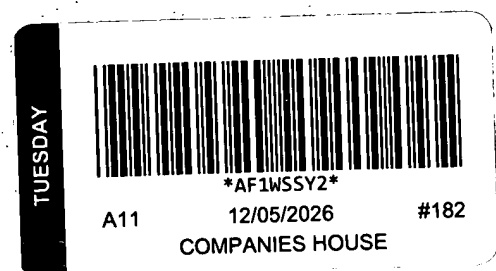


HSBC Bank plc

Annual Report and Accounts 2025

Registered number – 00014259



Contents

	Strategic Report
2	Key financial metrics
3	About HSBC Group
3	Purpose and strategy
3	Business segments
4	Section 172(1) statement
6	Key Performance Indicators
7	Economic background and outlook
8	Financial summary
13	Risk overview
	Risk review
15	Our approach to risk
16	Top and emerging risks
21	Our material banking and insurance risks
	Report of the Directors
73	Corporate Governance Report
73	Directors
75	Directors' emoluments
75	Board committees
81	Statement on going concern
82	Statement of directors' responsibilities in respect of the financial statements
83	Independent auditors' report to the members of HSBC Bank plc
90	Financial statements
100	Notes on the financial statements

Presentation of Information

This document comprises the Annual Report and Accounts 2025 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. It contains the Strategic Report, the Report of the Directors, the Statement of Directors' Responsibilities and Financial Statements, together with the Independent Auditors' Report, as required by the UK Companies Act 2006. References to 'HSBC', 'HSBC Group' or 'Group' within this document mean HSBC Holdings plc together with its subsidiaries.

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

Pillar 3 disclosures for the group are also available on www.hsbc.com, under Investors.

Contents of any linked websites are not incorporated into this document.

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

Our reporting currency is £ sterling.

Unless otherwise specified, all \$ symbols represent US dollars.

Cautionary Statement Regarding Forward-Looking Statements

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

Statements that are not historical facts, including statements about the group's beliefs and expectations, are forward-looking statements. Words such as 'may', 'will', 'should', 'expects', 'targets', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', or the negative thereof, other variations of these words or similar expressions are intended to identify forward-looking statements. These statements are based on current plans, information, data, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. 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.

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

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

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

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

Additional risks and factors which may impact the group's future financial condition and performance are identified in 'Strategic Report - Risk overview' and 'Risk review - Top and emerging risks' on pages 13 to 22 of the Annual Report and Accounts 2025.

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

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

Key financial metrics

	2025	2024
For the year (£m)		
(Loss)/profit before tax	(119)	2,068
Net operating income before change in expected credit losses and other credit impairment charges ¹	6,878	7,473
(Loss)/profit attributable to the parent company	(591)	1,253
At 31 December (£m)		
Total equity attributable to the parent company	25,801	26,895
Total assets	707,696	727,330
Risk-weighted assets ²	112,340	112,251
Loans and advances to customers (net of impairment allowances)	79,858	82,666
Customer accounts	244,763	242,303
Capital ratios (%)³		
Common equity tier 1	17.9	19.5
Tier 1	21.6	23.0
Total capital	36.9	36.8
Leverage ratio (%)⁴	4.5	5.5
Performance, efficiency and other ratios (%)		
Return on average ordinary shareholders' equity (%) ^{4,6}	(3.8)	4.5
Return on average tangible equity ⁶	(3.8)	4.6
Cost efficiency ratio (%) ⁵	100.4	70.4
Ratio of customer advances to customer accounts	32.6	34.1

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

2 Regulatory capital ratios and requirements are based on the transitional arrangements of the Capital Requirements Regulation in force at the time. Effective 1 January 2025, the IFRS 9 transitional arrangements came to an end, followed by the end of the CRR II grandfathering provisions on 28 June 2025.

3 Leverage metrics exclude central bank claims in accordance with the Prudential Regulation Authority's ('PRA') UK leverage framework.

4 The return on average ordinary shareholders' equity is defined as profit attributable to shareholders of the parent company divided by the average total shareholders' equity.

5 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.

6 Definitions and calculations of alternative performance measures are included in our 'Reconciliation of alternative performance measures' on page 12.

About HSBC Group

With assets of \$3.2tn and operations in 56 countries and territories at 31 December 2025, HSBC is one of the largest banking and financial services organisations in the world.

Purpose and strategy

HSBC in Europe

Europe plays a pivotal role in the global economy, contributing approximately 25.5% to global GDP with an estimated \$31.5 trillion out of a worldwide total of \$123.6 trillion (IMF World Economic Outlook, October 2025). Europe is the world's leading exporter of services, where the region accounts for nearly 49% of global exports amid total global trade exceeding \$35 trillion in 2025 (UNCTAD December 2025 Global Trade Update and Handbook of Statistics). Europe's share of global trade stands at around 18-20%, based on EU figures for goods (UNCTAD December 2025 Global Trade Update). In fact, Europe ranks as the second-largest exporter of manufactured goods behind China (WTO Key Insights and Trends in 2024). HSBC Bank plc helps to facilitate trade within Europe and between Europe and other jurisdictions where the HSBC Group has a presence.

With assets of £708bn at 31 December 2025, HSBC Bank plc is one of Europe's largest banking and financial services organisations. We employ around 9,800 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 presence in 18 markets¹. 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, a wholly-owned subsidiary of 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, Switzerland, and South Africa. Other entities comprise our International Wealth and Premier Banking led operations in the Channel Islands and Isle of Man ('CIOM'), 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, South Africa (announced planned exit), 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.

Our strategic priorities remain clear. We aim to drive customer-centricity, deliver focused sustainable growth, and be simple and agile.

We continued to make progress in reshaping our organisation. In 2025, we completed the sale of our French Life Insurance business, French retained portfolio of home and certain other loans and Private Banking business in Germany. The sale of our UK Life Insurance entity completed in January 2026, while the announced planned exit of our South Africa business is on-going. We also announced the exit of our business in Malta, custody and fund administration business in Germany, and exit of equity capital markets ('ECM') and M&A business in Europe.

- For further details on the planned disposals please see Note 34: 'Assets held for sale and liabilities of disposal groups held for sale', on page 162.

Business segments

Effective 1 January 2025, the HSBC Group started to operate through four new businesses – Hong Kong, UK, Corporate and Institutional Banking ('CIB'), International Wealth and Premier Banking ('IWPB'). HSBC Bank plc realigned its organisational structure effective 1 January 2025 accordingly. All segmental comparative data have been re-presented on this basis.

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 £1,388m (2024: £1,771m)

Our CIB business is a market leader in cross-border transaction banking and capital markets. It integrates our Commercial Banking business with our Global Banking and Markets business.

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 £449m (2024: £653m)

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.

Section 172(1) statement

This section 172(1) statement, set out on pages 4 to 5, describes how the Directors had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 (the 'Act') when performing their duty to promote the success of the company during the year.

The Board recognises the importance of engaging with stakeholders effectively to ensure their interests and priorities are understood and given due consideration in Board discussions and decision-making.

Throughout the year, the Board considered a range of factors when making decisions, and was supported in the discharge of its duties and responsibilities by (for example):

- an induction programme and ongoing training for Directors to provide an understanding of our business and financial performance and prospects;
- management processes which help ensure that proposals presented to Board and committee meetings for decision include information relevant to determine the action that would most likely promote the success of the bank, and involve engagement with stakeholders where relevant, to support appropriate decision making;
- agenda planning for Board and committee meetings to provide sufficient time for the consideration and discussion of key matters; and
- engagement with key stakeholders which allows the Board to gain valuable insight on various perspectives, and in turn, inform their deliberations and decision making in Board and committee meetings.

When making decisions, the Board continues to be mindful of the likely long-term consequences of those decisions, and of the desirability of the bank maintaining its reputation for high standards of business conduct.

Stakeholder Engagement

The Board understands the importance of effective engagement with its six key categories of stakeholders, namely customers, employees, shareholders and investors, regulators and governments, suppliers, and communities. The outcomes from such stakeholder engagement feed into Board discussions and decision-making. This approach allows the Board to better understand the impact of the bank's actions on its stakeholders, both over the short term and the long term, and to take those impacts into account when responding to the opportunities and challenges facing the bank. The relevance of each stakeholder group to an issue considered by the Board varies depending on the specific decision being taken by the Board. Not every decision the Board makes will necessarily result in a positive outcome for all stakeholders.

► For further details regarding the role of the Board, including key activities during 2025, please see page 75.

Customers

As one of Europe's largest banking and financial services organisations, our corporate and institutional customers are at the core of the bank's business model: without customers there would be no bank. Our ambition in Europe is to be the leading international transaction and financing bank for corporates and institutions supporting our clients' cross-border needs, complemented by a targeted wealth business. The Board strives to ensure it has a broad understanding of the bank's customers and to give consideration to them when its approval is sought on significant matters such as material acquisitions, disposals, investments and large-scale change or transformation programmes. How we have served and supported our customers during 2025 is covered in the Business Segments' section on page 3 in the Strategic Report.

