	At 30 Jun 2026		At 31 Dec 2025	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Assets				
Loans and advances to banks	785	785	12	12
Loans and advances to customers	2,823	2,823	578	578
Financial investments – at amortised cost	1,229	1,226	—	—
Liabilities				
Deposits by banks	42	42	86	86
Customer accounts	11,027	11,027	10,718	10,718

Other financial instruments not carried at fair value are typically short term in nature and reprice to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value.

7 Goodwill and intangible assets

	At 30 Jun 2026 £m	At 31 Dec 2025 £m
Other intangible assets[1]	**292**	276
Intangible assets	**292**	276

1 Included within the group's other intangible assets is internally generated software with a net carrying value of £285m (2025: £269m). During the year, capitalisation of internally generated software was £171m (2025: £386m), net impairment was £117m (2025: £238m) and amortisation was £39m (2025: £189m).

8 Provisions

	Restructuring costs £m	Legal proceedings and regulatory matters £m	Other provisions £m	Total £m
Provisions (excluding contractual commitments)				
At 1 Jan 2026	259	1,079	88	1,426
Additions	**7**	**2**	**17**	**26**
Amounts utilised	**(67)**	**(235)**	**(12)**	**(314)**
Unused amounts reversed	**(17)**	**(1)**	**(14)**	**(32)**
Exchange and other movements	**(2)**	**9**	**(12)**	**(5)**
At 30 Jun 2026	**180**	**854**	**67**	**1,101**
Contractual commitments[1]				
At 1 Jan 2026				74
Net change in expected credit loss provisions				**(10)**
At 30 Jun 2026				**64**
Total provisions				
At 31 Dec 2025				1,500
At 30 Jun 2026				**1,165**

1 The contractual commitments provision includes off-balance sheet loan commitments and guarantees, for which expected credit losses are provided under IFRS 9. Further analysis of the movement in the expected credit loss is disclosed within the 'Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees' table on page 17.

Further details of 'Legal proceedings and regulatory matters' are set out in Note 10 'Legal proceedings and regulatory matters'. Legal proceedings include civil court, arbitration or tribunal proceedings brought against HSBC companies (whether by way of claim or counterclaim); or civil disputes that may, if not settled, result in court, arbitration or tribunal proceedings. Regulatory matters refers to investigations, reviews and other actions carried out by, or in response to, the actions of regulators or law enforcement agencies in connection with alleged wrongdoing by HSBC.

▶ For further details of the impact of IFRS 9 on undrawn loan commitments and financial guarantees, presented in 'Contractual commitments', see Note 9.

9 Contingent liabilities, contractual commitments and guarantees

	At 30 Jun 2026 £m	At 31 Dec 2025 £m
Guarantees and other contingent liabilities:		
– financial guarantees	**3,296**	2,809
– performance and other guarantees	**22,137**	22,173
– other contingent liabilities	**13**	15
At the end of the period	**25,446**	24,997
Commitments:[1]		
– documentary credits and short-term trade-related transactions	**1,918**	1,450
– forward asset purchases and forward deposits placed	**91,765**	47,313
– standby facilities, credit lines and other commitments to lend	**97,606**	97,877
At the end of the period	**191,289**	146,640

1 Includes £185.1bn of commitments at 30 June 2026 (31 December 2025: £140.7bn), to which the impairment requirements in IFRS 9 are applied where the group has become party to an irrevocable commitment.

The above table discloses the nominal principal amounts, which represent the maximum amounts at risk should the contracts be fully drawn upon and clients default. As a significant portion of guarantees and commitments is expected to expire without being drawn upon, the total of the nominal principal amounts is not indicative of future liquidity requirements.

Guarantees with terms of more than one year are subject to the group's annual credit review process.

Contingent liabilities arising from legal proceedings, regulatory and other matters against group companies are disclosed in Note 10: 'Legal proceedings and regulatory matters'. The expected credit loss provisions relating to guarantees and commitments under IFRS 9 are disclosed in Note 8: 'Provisions'. Further analysis of the movement in the ECL provision is disclosed within the 'Reconciliation of changes in gross carrying/ nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees' table on page 17.