To better understand customer needs and how the bank can respond to them, the Board has been provided with customer feedback and key performance indicators, such as net promoter scores.

The Board schedule for 2025 also included International Wealth and Premier Banking, Corporate and Institutional Banking and digital

strategy overview sessions which incorporated discussions on customer interactions, customer surveys, feedback and product developments to meet customers' needs.

Employees (Workforce Engagement)

Employees are critical to the success of the bank, its sustainability and long-term future. Understanding employee sentiment and how we are addressing feedback is a key area of Board focus. During the year, the Board received updates from senior management on the progression of our people priorities covering various employee-focused initiatives across culture, leadership, talent, skills, inclusion, wellbeing and colleague experience. These allowed the Board to understand employee sentiment, health and well-being throughout 2025. Further information on people priorities can be found under Employees at pages 78 to 80.

Feedback from employees is gathered via various mechanisms including surveys and 'speak up' channels which are reported to the Board. The Board is also presented annually with the bank's results of the Snapshot survey, which runs every September and gives all HSBC employees the opportunity to share their experiences of working at the organisation, and a culture dashboard which has been developed to track progress in embedding a positive and inclusive culture across the business. Board focus on employees continued to remain heightened throughout 2025 due to the ongoing transformation programme and the need for continuing consideration of the impact on employees when making Board decisions.

During 2025, individual Board members met with representatives from our Employee Resource Groups to discuss the challenges and opportunities faced by our diverse employee population.

Shareholders and Investors

The bank is a wholly-owned subsidiary of HSBC Holdings plc and, as such, the Board took into account the likely implications of its decisions for its shareholder, HSBC Holdings plc, and its debt security investors, over both the short term and the long term. The Board regularly engaged with its shareholder and considered the interests of its shareholder and debt investors throughout the year. For example:

- the Board Chair and Committee Chairs engaged with HSBC Group counterparts and attended Group forums and Group committee meetings, together with Executive Directors, to engage on common issues and strategic priorities;
- the Board reviewed and approved bank-specific components of Group programmes;
- the Board considered the strength of the balance sheet to ensure that the ability to make distributions to HSBC Holdings plc, in accordance with its dividend policy, and to pay principal or interest on its debt securities in accordance with prescribed terms was not at risk; and
- the Board engaged with HSBC Holdings plc Board members to showcase the bank's business and its people, thus enabling the HSBC Holdings plc Board members to develop a deeper understanding of the bank to inform their own Group-level decision-making going forward.
- In April 2025, Ann Godbehere was appointed as Chair of HSBC Bank plc. She also serves as Senior Independent Non-Executive Director of HSBC Holdings plc.

Regulators and Governments

During the year, the Directors met regularly with regulators both in the UK and Europe. It is central to the success of the bank that it has constructive relationships with regulators and governments and that there is a mutual understanding of expectations and challenges and their impact on customers, the business model and the bank's strategy.

The Board receives regular updates on how HSBC interacts with regulators globally and at the European level. Understanding regulators' views and priorities shapes and influences Board discussions and decision making. Board engagement with regulators

during 2025 also included participation by Directors in industry and regulator forums and round table events.

Suppliers

Suppliers are critical to supporting the infrastructure and operations of the business and we work with suppliers to ensure mutually beneficial relationships. It is key for the Board to understand the Group's supply chain and how suppliers' operations are aligned to our purpose and values.

During the year, the Board's Transformation, Operational Resilience, and Technology Committee ('TRT') received regular third-party risk management and operational resilience reporting, which provided an overview of the bank's ability to operate within its impact tolerances to meet the PRA's operational resilience SS1/21 expectations, which was met in March 2025.

► Further detail on third party risk management is included in the Risk Review on page 20.

Communities

We have a long-standing commitment to support the communities in which we operate. The bank is conscious of the need to manage the societal and environmental impact of its business when making decisions. During the year, the Board received regular updates on matters spanning human rights and environmental and climate issues.

Principal Decisions

The examples provided below of principal discussions and decisions taken by the Board in 2025 show how the Directors and Board respectively discharged their responsibility for promoting the long-term success of the bank and took different stakeholder considerations into account in reaching a decision or forming a view.

Sale of HSBC Life (UK) Limited ("HSBC Life UK")

The Board considered a proposal for the bank to sell the life insurance business in the UK, HSBC Life UK to Chesnara plc, a UK-based life and pensions business. The transaction included all in-force life insurance policies and investment products written by HSBC Life UK and completed on 30 January 2026.

The implications of the transaction for key stakeholders were considered. Management planned engagement with customers together with migration plans to minimise detriment to customers. The Board also considered the implications of the transaction for employees and noted safeguards to retain staff during the transition period.

The transaction formed part of the simplification of the HSBC Group announced in October 2024. HSBC is focused on increasing leadership and market share in the areas where it has a clear competitive advantage, and where it has the greatest opportunities to grow and support its clients.

In reaching its decision, and mindful of the long-term consequences of decisions and their impact on operations, the Board acknowledged the strategic rationale for the proposal and the financial and capital impacts on the bank. Having taken all these and other factors into account, the Board concluded that proceeding with the transaction was most likely to promote the success of the bank for the benefit of its shareholder, and, accordingly, approved the transaction.

Establishment of the HSBC Bank plc and Corporate and Institutional Banking Operating Committee

During 2025, the Board considered a proposal to align the framework and operating rhythm for executive governance of the bank with the HSBC Group Governance Framework and Operating Rhythm. The revisions presented were in support of the HSBC Group's ambition to simplify governance and decision-making while placing stronger emphasis on individual accountability.

The proposal considered was to demise the HSBC Bank plc Executive Committee ("ExCo"), and revoke the collective authority delegated to the ExCo in September 1992, for the day-to-day management of the bank, with immediate effect. In addition, the Board reviewed and approved a proposal to delegate authority to the HSBC Bank plc and CIB Chief Executive Officer ("CEO") for the exercise of all of the powers, authorities and discretions of the Board in so far as they concern the management, operations and day-to-day running of the bank and its subsidiaries; and accordingly authorised the Secretary to update the bank's Corporate Governance Framework. Subject to the above approvals, the Board noted the proposed establishment of the HSBC Bank plc and CIB Operating Committee ("OpCo") to support the CEO in the performance of his duties and exercise of powers, in relation to the management and day-to-day running of HSBC Bank plc and CIB.

After careful review, the Board approved the proposal to demise the HSBC Bank plc ExCo and the creation of the HSBC Bank plc and CIB OpCo, together with the Terms of Reference ("ToR") for the OpCo; the OpCo composition; and the OpCo operating rhythm at the Board meeting held on 24 April 2025.

The Board carefully considered the proposed change in executive governance arrangements which was thought to be complimentary in providing a more streamlined and dynamic organisational structure to better enable the Board and management to execute at pace. In making its decision, the Board reflected on the opportunity with the revised framework and operating rhythm in providing a more agile business that makes it easier for colleagues to achieve best in class service for our customers, and providing clarity to our regulators with respect to the work that has been done on ensuring our executive governance framework is robust, to help drive the future success of the bank for the benefit of all stakeholders over the long term.

Tax

Our approach to tax

We are committed to applying both the letter and the spirit of the law in all territories where we operate, and have adopted the UK Code of Practice for the Taxation of Banks. As a consequence, we seek to pay our fair share of tax in the countries in which we operate. We continue to strengthen our processes to help ensure our banking services are not associated with any arrangements known or suspected to facilitate tax evasion.

HSBC continues to apply global initiatives to improve tax transparency such as:

- the US Foreign Account Tax Compliance Act ('FATCA');
- the Organisation for Economic Co-operation and Development ('OECD') Standard for Automatic Exchange of Financial Account Information (also known as the Common Reporting Standard);
- the CRD IV Country by Country Reporting;
- the OECD Base Erosion and Profit Shifting ('BEPS') initiative; and
- the UK legislation on the corporate criminal offence ('CCO') of failing to prevent the facilitation of tax evasion.

Key Performance Indicators

The Board of Directors tracks the group's progress in implementing its strategy with a range of financial and non-financial measures or key performance indicators ('KPIs'). Progress is assessed by comparison with the HSBC Group strategic priorities, operating plan targets and historical performance. The group reviews its KPIs regularly in light of its strategic objectives and may adopt new or refined measures to better align the KPIs to HSBC's strategy and strategic priorities.

Financial KPIs

	2025	2024
(Loss)/profit before tax (£m)	(119)	2,068
Cost efficiency ratio (%)	100.4	70.4
Return on average tangible equity (%)	(3.8)	4.6
Common equity tier 1 capital ratio (%)	17.9	19.5

Loss before tax in 2025 was £119m, a decrease of £2,187m compared with 2024. This decrease was driven by the adverse impact of one-off items including a £1,095m loss on the sale of the French retained portfolio of home and certain other loans, legal provisions totalling £886m, restructuring and other related costs associated with our organisational simplification of £495m offset by business disposal impacts of £83m. Excluding these one-off items, profit before tax increased reflecting an improved underlying business performance.

Cost efficiency ratio was 100.4%, 30.0 percentage points higher compared with 2024. This was primarily driven by the one-off items, as outlined above, which materially increased operating expenses.

Return on average tangible equity ('RoTE') is computed by adjusting profit attributable to ordinary shareholders by excluding impairment of goodwill and other intangible assets, divided by average tangible shareholders' equity excluding goodwill and intangibles for the period. The adjustment to reported results and reported equity excludes amounts attributable to non-controlling interests.

We provide RoTE as a way of assessing our performance, which is closely aligned to our capital positions.

RoTE has reduced from 4.6% in 2024 to (3.8)% in 2025. This reduction was primarily attributable to the one-off items outlined above, which had a significant impact on profitability for the period.

CET1 capital ratio represents the ratio of common equity tier 1 capital to total risk-weighted assets ('RWA'). CET1 capital is the highest quality form of capital comprising shareholders' equity and related non-controlling interests less regulatory deductions and adjustments.

The group seeks to maintain a strong capital base to support the development of its business and meet regulatory capital requirements at all times.

The CET1 capital ratio of 17.9% in 2025 decreased by 1.6% from 2024, mainly due to a decrease in capital due to losses and dividend distribution, offset by increase from favourable FX movement and other movement in Own funds.

Non-financial KPIs

We monitored a range of non-financial KPIs focused on customers, people, culture and values, including customer service satisfaction, employee engagement, inclusivity and sustainability.

- ▶ HSBC Bank plc has addressed the reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 (the Act) through the Non-Financial and Sustainability Information Statement disclosure contained in the HSBC Holdings plc Annual Report and Accounts 2025 on page 26.

Customer service, awards and satisfaction

In 2025 our business segments were committed to providing an excellent customer experience and continued to strive towards improving our propositions to meet client needs.

CIB

In 2025, HSBC CIB continued to be recognised by the industry, reflecting our commitment to client service, and generating lasting value.

HSBC was named the World's Best Bank for Large Corporates and Public-Sector Clients at the Euromoney Awards for Excellence, with further regional honours including Asia's Best Bank for Large Corporates, Asia's Best for Securities Services, and the UK's Best Bank for Corporates. Our foreign exchange capabilities were recognised at the Euromoney Foreign Exchange Awards, where we were awarded World's Best FX Bank for Corporates, as well as best globally for FX Non-Deliverable Forwards, Swaps, and FX Prime Brokerage.

Our cash management franchise continued to be recognised, with HSBC named World's Best Cash Management Provider for Corporates; Non-bank Financial Institutions; Client Service; Products and Technology for Corporates in the Euromoney Cash Management Survey. In trade finance, HSBC was named The World's Best Trade Finance Bank in the Euromoney Transaction Banking Awards. HSBC also achieved #1 rankings globally and across all major regions for overall service, products, technology, ESG solutions, FX services, and working capital solutions in the Euromoney Trade Finance Survey.

HSBC's capital markets expertise was recognised at the International Financing Review ('IFR') Awards, where we were named Europe Financial Bond House, Middle East Bond House and Equity House, in addition to receiving accolades for landmark transactions and regional excellence. Our credentials were further recognised by being named Investment Bank of the Year for the Middle East, Syndicated Loans, and Sovereign, Supranational, and Agency ('SSA') Bonds by The Banker.

Our treasury and transaction banking capabilities were highlighted by Treasury Management International ('TMI'), with awards for Best Bank for Cash & Liquidity Management and Trade & Supply Chain Finance across several regions, as well as recognition for treasury solutions and client partnerships.

These accolades highlight HSBC's position as a leader in banking and financial services. Our continued industry recognition is a testament to the expertise, dedication, and collaborative spirit of our teams worldwide, and our focus on supporting clients and delivering sustainable value.

IWPB

In Europe, IWPB continued to gather customer feedback, receiving high levels of satisfaction and kept on being recognised by the industry as an Asset Manager and Private Bank. IWPB monitors customer experience through a number of satisfaction metrics, including Net Promoter Score ('NPS'). NPS is a widely used customer metric that calculates the percentage of customers who are highly likely to recommend our products or services ('Promoters'), offset by those who are unlikely to do so ('Detractors'), resulting in a possible score from -100 to 100.

Our NPS surveys were enhanced and relaunched in 2025, assessing customer satisfaction levels across their interactions with our digital, branch, contact centre and livechat channels, and across customer journeys.

The Channel Islands and Isle of Man business receives separate NPS scores for its domestic 'Islands' business and its international 'Expat' business.

Since implementation of the new NPS platform and accumulation of meaningful data volumes, Islands has achieved a mobile interaction NPS ('iNPS') average score of 47 and Expat has achieved 29, these positive scores show more customers are Promoters than Detractors, and reflects strong sentiment across both markets in the digital space.

Additionally, journey NPS ('jNPS') measures customer sentiment for specific journeys, and Expat received a score of 60 for international payments, 20 points ahead of target.

We recognise the importance of feedback and continue to enhance our insights to gain a better understanding of our customers and to provide a more personalised, relevant service.

Three HSBC funds have been recognised with LSEG Lipper Europe Best Fund Awards, highlighting our strong investment and management capabilities. HSBC Global Investment Funds – Frontier Markets AC received awards for Best Fund over 3 Years and Best

Fund over 5 Years in the Equity Frontier Markets category. HSBC Islamic Funds – HSBC Islamic Global Equity Index AD was named Best Fund over 10 Years for Equity Global. Additionally, HSBC Portfolios - World Selection 5 AC was awarded Best Fund over 10 Years for Mixed Asset USD Aggressive. These achievements underscore HSBC's dedication to delivering investment solutions and maintaining high standards across a diverse range of markets.

In 2025, we were recognised by the Euromoney Private Banking Awards as Switzerland's best provider for Ultra High Net Worth ('UHNW') clients. Additionally, at the WealthBriefing European Awards 2025, our team was named Best UHNW Team for International Clients in Switzerland for the second consecutive year. We also achieved Top Employer 2025 Certification from the Top Employers Institute, underscoring our ongoing commitment to maintaining the highest standards as an employer in Switzerland.

Economic background and outlook

UK

Stop-start growth, easing inflation

The UK's economic performance over the past two years has been 'stop-start' in nature. In 2025, a pick-up in growth early in the year was followed by several months of sub-par performance. GDP grew by 0.9% in the first six months of the year, followed by 0.3% over the following six months (Office for National Statistics ('ONS')). Headwinds to activity over the latter period might have reflected still-elevated inflation and interest rates, alongside economic uncertainty around the time of the government's Budget in November. 2025 also saw a slowdown in the labour market – the unemployment rate rose from 4.4% to 5.2% between January and December (ONS).

However, some headwinds to growth, including those relating to high inflation, could be abating. In January 2026, the annual rate of consumer price inflation declined to 3.0%, having run at an average rate of 3.6% over the second half of 2025. Last year's bout of elevated inflation was driven by a combination of cost pressures facing businesses, including an increase in employer National Insurance Contributions and persistently high wage growth. 2026 is not expected to see a repeat of last year's inflationary tax rises, while wage growth is easing – annual private sector wage growth (excluding volatile bonus payments) declined to 3.4% in the three months to December, having started 2025 at close to 6% (ONS). According to the consensus of economists' forecasts compiled by Bloomberg (12 February), inflation is set to run below 2.5% for most of 2026.

Against a backdrop of easing inflation pressure, the Bank of England is gradually reducing interest rates. Its main policy rate, Bank Rate, now stands at 3.75%, down from its mid-2024 peak of 5.25%, while Governor Andrew Bailey has flagged 'scope for some further easing of policy' (5 February 2026 Bank of England meeting minutes). Financial market pricing implies two further 25 basis point rate cuts. There are risks to this outlook, ranging from geopolitical uncertainty, to the UK's still-challenging fiscal position.

Eurozone

Modest growth, steady interest rates

The eurozone economy grew by an above-average 1.5% in 2025 (Eurostat). It should be noted, however, that a material proportion of that reflects the impact of multinational activity in Ireland. Excluding Ireland, the eurozone grew by a slower, but still respectable, 0.9% (Eurostat). Part of that resilience reflects 'front-loading' of exports to the US early in the year, in anticipation of higher tariffs. There was also growth in domestic business and household spending, suggesting resilience to geopolitical events (including higher US tariffs), domestic political uncertainty, and a boost from lower interest rates.