10 Legal proceedings and regulatory matters

The group is party to legal proceedings and regulatory matters in a number of jurisdictions arising out of its normal business operations. Apart from the matters described below, the group considers that none of these matters are material. The recognition of provisions is determined in accordance with the accounting policies set out in Note 1 of the Annual Report and Accounts 2025. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 30 June 2026 (see Note 8: 'Provisions'). Where an individual provision is material, the fact that a provision has been made is stated and quantified, except to the extent that doing so would be seriously prejudicial. Any provision recognised does not constitute an admission of wrongdoing or legal liability. It is not practicable to provide an aggregate estimate of potential liability for our legal proceedings and regulatory matters as a class of contingent liabilities.

Bernard L. Madoff Investment Securities LLC

Various HSBC companies that provided custodial, administration and similar services to a number of funds whose assets were invested with Bernard L. Madoff Investment Securities LLC ('Madoff Securities') have been named as defendants in lawsuits arising out of Madoff Securities' fraud.

Trustee litigation: The Madoff Securities trustee (the 'Trustee') has brought lawsuits in the US against various HSBC companies and others seeking recovery of alleged transfers from Madoff Securities to the HSBC companies in the amount of $508m (plus interest). In September 2025, the US Bankruptcy Court for the Southern District of New York dismissed all claims against HSBC Private Bank (Suisse) SA in the amount of $292m and certain claims against HSBC Bank USA N.A. ('HSBC Bank USA') in the amount of $32m. These dismissals are now final. The Trustee's remaining claims, which amount to $184m (plus interest), are pending.

The Trustee has filed a claim against various HSBC companies in the High Court of England and Wales seeking recovery of alleged transfers from Madoff Securities to the HSBC companies. The claim has not yet been served and the amount claimed has not been specified.

Fairfield Funds litigation: Fairfield Sentry Limited, Fairfield Sigma Limited and Fairfield Lambda Limited (each in liquidation and together, the 'Fairfield Funds') have brought lawsuits in the US against various HSBC companies and others seeking recovery of alleged transfers from the Fairfield Funds to the HSBC companies (that acted as nominees for clients) in the amount of $367m (plus interest). In August 2025, the US Court of Appeals for the Second Circuit confirmed the dismissal of Fairfield Funds' claims against all HSBC companies. Fairfield Funds have filed a petition for review of the dismissal by the US Supreme Court, which is pending.

Herald Fund SPC ('Herald') litigation: HSBC Securities Services Luxembourg ('HSSL') and HSBC Bank plc are defending an action brought by Herald (in liquidation) before the Luxembourg District Court seeking restitution of securities (the amount of which would be determined by further proceedings, if Herald is successful in its claim) and $521m in cash (plus interest) or, alternatively, damages in the amount of $5.6bn (plus interest). There are various proceedings pending before the Luxembourg courts relating to Herald's action and the timing of when these will be determined is uncertain. Herald's damages claim against HSSL and HSBC Bank plc has been stayed. Following an appeal by HSSL, Herald's cash restitution claim has been returned to the Luxembourg District Court for determination. In July 2026, the Luxembourg Court of Appeal denied a second appeal by HSSL in respect of Herald's securities restitution claim. HSSL has a right to seek a further appeal to the Luxembourg Court of Cassation. There will be further proceedings before the Luxembourg Court of Appeal to determine the quantum of restitution HSSL may be required to pay to Herald. HSSL continues to recognise a $1.1bn provision in connection with this matter. Given the complexities and uncertainties associated with determining the quantum of restitution, the eventual financial impact could be significantly different.

Alpha Prime Fund Limited ('Alpha Prime') litigation: Various HSBC companies are defending an action brought by Alpha Prime in the Luxembourg District Court seeking restitution of securities and $1bn (plus interest) in supplementary damages or, alternatively, damages in the amount of $3.3bn (plus interest). This matter is currently pending before the Luxembourg District Court.

In November 2024, Alpha Prime served various HSBC companies with a lawsuit filed in the Bermuda Supreme Court seeking damages for unspecified amounts for alleged breach of contract and negligence. This claim is currently stayed.

Senator Fund SPC ('Senator') litigation: HSSL and the Luxembourg branch of HSBC Bank plc are defending an action brought by Senator before the Luxembourg District Court seeking restitution of securities or, alternatively, damages in the amount of $1.4bn (plus interest). This matter is currently pending before the Luxembourg District Court.

Based on the facts currently known, it is not practicable at this time for HSBC Bank plc to predict the resolution of these matters, including the timing or any possible impact on HSBC Bank plc, which could be significant.

US Anti-Terrorism Act litigation

Since November 2014, a number of lawsuits have been filed in federal courts in the US against various HSBC companies, including HSBC Bank plc, and others on behalf of plaintiffs who are, or are related to, alleged victims of terrorist attacks in the Middle East. In each case, it is alleged that the defendants aided and abetted the unlawful conduct of various sanctioned parties in violation of the US Anti-Terrorism Act, or provided banking services to customers alleged to have connections to terrorism financing. Six actions, which seek damages for unspecified amounts, remain pending. Two of these actions have been dismissed but may be appealed. The other four actions remain at an early procedural stage.

Based on the facts currently known, it is not practicable at this time for HSBC Bank plc to predict the resolution of these matters, including the timing or any possible impact on HSBC Bank plc, which could be significant.

US dollar Libor litigation

Various HSBC companies, including HSBC Bank plc, are defending two individual actions which allege that the HSBC defendants violated various US federal and state laws, including antitrust laws, related to the setting of US dollar Libor, and seek damages for unspecified amounts. In September 2025, the US District Court for the Southern District of New York granted the defendants' joint motion for summary judgment and dismissed these actions. The plaintiffs have appealed.

Based on the facts currently known, it is not practicable at this time for HSBC Bank plc to predict the resolution of these matters, including the timing or any possible impact on HSBC Bank plc, which could be significant.

Foreign exchange-related investigations and litigation

Since 2017, HSBC Bank plc, among other financial institutions, has been defending a complaint filed by the Competition Commission of South Africa before the South African Competition Tribunal for alleged anti-competitive behaviour in the South African foreign exchange market. In 2020, a revised complaint was filed which also named HSBC Bank USA as a defendant. In June 2026, the Constitutional Court of South Africa confirmed the dismissal of HSBC Bank USA from the revised complaint but determined that the complaint can proceed against HSBC Bank plc.

HSBC Bank plc and HSBC Holdings plc have reached a settlement with plaintiffs in Israel to resolve a class action filed in the local courts alleging foreign exchange-related misconduct. The settlement, the impact of which is not significant and is fully provisioned, remains subject to court approval.

Lawsuits alleging foreign exchange-related misconduct remain pending against HSBC Bank plc and other banks in courts in Brazil.

In February 2024, HSBC Bank plc and HSBC Holdings plc were joined to an existing claim brought in the UK Competition Appeals Tribunal ('UK CAT') against various other banks alleging historical anti-competitive behaviour in the foreign exchange market and seeking approximately £3bn in damages from all the defendants. In December 2025, the UK Supreme Court upheld an earlier ruling of the UK CAT refusing certification as an opt-out claim. This matter remains pending before the UK CAT.

Based on the facts currently known, it is not practicable at this time for HSBC Bank plc to predict the resolution of these matters, including the timing or any possible impact on HSBC Bank plc, which could be significant.

Precious metals fix-related litigation

US litigation: Various HSBC companies, including HSBC Bank plc, and other members of The London Silver Market Fixing Limited are defending a class action pending in the US District Court for the Southern District of New York alleging that, from January 2007 to December 2013, the defendants conspired to manipulate the price of silver and silver derivatives for their collective benefit in violation of US antitrust laws, the US Commodity Exchange Act and New York state law. In May 2023, this action, which seeks damages for unspecified amounts, was dismissed but remains pending on appeal. Based on the facts currently known, it is not practicable at this time for HSBC Bank plc to predict the resolution of this matter, including the timing or any possible impact on HSBC Bank plc, which could be significant.

Canada litigation: Various HSBC companies, including HSBC Bank plc, and other financial institutions have been defending putative class actions filed in the Ontario and Quebec Superior Courts of Justice alleging that the defendants conspired to manipulate the price of silver, gold and related derivatives in violation of the Canadian Competition Act and common law. These actions each seek CA$1bn in damages plus CA$250m in punitive damages. The HSBC defendants have reached a settlement with the plaintiffs to resolve these matters. The settlement, the impact of which is not significant and is fully provisioned, is subject to final court approval.

Tax-related investigations

HSBC Bank plc and the German branch of HBCE continue to cooperate with investigations by the German public prosecutor into numerous financial institutions and their employees, in connection with the dividend withholding tax treatment of certain trading activities. Based on the facts currently known, it is not practicable at this time for HSBC Bank plc to predict the resolution of this matter, including the timing or any possible impact on HSBC Bank plc, which could be significant.