Performance has differed across economies. Spain remains an outperformer with tourism spending and high immigration delivering 2.8% growth in 2025. But growth in Germany remains subdued, with GDP only increasing by 0.3% in 2025 (Eurostat). That likely reflects ongoing headwinds relating to industrial competitiveness, while consumer confidence remains weak. Looking ahead, Germany is set to experience a tailwind from the deployment of significant increases in government spending on defence and infrastructure.

Contained inflation should help support private sector demand. The annual rate of eurozone consumer price inflation rate ran between 1.9% and 2.2% from March to December 2025 (Eurostat). The European Central Bank ('ECB') expects inflation to fall a little below 2% over the coming months, mostly reflecting the impact of last year's appreciation in the euro.

Against a stable inflation backdrop, the ECB's deposit rate now stands at 2%, in line with its view of the 'neutral' policy rate. Despite the prospect of inflation falling somewhat below the ECB's 2% goal this year, the ECB's view is that this 'undershoot' is likely to be temporary. ECB President Christine Lagarde has frequently stated that policy rates are in 'a good place', with market pricing implying that rates will stay on hold through 2026.

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 Financial Statements starting on page 90.

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. The business segment results are presented in accordance with IFRS 8 'Operating Segments', as detailed in Note 9: 'Segmental analysis' on page 125.

Summary consolidated income statement for the year ended

	2025 £m	2024 £m
Net interest income	1,274	985
Net fee income	1,227	1,275
Net income from financial instruments measured at fair value	6,239	5,998
Gains less losses from financial investments ¹	(1,088)	22
Losses recognised on Assets held for sale ²	(6)	(100)
Insurance finance (expense)	(1,090)	(984)
Insurance service result	164	171
Other operating income	158	106
Net operating income before change in expected credit losses and other credit impairment charges²	6,878	7,473
Change in expected credit losses and other credit impairment charges	(154)	(163)
Net operating income	6,724	7,310
Total operating expenses	(6,904)	(5,260)
Operating (loss)/profit	(180)	2,050
Share of profit in associates and joint ventures	61	18
(Loss)/profit before tax	(119)	2,068
Tax (charge)	(462)	(785)
(Loss)/profit for the year	(581)	1,283
(Loss)/profit attributable to the parent company	(591)	1,253
Profit attributable to non-controlling interests	10	30

1 In 2025, the amount included recycling of cumulative fair value losses of £1.1bn relating to the French retained portfolio of home and certain other loans following the completion of its sale to a consortium comprising Rothesay Life plc and CCF.

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

Reported performance

Loss before tax was £119m compared with a profit of £2,068m in 2024, a decrease of £2,187m. This decrease was driven by the adverse impact of one-off items including a £1,095m loss on the sale of the French retained portfolio of home and certain other loans, legal provisions totalling £886m, restructuring and other related costs associated with our organisational simplification of £495m offset by business disposal impacts of £83m. Excluding these one-off items, profit before tax increased reflecting an improved underlying business performance.

Revenue was £6,878m, £595m lower in 2025 compared with 2024. This primarily reflected the adverse impact of one-off items which reduced reported revenue. This included, a £1,095m loss on the sale of the French retained portfolio of home and certain other loans as well as the adverse impact of disposals of our French and UK life insurance businesses £171m, partially offset by a £127m gain on the sale of our German private banking business. The year-on-year comparison also reflects a lower comparative base as 2024 included a £128m disposal loss recognised on the sale of our businesses in Russia and Armenia. Excluding these items, revenue increased in both the CIB and the Corporate Centre, reflecting an improved underlying business performance.

Net interest income ('NII') increased by £289m or 29% compared with 2024. This increase was primarily driven by higher NII in Markets Treasury, a lower cost of funding the French retained portfolio of home and certain other loans and a benefit from the reinvestment of our structural hedge at higher yields. This was partially offset by lower net interest income in both IWPB and Global Payment Solutions due to the impact of lower interest rates.

Net fee income decreased by £48m or 4% compared with 2024, primarily reflecting a decline in CIB fee income driven by lower Global Foreign Exchange and Debt and Equity Market fees, partially offset by growth in Capital Markets and Advisory.

Net income from financial instruments measured at fair value of £6,239m increased by £241m compared with 2024. This included a £51m uplift in the Corporate Centre, primarily from favourable valuation impacts in legacy credit, as well as higher Global Foreign Exchange income in CIB resulting from elevated market volatility. The remaining growth was largely within insurance manufacturing in IWPB, reflecting higher returns on financial assets supporting insurance contracts, including those where policyholders bear part or all of the investment risks. The associated increase in liability to policyholders, reflecting their participation in the investment performance of the underlying assets, is recorded in insurance finance expense.

Gains less losses from financial investments amounted to a loss of £1,088m in 2025 an increase of £1,110m compared with a profit of £22m in 2024, primarily reflecting a £1,095m loss on the sale of the French retained portfolio of home and certain other loans.

Losses recognised on Assets held for sale of £6m decreased by £94m from 2024, primarily reflecting a loss recognised in 2024 on the disposal of our business in Armenia of £68m. In 2025 £125m of losses recognised on the disposal of our French and UK life insurance businesses were largely offset by a £127m gain on the sale of our German private banking business.

Insurance finance (expense)/income increased from an expense of £984m to an expense of £1,090m, an increase of £106m. This was driven by insurance manufacturing in IWPB, reflecting the impact of higher investment returns on underlying assets and consequently, an increase in the value of liabilities to policyholders. The offsetting movements are recorded in net income from financial instruments measured at fair value.

Insurance service result decreased by £7m or 4% due to a lower contractual service margin release.

Other operating income of £158m increased by £52m compared with 2024. The prior year included foreign exchange translation losses of £54m associated with the sale of our businesses in Armenia and Russia. This was offset by £64m of foreign currency translation reserve losses recognised on completion of the disposal of our French life insurance business in 2025.

Expected Credit Losses ('ECL') of £154m in 2025 was £9m lower compared with 2024. In both years ECL was primarily comprised of stage 3 charges.

Total operating expenses increased by £1,644m compared with 2024, driven primarily by the adverse impact of one-off items. These included legal provisions totalling £886m, restructuring and other related costs associated with our organisational simplification of £495m and impairments of £117m. Cost growth also reflected higher spend and investment in technology, and inflationary impacts partially offset by a litigation credit and cost reductions from our organisational simplification.

Share of profit/(loss) in associates and joint ventures was a profit of £61m, an increase of £43m compared with 2024, mainly due to dividend received from the Business Growth Fund.

Tax charge was £462m in 2025, giving an effective rate ('ETR') of - (388.4)% compared with a 38% ETR in 2024. The negative ETR reflects a tax charge on a loss before tax. The loss before tax is primarily due to the loss on sale of the retained mortgage portfolio in France and legal provisions on which no tax benefit was recorded. Excluding these items the rate for the year would have been 24.8%, which reflects a reduction of 5.2% due to the recognition of an additional £88m deferred tax asset on French tax losses and increases of 4.0% for adjustments in respect of prior periods and of 3.3% for non-deductible losses on business disposals.

The effective tax rate of 38.0% in 2024 was mainly driven by movements in unrecognised deferred tax in France (7.1)% and charges in respect of prior years (7.1)%, in particular in the UK.

Analysis of reported results by business segments

Corporate and Institutional Banking ('CIB')

Profit before tax was £1,388m as compared with a profit before tax of £1,771m in 2024, a decrease of £383m. This reflected the adverse impact of one-off items including restructuring and other related costs associated with our organisational simplification of £280m, legal provisions totalling £239m as well as impairments of £69m. Excluding these one-off items Profit before tax increased reflecting an improved underlying business performance.

Revenue increased by £249m or 4%, driven by strong trading performance in Global Foreign Exchange and Debt and Equity markets, reflecting elevated market volatility and strong client demand. The uplift was further supported by a benefit from the reinvestment of our structural hedge at higher yields, as well as higher allocated revenues from Markets Treasury. This was partially offset by lower revenues in Global Payments Solutions reflecting the impact of lower interest rates despite continued growth in average balances.

ECL were a net charge of £163m, £1m lower compared with a net charge of £164m in 2024. In both years, ECL primarily comprised of stage 3 charges.

Operating expenses were £633m or 15% higher compared with 2024. The increase reflected the adverse impact of one-off items, including restructuring and other related costs associated with our organisational simplification of £280m, legal provisions totalling £239m and impairments of £69m. Cost growth also reflected higher spend and investment in technology, as well as inflationary impacts, these increases were partly mitigated by cost reductions from our organisational simplification.

International Wealth and Premier Banking ('IWPB')

Profit before tax was £449m in 2025 compared with a profit before tax of £653m in 2024, a decrease of £204m. The decrease reflected the adverse impact of one-off items including restructuring and other related costs associated with our organisational simplification of £63m as well as business disposal impacts of £45m.

Revenue decreased by £24m, primarily reflecting the adverse impact of one-off items including £187m of losses on the disposal of the French and UK life insurance businesses, partially offset by a £127m gain on the sale of the German Private banking business. The year-on-year comparative also benefited from a £16m loss relating to the French life insurance disposal that was recognised in 2024. Excluding these one-off items, revenue was broadly flat with margin compression in Retail reflecting the declining interest rate environment, offset by higher Private Banking revenues driven by higher fees from growth in assets under mandate.

ECL were a net charge of £3m, compared with a net release of £7m in 2024.

Operating expenses increased by £170m. The increase reflected the adverse impact of one-off items, including restructuring and other related costs associated with our organisational simplification of £63m. Cost growth also reflected higher spend and investment in technology, and inflationary impacts, these increases were partly mitigated by cost reductions from our organisational simplification.

Corporate Centre

Loss before tax of £1,956m in 2025 compared with a loss before tax of £356m in 2024. The increased loss reflected the adverse impact of one-off items, including a £1,095m loss on the sale of the French retained portfolio of home and certain other loans, legal provisions totalling £647m, as well as restructuring and other related costs associated with our organisational simplification of £152m. The year-over-year comparative benefited from one-off disposal losses of £122m recognised in 2024 on the sale of our businesses in Russia and Armenia. Excluding these one-off items, profit before tax increased.

Revenue decreased by £820m, primarily reflecting the adverse impact of one-off items. These included a £1,095m loss on the sale of the French retained portfolio of home and certain other loans and £122m of disposal losses recognised in 2024 on the sale of our businesses in Russia and Armenia. This was partially offset by a lower cost of funding on the legacy portfolio of retained home and other loans in 2025.

ECL were £18m lower compared with 2024, mainly driven by the unwind of all positions previously held on legacy businesses.

Operating expenses increased by £841m, largely driven by the adverse impact of one-off items, including legal provisions of £647m, restructuring and other related costs associated with our organisational simplification totalling £152m as well as impairments of £46m.

Shares of profit in associates and joint ventures was a profit of £61m, an increase of £43m compared to £18m in 2024, mainly due to dividend received on behalf of the Business Growth Fund.

Dividends

The consolidated reported loss for the year attributable to the shareholders of the bank was £(591)m.

In 2025, the company paid to the parent company dividends on ordinary share capital of £1,683m, and coupon payments on additional tier 1 instruments of £268m.

► Further information about the results is given in the consolidated income statement on page 90.

Review of business position

Summary consolidated balance sheet at 31 December

	2025 £m	2024 £m
Total assets	707,696	727,330
Cash and balances at central banks	101,443	119,184
Trading assets	131,359	116,042
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	5,752	9,417
Derivatives	168,585	198,172
Loans and advances to banks	19,349	14,521
Loans and advances to customers	79,858	82,666
Reverse repurchase agreements – non-trading	68,110	53,612
Financial investments	66,614	52,216
Assets held for sale	5,558	21,606
Other assets	61,068	59,894
Total liabilities	681,732	700,277
Deposits by banks	39,679	26,515
Customer accounts	244,763	242,303
Repurchase agreements – non-trading	46,758	40,384
Trading liabilities	41,877	42,633
Financial liabilities designated at fair value	41,842	37,443
Derivatives	166,666	197,082
Debt securities in issue	12,823	19,461
Insurance contract liabilities	465	3,424
Liabilities of disposal groups held for sale	15,711	23,110
Other liabilities	71,148	67,922
Total equity	25,964	27,053
Total shareholders' equity	25,801	26,895
Non-controlling interests	163	158

Total assets as of 31 December 2025 were £707.7bn, 2.7% lower compared to 31 December 2024. The group maintained a strong and liquid balance sheet with the ratio of customer advances to customer accounts remaining below 33%.

We have assessed the impact of climate risk on our balance sheet and have concluded that there is no material impact on the financial statements for the year ended 31 December 2025.

Assets

Cash and balances at central banks decreased by £17.7bn or 14.9%, primarily reflecting the purchase of new bonds within the financial investments.

Trading assets increased by £15.3bn or 13.2% due to growth in Securities Financing within the Prime business and expansion in Global Debt Markets, in 2025.

Financial assets designated at fair value decreased by £3.7bn or 38.9% due to the reclassification to held for sale of assets related to planned sale of UK life insurance business.

Derivative assets decreased by £29.6bn or 14.9% as a result of changing market conditions.

Loans and advances to customers decreased by £2.8bn or 3.4%, mainly due to the reclassification of home loans (retained after the sale of our retail banking operations in France) from amortised cost to fair value through Other Comprehensive Income. This was partly offset by an increase in term lending in the UK.

Non-trading reverse repos increased by £14.5bn or 27.0% primarily due to increase in market opportunities.

Financial investments increased by £14.4bn or 27.6% as we purchased additional debt securities, treasury bills, and other similar securities to manage our interest rate risk profile and funding requirements.

Assets held for sale decreased by £16.0bn or 74.3% driven mainly by transactions completed in the fourth quarter of 2025 (France Life insurance business £19.3bn, private banking business in Germany

£1.8bn) and a decrease in the South Africa business £0.2bn, which were offset by reclassification to held for sale of assets related to planned sales of UK life insurance business and custody business in Germany.

Liabilities

Customer accounts increased by £2.5bn or 1.0%, reflecting deposits growth in France. This was partly offset by a decline in the UK and the reclassification of the German custody business to held-for-sale.

Financial liabilities designated at fair value balances increased by £4.4bn or 11.7%, due to higher issuance of structured notes, bonds, and medium-term notes.

Debt securities in issue decreased by £6.6bn or 34.1% due to maturity of instruments in line with our funding strategy.

Non-trading repos increased by £6.4bn or 15.8% reflecting higher Markets and Securities Services ('MSS') GBP funding demand to support leverage deployment.

Derivative liabilities decreased by £30.4bn or 15.4%, mirroring the reduction in derivative assets as the underlying risk remains broadly matched.

Insurance contract liabilities decreased by £3.0bn or 86.4% primarily due to the reclassification to held-for-sale of the UK life Insurance business.

Liabilities of disposal groups held for sale decreased by £7.4bn or 32.0%. In 2024, this included the reclassification of the France Life Insurance business (£18.7bn) and the private banking business in Germany (£1.8bn). In 2025, the UK life insurance business and the custody business in Germany were reclassified to held-for-sale.

Equity

Total shareholder's equity decreased by £1.1bn or 4.1% compared to 2024, primarily due to dividends on ordinary shares paid to HSBC Holdings plc. This decrease was partly offset by the issuance of Additional Tier 1 ('AT1') instruments during 2025.

Net interest margin

Net interest margin is calculated by dividing net interest income as reported in the income statement by the average balance of interest-earning assets. Average balances are based on daily averages for the

principal areas of our banking activities with monthly or less frequent averages are used elsewhere.

Net interest income

	2025 £m	2024 £m
Interest income	16,081	19,414
Interest expense ¹	(14,807)	(18,429)
Net interest income	1,274	985
Average interest-earning assets	375,352	372,966
	%	%
Gross interest yield ²	4.28	5.20
Less: gross interest payable ²	(4.02)	(5.16)
Net interest spread³	0.26	0.04
Net interest margin⁴	0.34	0.26

- Interest expense includes the funding cost of Market business which is reported in 'net interest income' with an equal and offsetting income in 'net income from financial instruments held for trading or managed on a fair value basis'.
- Gross interest yield is the average annualised interest rate earned on average interest-earning assets ('AIEA'). Gross interest payable is the average annualised interest cost as a percentage of average interest-bearing liabilities.
- Net interest spread is the difference between the average annualised interest rate earned on AIEA, net of amortised premiums and loan fees, and the average annualised interest rate payable on average interest-bearing liabilities.
- Net interest margin is net interest income expressed as an annualised percentage of AIEA.

Summary of interest income by asset type

	2025			2024		
	Average balance £m	Interest income £m	Yield %	Average balance £m	Interest income £m	Yield ¹ %
Short term funds and loans and advances to banks	111,185	3,308	2.98	118,687	4,700	3.96
Loans and advances to customers	81,465	3,778	4.64	86,152	4,532	5.26
Reverse repurchase agreements – non-trading ²	72,126	5,140	7.13	66,444	5,840	8.79
Financial investments	60,257	2,459	4.08	55,324	2,364	4.27
Other interest-earning assets	50,319	1,396	2.77	46,359	1,959	4.23
Total interest-earning assets	375,352	16,081	4.28	372,966	19,395	5.20

- Interest yield calculations include negative interest on assets recognised as interest expense in the income statement.
- The average balances for repurchase and reverse repurchase agreements include net amounts where the criteria for offsetting are met, resulting in a lower net balance reported with a higher yield and cost of funds.