Gilts trading litigation

In June 2023, HSBC Bank plc and HSBC Securities (USA) Inc., among other banks, were named as defendants in a putative class action filed in the US District Court for the Southern District of New York by plaintiffs alleging anti-competitive conduct in the gilts market and seeking damages for unspecified amounts. Certain of the defendants, including HSBC Bank plc and HSBC Securities (USA) Inc., have reached a settlement with the plaintiffs to resolve this matter. The settlement, the impact of which is not significant and has been paid, remains subject to final court approval.

Investigations involving HSBC Private Bank (Suisse) SA

Law enforcement authorities in Switzerland and France are conducting criminal investigations into HSBC Private Bank (Suisse) SA in connection with alleged money laundering offences in respect of two historical banking relationships. In May 2026, HSBC Private Bank (Suisse) SA was placed under formal examination in the investigation in France. HSBC Private Bank (Suisse) SA continues to cooperate with both investigations, which are ongoing.

Based on the facts currently known, it is not practicable at this time for HSBC Bank plc to predict the resolution of these matters, including the timing or any possible impact on HSBC Bank plc, which could be significant.

Other regulatory investigations, reviews and litigation

HSBC Bank plc and/or certain of its affiliates are also subject to a number of other enquiries and examinations, requests for information, investigations and reviews by various tax authorities, regulators, competition and law enforcement authorities, as well as legal proceedings including litigation, arbitration and other contentious proceedings, in connection with various matters arising out of their businesses and operations.

At the present time, HSBC Bank plc does not expect the ultimate resolution of any of these matters to be material to the group's financial position; however, given the uncertainties involved in legal proceedings and regulatory matters, there can be no assurance regarding the eventual outcome of a particular matter or matters.

11 Assets held for sale and liabilities of disposal groups held for sale

Held for sale

	At	
	30 Jun 2026	31 Dec 2025
	£m	£m
Disposal groups	**6,849**	5,566
Unallocated impairment losses[1]	**(189)**	(59)
Non-current assets held for sale	**46**	51
Assets held for sale	**6,706**	5,558
Liabilities of disposal groups	**11,832**	15,711

1 This represents impairment losses in excess of the carrying value on the non-current assets, excluded from the measurement scope of IFRS 5.

Disposal groups

Business in South Africa

On 27 February 2026, HSBC Bank plc completed the transfer of its business in South Africa to local lender FirstRand Bank Ltd. Prior to their derecognition at completion, as at 31 December 2025, related balances stood at £0.3bn in assets and £1.6bn in liabilities. Upon subsequent wind-down of the entity, expected in the second half of 2026, cumulative foreign currency translation reserves and other reserves will recycle to the income statement. At 30 June 2026, foreign currency translation reserve and other reserve losses stood at £0.1bn.

UK Life Insurance

On 30 January 2026, HSBC Bank plc completed the sale of its UK life insurance entity, HSBC Life (UK) Limited, to Chesnara plc. Prior to their derecognition at completion, as at 31 December 2025, related balances stood at £5.0bn in assets and £4.8bn in liabilities.

HSBC Bank Malta p.l.c.

On 16 September 2025, HSBC Continental Europe entered into a put option agreement with CrediaBank S.A. for the potential sale of its 70.03% majority stake in HSBC Bank Malta p.l.c.. On 22 December 2025, following completion of the employee information and consultation process in France and in line with the put option terms, a sale and purchase agreement was signed. The disposal group met the held for sale criteria in the first quarter of 2026 at which point a pre-tax loss on disposal of £0.2bn was recognised. As at 30 June 2026, £6.3bn of assets and £6.1bn of liabilities remained classified as held for sale. The transaction, which remains subject to regulatory approval, is expected to complete in the first half of 2027.

Fund administration business in Germany

On 11 July 2025, HSBC Continental Europe, a wholly-owned subsidiary of HSBC Bank plc, reached an agreement to sell its fund administration business, Internationale Kapitalanlagegesellschaft mbH, to BlackFin Capital Partners S.A.S. The disposal group met the held for sale criteria in the third quarter of 2025, with immaterial balances remaining classified as held for sale at 30 June 2026. This transaction, which has received regulatory approval, is expected to complete in the second half of 2026, at which point an immaterial gain on disposal will be recognised.