Summary of interest expense by type of liability and equity

	2025			2024		
	Average balance £m	Interest expense £m	Cost %	Average balance £m	Interest expense £m	Cost ¹ %
Deposits by banks	30,336	944	3.11	25,854	1,076	4.16
Customer accounts	209,325	6,869	3.28	201,908	8,449	4.18
Repurchase agreements – non-trading ²	42,152	4,050	9.61	48,710	4,923	10.11
Debt securities in issue – non-trading	36,105	1,451	4.02	37,313	1,984	5.32
Other interest-bearing liabilities	50,078	1,493	2.98	42,796	1,978	4.62
Total interest-bearing liabilities	367,996	14,807	4.02	356,581	18,410	5.16

- Interest payable calculations include negative interest on liabilities recognised as interest income in the income statement.
- The average balances for repurchase and reverse repurchase agreements include net amounts where the criteria for offsetting are met, resulting in a lower net balance reported with a higher yield and cost of funds.

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 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

	Year ended	
	31 Dec 2025	31 Dec 2024
	£m	£m
(Loss)/profit		
(Loss)/profit attributable to the ordinary shareholders of the parent company¹	(859)	980
(Loss)/profit attributable to the ordinary shareholders, excluding other intangible assets impairment	(859)	980
Equity		
Average total shareholders' equity	26,746	25,571
Effect of average preference shares and other equity instruments	(4,051)	(3,928)
Average ordinary shareholders' equity	22,695	21,643
Other adjustments (net of tax)	(268)	(276)
Average tangible equity	22,427	21,367
	%	%
Ratio		
Return on average ordinary shareholders' equity	(3.8)	4.5
Return on average tangible equity	(3.8)	4.6

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 overview

The group continuously identifies, assesses, manages and monitors risks. This process, which is informed by the results of its stress testing programme, gives rise to the classification of certain financial and non-financial risks. Changes in the risks, based on their assessment, may result in adjustments to the group's business strategy and risk appetite.

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

During 2025, we removed Credit risk as a top risk given that our credit portfolios remain resilient despite the volatility in the credit risk environment. However, our lending portfolios remain exposed to the potential impacts of geopolitical and macroeconomic risks, such as changing tariffs, interruptions in trade flows and decreased demand owing to increased costs. We proactively manage these risks, focusing on early warning indicators and stress testing to help identify riskier segments, sectors and/or counterparties.

We have brought together 'Cyber threat and unauthorised access to systems' and 'IT systems infrastructure and operational resilience' to 'Technology and cybersecurity risk' given their interconnectivity and to reflect the holistic view we take within the group.

We continue to monitor closely the identified risks and agree management actions to remediate and/or reduce them to acceptable levels, as required.

The exposure to our risks and risk management of these are explained in more detail in the Risk review section on pages 15 to 72.

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 loss of data resulting from technology failures or malicious activities from internal or external threats. We continue to monitor changes to the technology and threat landscape, including those arising from ongoing geopolitical and macroeconomic events alongside third-party incidents and the impact this 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.
Evolving regulatory environment risk	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. There has been an increase in the fragmentation of approaches, including in relation to AI and digital assets, and a trend in some jurisdictions towards deregulation, as well as regulatory actions to support business growth.
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.
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 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.
Digitalisation and technological advances risk	Developments in technology and changes in regulations 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 AI ('GenAI'), can introduce risks and disruption. We seek to manage technology developments with appropriate controls and oversight.
Internally driven	
Risks associated with workforce capability, capacity and environmental factors with potential impact on growth	Our businesses, functions and geographies are exposed to risks associated with employee retention and talent availability, evolving skill requirements of our workforce, and compliance with employment laws and regulations. Voluntary attrition across the group is relatively stable; while a downward trend was noted in 2024, this stabilised in 2025. However, failure to manage associated 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.
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.

Strategic Report | Risk overview

Risk	Description
Internally driven (continued)	
Model risk	▶ Model risk arises whenever business decision making includes reliance on models. We use models in both financial and non-financial contexts, 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 AI, are driving a need for enhanced model risk controls.
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, driven by 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.

▲ Risk heightened during 2025

▶ Risk remained at the same level as 2024

K Mahtani

On behalf of the Board

Kavita Mahtani
Director

24 February 2026

Registered number 00014259

Our approach to risk

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

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

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

Our risk management framework

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

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

Our group Risk and Compliance function is responsible for the group's RMF. Independent from the business segments, including our sales and trading functions, it provides challenge, oversight and appropriate balance of risk and reward in decision-making. Its responsibility includes establishing policy, monitoring risk profiles, and identifying and managing forward-looking risk.

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

Our risk appetite

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

The Board approves the group's risk appetite and reviews it regularly to help ensure it remains fit for purpose.

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

The group's risk appetite is established considering:

- alignment with our strategy, purpose, values, external risk environment, reputational and customer needs;
- compliance with applicable laws, regulations and regulatory priorities;
- forward-looking insights into future risk exposure;
- sufficiency of available capital, liquidity and balance sheet leverage to absorb the risks;

- capacity and capabilities of people to manage the risk landscape;
- functionality, capacity and resilience of available systems to manage the risk landscape;
- effectiveness of the applicable control environment to mitigate risk; and
- internally and externally disclosed commitments.

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

Each principal subsidiary and material operating entity is covered by a RAS, and their alignment with the group's RAS is monitored.

Our risk governance

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

The group Chief Risk and Compliance Officer, supported by members of the group Risk Management Meeting, holds executive accountability for the ongoing monitoring, assessment and management of the risk environment and the effectiveness of the risk management framework.

The group Chief Risk and Compliance Officer is also responsible for the oversight of reputational risk, with the support of the Europe Reputational Risk Committee.

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

We use a defined executive risk governance structure to help enable appropriate oversight and accountability of risk, which facilitates reporting and escalation to the group Risk Management Meeting.

Our responsibilities

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

Three lines of defence

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

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

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

Stress testing

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

Our internal capital assessment uses a range of stress scenarios that explore systemic risks, as well as other potential events that are idiosyncratic to HSBC.

During 2025, the bank participated in the Group wide internal stress test of the Group's strategy and corporate plan, taking into consideration the group's key risks and vulnerabilities as part of the Group's process. The stress scenario assessed the impact of the ongoing trade policy uncertainty, including tariffs and geopolitical conflicts which remain key risks for the global economy.

In addition to the Group-wide stress testing scenarios, the bank conducts regular macroeconomic and event-driven scenario analysis specific to its region. The group participates, as required, in the regulatory stress testing programmes mandated by the PRA and the Bank of England ('BoE') in the UK, while its subsidiary HSBC Continental Europe participates in the European Banking Authority ('EBA') and ECB stress tests required by European banking supervisors.

We also conduct reverse stress tests each year for the bank and its subsidiaries to understand potential extreme conditions that would make our business model non-viable. Reverse stress testing identifies potential stresses and vulnerabilities we might face, and helps inform early warning triggers, management actions and contingency plans designed to mitigate risks.

Key developments in 2025

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

- We have been advancing our programme aimed at strengthening our regulatory reporting processes and making them more sustainable, including enhancing data, consistency and controls. While this programme continues, there may be impacts on some of our regulatory ratios as we implement recommended changes and continue to enhance our controls across the process.
- We strengthened our control environment through the continued embedding of the Group Chief Control Oversight Office which established a centralised approach to controls oversight across the first line of defence business and process owners, including a globally consistent approach to control standards, aggregated reporting and testing.
- We enhanced our technology and cybersecurity controls to help improve the resilience and security of our technology services in response to the heightened external threat environment.
- We responded to new innovations in the financial system, including growing adoption of digital assets and currencies, as well as the evolving use of AI through reviewing and enhancing controls across risk areas to help us and our customers safely benefit from innovation.
- We continue to enhance our processes, framework, and controls to improve the oversight of our third parties. We have strengthened our due diligence and monitoring capabilities, with

respect to the financial stability of our third parties to better manage our supply chain and we continue to assess and seek to manage our operational resilience.

- HSBC Group has further enhanced the way they identify and manage climate-related risks, which we have embedded across our organisation. This has been achieved through risk policy and guideline updates, including updates to the HSBC Group's climate risk approach document, and further development of our risk metrics and assessments to help monitor and manage exposures across our organisation. The HSBC Group has also reviewed a number of climate models and has sought to enhance its internal climate scenario analysis capabilities.
- We deployed advanced technology and analytics capabilities into new markets to improve our ability to identify suspicious activities and prevent financial crime. We will continue to evaluate technological solutions to improve our capabilities in the detection and prevention of financial crime.
- We continued to promote our whistleblowing service, HSBC Confidential, ensuring it is 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.
- We have refreshed our conduct approach to ensure it remains clear, accessible and aligned with how we work today, while maintaining the same strong standards and enhancing our capability to drive positive outcomes for our customers and protect the integrity of financial markets.