Custody Business in Germany

On 27 June 2025, HSBC Continental Europe reached an agreement to sell its custody business in Germany to BNP Paribas. This transaction will be completed in a phased manner, with a number of phases completed in the first half of 2026. While client consent and related operational requirements may extend the timing for completion of all client transfers, given the signing of a sale and purchase agreement, the disposal group met the held for sale criteria in the second quarter of 2025, with balances remaining classified as held for sale at 30 June 2026 of £0.5bn in assets and £5.7bn in liabilities. The sale is expected to generate an estimated pre-tax gain on disposal of £0.1bn, recognised in line with completion of client transfers.

Major classes of assets and associated liabilities of disposal groups held for sale, including allocated impairment losses, were as follows:

	At 30 Jun 2026			
	HSBC Bank Malta p.l.c.	**Germany custody business[1]**	**Others**	**Total**
	£m	**£m**	**£m**	**£m**
Operating segment	**CIB, IWPB and Corporate Centre**	**CIB**		
Assets of disposal groups held for sale				
Cash and balances at central banks	**28**	**—**	**—**	**28**
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss	**630**	**—**	**—**	**630**
Loans and advances to banks	**781**	**4**	**—**	**785**
Loans and advances to customers	**2,319**	**492**	**12**	**2,823**
Financial investments[2]	**2,465**	**—**	**—**	**2,465**
Prepayments, accrued income and other assets	**87**	**25**	**6**	**118**
Total assets	**6,310**	**521**	**18**	**6,849**
Liabilities of disposal groups held for sale				
Deposits by banks	**—**	**42**	**—**	**42**
Customer accounts	**5,355**	**5,671**	**1**	**11,027**
Financial liabilities designated at fair value	**148**	**—**	**—**	**148**
Insurance contract liabilities	**479**	**—**	**—**	**479**
Accruals, deferred income and other liabilities	**94**	**26**	**16**	**136**
Total liabilities	**6,076**	**5,739**	**17**	**11,832**
Expected date of completion	**First half of 2027**	**First half of 2027**		

	At 31 Dec 2025				
	HSBC Life (UK)	South Africa	Germany custody business[1]	Others	Total
	£m	£m	£m	£m	£m
Operating segment	IWPB	CIB and Corporate Centre	CIB		
Assets of disposal groups held for sale					
Cash and balances at central banks	—	—	—	—	—
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss	4,735	—	—	—	4,735
Loans and advances to banks	—	—	12	—	12
Loans and advances to customers	—	321	241	16	578
Financial investments[2]	—	—	—	—	—
Insurance Contract Assets	—	—	—	—	—
Prepayments, accrued income and other assets	215	8	11	7	241
Total assets	4,950	329	264	23	5,566
Liabilities of disposal groups held for sale					
Deposits by banks	—	—	86	—	86
Customer accounts	—	1,533	9,183	2	10,718
Financial liabilities designated at fair value	1,003	—	—	—	1,003
Insurance Contract Liabilities	3,761	—	—	—	3,761
Accruals, deferred income and other liabilities	86	19	25	13	143
Total liabilities	4,850	1,552	9,294	15	15,711
Expected date of completion	First quarter of 2026	First quarter of 2026	First half of 2027		

1 Under the financial terms of the sale of our custody business in Germany, HSBC Continental Europe will transfer a nil net asset value for each client transferred, by way of inclusion of additional cash.
2 Represents financial investments measured at fair value through other comprehensive income.

12 Transactions with related parties

There were no other changes to the related party transactions described in Note 33 of the Annual Report and Accounts 2025 that have had a material effect on the financial position or performance of the group in the half-year to 30 June 2026.

All related party transactions that took place in the half-year to 30 June 2026 were similar in nature to those disclosed in the Annual Report and Accounts 2025.

13 Events after the balance sheet date

In its assessment of events after the balance sheet date, the group has considered and concluded that no material events have occurred resulting in adjustments to the financial statements.

14 Interim Report 2026 and statutory accounts

The information in the Interim Report 2026 is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. This Interim Report 2026 was approved by the Board of Directors on 03 August 2026. The unaudited interim condensed consolidated financial statements included in the Interim Report 2026 have been reviewed by the group's auditors, PricewaterhouseCoopers LLP ('PwC'), in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the UK. The statutory accounts of HSBC Bank plc for the year ended 31 December 2025 have been delivered to the Registrar of Companies in England and Wales in accordance with section 447 of the Companies Act 2006. The group's auditor have reported on those accounts. Their report was unqualified, did not include a reference to any matters to which PwC drew attention by way of emphasis without qualifying its report, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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