Top and emerging risks

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

We proactively assess the internal and external risk environment, as well as review the themes identified across the European region and the group's business segments, for any risks that may require escalation. We update our top and emerging risks as necessary.

Our current top and emerging risks are as follows.

For a summary view, see our top and emerging risks table on pages 13-14.

Externally driven

Geopolitical and macroeconomic risks

Key economic and financial risks are monitored closely. The group remains exposed to these risks through its operations, investments and business activity.

In 2025, the global economy continued to grow and showed resilience to unpredictable US trade policies, heightened geopolitical tensions and increased fiscal concerns in our major markets. European and UK growth in 2025 faced headwinds from tariff and trade policy uncertainty. The external environment was challenging, but domestically, growth was supported by the lowering of policy interest rates and increased public spending. The trade agreements secured by both the European Union and United Kingdom with the United States provided exporters with greater certainty. Key uncertainties remain, including the possibility that the trade deals are replaced by alternative US tariffs. The risk of higher sector-based tariffs, alongside reduced global trade volumes and supply chain disruptions, continues. The potential for broader escalation of tariffs or a trade war is also a concern.

Political and fiscal policy uncertainty have also weighed on business and consumer confidence and may continue to weigh on consumption and investment. Moderate growth rates have also contributed to a rise in unemployment rates in several major European markets including France, Germany and the United Kingdom. Higher unemployment could affect the performance of our credit portfolios and demand for our products and services.

Risk review

The monetary policy outlook remains uncertain. The European Central Bank cut interest rates during 2025 as inflation returned close to its target-rate. Our financial performance may be affected by changes to interest rate expectations. Policy interest rates could be reduced further if inflation continues to moderate. However, that trajectory could be disrupted if wage growth, tariffs or key commodity prices keep inflation higher for longer.

Fiscal policy and high levels of public debt are monitored closely. Debt levels in many of our major markets have continued to rise due to rising social welfare costs and increased expenditures on defence and climate transition. Rising government debt and higher interest payments could adversely impact the fiscal capacity and debt sustainability of highly indebted sovereign issuers. However, political fragmentation in many markets has complicated efforts towards fiscal tightening. Uncertainty about future taxation could undermine confidence, business investment and consumer spending, which would be negative for the group's retail and corporate operations in various markets.

European equity markets rose strongly during 2025. Whereas the technology sector drove significant gains in international markets, in Europe, the performance was led by the financial sector and defence manufacturing sector. While high asset prices may create a tailwind from positive wealth effects, current high valuations, especially for the technology sector and AI company valuations in particular, also raise the risk of a material fall in the markets, if expected gains to productivity fail to materialise. The geopolitical environment remains complex, and tensions could impact the group's operations and risk profile. We continue to monitor the Russia-Ukraine war; developments in relation to conflict in the Middle East, and the wider implications as a result of the US military action in Venezuela as well as any indication of other potential military action or conflicts elsewhere. These conflicts remain sources of uncertainty and may impact the group and its customers, including through increased market volatility and supply chain disruptions. Strategic competition between countries is reshaping trading relationships and increasing the focus on long-term supply chain security which could impact the group's operating environment.

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

Challenges remain in the UK-EU relationship following the UK's withdrawal from the EU. Over the medium to long term, the UK's withdrawal from the EU may continue to adversely impact the terms of EU market access for our UK based clients. We are monitoring the situation closely, including the potential impacts on our customers.

Global tensions over trade and technology are resulting in divergent regulatory standards and compliance regimes, presenting long-term strategic challenges for multinational businesses such as the group. As the geopolitical landscape evolves, compliance by multinational corporations with their legal or regulatory obligations or other initiatives in one jurisdiction may be seen as supporting the law or policy objectives of that jurisdiction over another, creating additional legal, regulatory, reputational and political risks for the group. We maintain dialogue with our regulators in various jurisdictions on the impact of legal and regulatory obligations on our business and customers.

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

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

Provisioning against credit loss is conducted under the IFRS 9 'Financial Instruments' ('IFRS 9') calculations of ECL, which use forward-looking scenarios that incorporate the economic and financial risks detailed above. There remains uncertainty regarding the adequacy of our models in capturing credit losses under emerging risks which are not captured by the historical loss experience of our models, or to effectively distinguish risks for specific sectors or portfolios.

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

For further details of our Central and other scenarios, see 'Measurement uncertainty and sensitivity analysis of ECL estimates' on page 32.

Mitigating actions

- We closely monitor geopolitical and economic developments in major markets and sectors and undertake scenario analysis where appropriate. This helps us to take actions to manage our portfolios where necessary, including through enhanced monitoring, amending our risk appetite and/or reducing limits and exposures.
- We stress test portfolios of particular concern to identify sensitivity to loss under a range of scenarios, with management actions being taken to rebalance exposures and manage risk appetite where necessary.
- We regularly review key sectors – including but not limited to, Automotive, Real Estate and Retail – to help ensure that individual customer and/or sector/portfolio risks are understood and that our ability to manage the level of facilities offered through any downturn is appropriate.
- We apply management judgemental adjustments where modelled ECL does not fully reflect the identified risks and related uncertainty, or to capture significant late-breaking events.
- We continue to seek to manage the impact of sanctions and restrictions on trade and investment through the use of reasonably designed policies, procedures and controls, which are subject to ongoing testing and enhancements.
- We have taken steps, where necessary, to enhance physical security in geographical areas deemed to be at high risk from terrorism and military conflicts.

Technology and cybersecurity risk

We operate in an extensive and complex technology landscape. We need to remain resilient to support customers, our colleagues and financial markets globally. Risks arise where, for example, technology – including rapidly advancing AI – is not understood, maintained or developed appropriately. We also continue to operate in an increasingly complex cyber threat environment globally. These threats include potential unauthorised access to systems, whether ours or those of our third-party suppliers', including access to and potential exfiltration of customer data. These threats require ongoing investment in business and technical controls to defend against them.

Mitigating actions

- We continue to upgrade many of our technology systems and are transforming how software solutions are developed, delivered, maintained and tested as part of our investment in the group's operational resilience to seek to meet the expectations of our customers and regulators, and to help prevent disruptions to our services and recover when they occur.
- Our cyber intelligence and threat analysis team continually evaluate threat levels for the most prevalent cyber-attack types and their potential outcomes (see page 66), and we continue to seek to strengthen our controls to help reduce the likelihood and impact of attacks including advanced malware, data leakage, exposure through third parties and security vulnerabilities.
- We continue to seek to enhance our cybersecurity capabilities, including infrastructure and network security, cloud security, identity and access management, metrics and data analytics, and third-party security assurance and to invest in mitigating the potential threats of emerging technologies.

Risk review

- We regularly report and review cyber risk and control effectiveness at executive level across our business segments, and functions, as well as at non-executive Board level to help ensure there is appropriate visibility and governance of the risk and its mitigating actions.
- We participate globally in industry bodies and working groups working together to seek to protect against, detect, respond to and recover from cyber-attacks on financial organisations.
- We respond to attempts to compromise our cybersecurity in accordance with our cybersecurity framework. To date, none of these attacks have had a material impact on our business or operations.

Evolving regulatory environment risk

We operate across a range of highly regulated markets, designed to protect customers, ensure the stability of the financial system and prevent financial crime. Regulatory approvals and permissions are required to operate in these markets. 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. There is additional complexity within the EU due to divergence in local transposition by member states.

Mitigating actions

- We proactively manage relationships with regulators globally covering a range of topics which include but are not limited to: prudential requirements; operational resilience; resolvability; financial reporting and data; ESG; conduct; sound risk and financial crime risk management practices. We also engage with financial services regulators to inform them of changes to the business and to address their concerns, including meetings with them to discuss strategic contingency plans, including those arising from geopolitical issues.
- We monitor and track regulatory developments to understand the evolving regulatory landscape and implement necessary changes required by final legislation and regulations.
- We engage with governments and regulators directly, and by responding to formal consultations, to help shape legislation and regulations to support our customers and strategic objectives.

Financial crime risk

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

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

The digitisation of financial services continues to have an impact on the payments ecosystem, with an increasing number of new market entrants and payment mechanisms, not all of which are subject to the same level of regulatory scrutiny or regulations as banks. Developments in digital assets and currencies have continued at pace, with an increasing regulatory and enforcement focus on the financial crimes linked to these types of assets.

We also continue to face increasing challenges presented by national data privacy requirements, which may affect our ability to manage financial crime risks across markets.

Mitigating actions

- We continue to seek to manage sanctions and restrictions on trade and investment through the use of reasonably designed policies, procedures and controls, which are subject to ongoing testing, and enhancements.
- We continue to develop our fraud controls and invest in capabilities to fight financial crime through the application of

advanced analytics and AI, while monitoring technological developments and engaging with third parties.

- We continue to assess the impact of a rapidly changing payments ecosystem, as well as risks associated with direct and indirect exposure to digital assets and currencies, in an effort to maintain appropriate financial crime controls.
- We engage with regulators, policymakers and relevant international bodies, to improve the effectiveness of managing financial crime risk through changes to international standards, guidance and legislation, including seeking to address data privacy challenges.

Environmental, social and governance ('ESG') risks

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

- We may face credit and trading losses, liquidity impacts and/or impacts to our real estate portfolios if climate-related regulatory, legislative or technological developments impact customers' business models or if extreme weather events disrupt or interrupt customers' operations, resulting in financial difficulty for customers and/or stranded assets, and impacting their ability to repay their debts or secure insurance. Our customers may find that their business models fail to align to a net zero economy or face disruption to their operations or deterioration to their assets as a result of extreme weather. Operational risk may also increase if extreme weather events impact critical operations and premises.
- We may face regulatory compliance, legal, conduct and reputational risks resulting from the increasing pace, breadth and depth of climate-related regulatory expectations, including on the management of climate risk, and variations in external ESG-related reporting standards and taxonomies, requiring implementation in short timeframes across multiple jurisdictions. Such risks may also arise from how we decide to support our customers in high-emitting sectors in their transition to net zero, the preferences of different stakeholders in relation to our approach to the transition to net zero, and if we make insufficient progress in achieving HSBC Group's ESG-related ambitions, targets and commitments.

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

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

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

We may encounter financial reporting risks concerning our climate and ESG disclosures due to model limitations and the limited quality and consistency of available data. As methodologies, data, scenarios, and industry standards evolve with market practices, regulations, or scientific advancements, our ability to collect and process required data may be challenged, exposing us to financial reporting risk in relation to our climate and ESG disclosures. This could result in the Group having to re-evaluate its progress towards its ESG-related

Risk review

ambitions, targets and commitments in the future, resulting in reputational, regulatory compliance and legal risk.

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

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

Mitigating actions

- In line with HSBC Group, we continue to develop our climate risk management capabilities across four key pillars: governance and risk appetite, risk management, stress testing and scenario analysis, and disclosures.
- We continue to enhance our approach to managing and mitigating the risk of greenwashing.
- We implement the HSBC Group's sustainability risk policies which form part of the HSBC Group's broader risk management framework and are important mechanisms for managing risks, including delivering the HSBC Group's net zero ambition. HSBC Group's sustainability risk policies focus on mitigating reputational, credit, legal and other risks related to our customers' environmental and social impacts.
- We continue to develop our understanding of nature-related risks in line with European regulatory expectations, initially focusing on HSBC Continental Europe.
- In 2025, the HSBC Group continued to focus on its approach to human rights risk management relating to the goods and services we buy from third parties and in respect of our business customers.
- The scope of the HSBC Group's financial reporting risk framework includes oversight of the accuracy and completeness of climate and ESG-related disclosures. Our risk appetite statement aligns to the HSBC Group risk appetite statement and references our climate and ESG-related disclosures. Our internal controls incorporate requirements for addressing the risk of misstatement in climate and ESG-related disclosures. We developed a framework to support the implementation of controls for climate and ESG-related disclosures, which includes areas such as process and data governance, and risk assessment.
- We continue to engage with our customers, investors and regulators on the management of climate and ESG risks. The HSBC Group also engage with initiatives, including the Climate Financial Risk Forum to help with informing developing practice for climate risk management.

► For further details of our approach to climate risk management, see 'Climate risk' on page 64.

Digitalisation and technological advances risk

Developments in technology and changes to regulations are enabling new entrants to the industry, particularly with respect to payments. This challenges us to innovate, enhance efficiency, and adapt our products to attract and retain customers, which may require increased investment to meet evolving customer needs. We also aim to ensure that new digital capabilities do not weaken our resilience or wider risk management capabilities.

New technologies such as GenAI, large language models, blockchain, and quantum computing not only offer both business opportunities but also pose potential risks for the group. As with the use of all technologies, we aim to maximise their potential while seeking to

ensure a control environment is in place to help manage the inherent risks.

Mitigating actions

- We continue to monitor this emerging risk and advances in technology, as well as changes in customer behaviours, to understand how these may impact our business.
- We assess new technologies to help develop appropriate controls and maintain resilience.
- We closely monitor and assess financial crime risk and the impact on payment transparency and wider payment infrastructure.
- We conduct risk assessments and have governance in place, for example on AI and digital assets and currencies, to help enable Group-wide cross-risk focus on areas of emerging technology.
- We seek to be transparent as to how we are engaging with new technology innovation by publishing HSBC's Principles for the Ethical Use of Data and AI.
- We continue to make improvements to our related policies and to our control framework to enhance the end-to-end management of risks from new technology innovations.

Internally driven

Risks associated with workforce capability, capacity and environmental factors with potential impact on growth

Our business segments and functions are exposed to risks associated with workforce capacity challenges, including challenges to retain, develop and attract leaders and high-performing employees in key labour markets, the evolving skills requirements of our workforce and compliance with employment laws and regulations. Failure to manage these risks may have an impact on the delivery of our strategic objectives. It could also result in poor customer outcomes or a breach of employment laws and regulations, which may lead to regulatory sanctions or legal claims.

Mitigating actions

- We seek to promote an inclusive workforce and provide health and wellbeing support. We continue to build our speak-up culture through active campaigns.
- We monitor hiring activities and levels of employee attrition, with each business and function putting in place plans to help ensure they have effective workforce forecasting to meet business demands.
- We monitor people risks that could arise due to the implementation of organisational restructuring, seeking to ensure that we manage redundancies sensitively and support impacted employees. We encourage our people leaders to focus on talent retention at all levels, with an empathetic mindset and approach, while ensuring the whole proposition of working at HSBC is well understood.
- Our Future Skills curriculum aims to provide skills that enable employees and the group to be successful in the future.
- We develop succession plans for key management roles, with oversight from the group's Executive Committee.
- We have introduced 'How We Lead', a new Group-wide leadership framework designed to shape the way we operate. This initiative brings with it a new set of Leadership Principles, and we expect it to drive meaningful changes in our ways of working across the organisation.

Strategic execution risk

Effective management of strategic execution risk is essential to delivering our strategy, fulfilling shareholder expectations, and sustaining stakeholder confidence. To achieve the HSBC Group's strategic commitments, it is essential to engage in effective financial resource planning that helps ensure safe and sustainable delivery of strategic outcomes. Strategic execution risk remains elevated due to the complexity and scale of ongoing strategic, regulatory and technological change. It is critical to uphold and enhance strategic execution risk controls and monitoring.

Risk review

Mitigating actions

- We have refreshed our Strategic Risk Policy to strengthen control requirements.
- We have clarified strategic execution risk management requirements and oversight accountabilities.
- The Group Finance Management Meeting oversees the prioritisation and funding, strategic alignment, and management of strategic execution risk for transformative initiatives, including those in Europe. Additionally, the European Change Entity Oversight Forum provides oversight to a number of strategic and regulatory change initiatives, directly supervising its mobilisation and delivery.
- We have updated our strategic execution risk metrics and reporting to support improved monitoring and oversight of performance.

Model risk

Model risk arises whenever business decision making includes reliance on models. We use models in both financial and non-financial contexts, as well as in a range of business applications such as customer selection, product pricing, financial crime transaction monitoring, creditworthiness evaluation and financial reporting. Assessing model performance is a continuous undertaking including both regular monitoring of the model's performance and more fundamental reviews of the model construct and data.

Model risk remains a key area of focus given the regulatory scrutiny in this area, with local regulatory exams taking place in the European markets and uplifted requirements from the UK PRA's supervisory statement 1/23 ('SS1/23') being implemented.

We continued to prioritise the redevelopment of internal ratings-based ('IRB'), internal model approach ('IMA') and internal model methods ('IMM') models, as part of the IRB repair, Basel 3.1 and Fundamental Review of the Trading Book programmes. We have a key focus on enhancing the quality of data used as model inputs and ensuring that models adhere to both the letter and spirit of the regulation. Some models have been approved and a number are pending approval decisions from the PRA and the ECB. We are a year into a major project to redevelop our Wholesale IRB models which are expected to be submitted for regulatory approval over the next two years. Should the agreed timelines not be met, there is a potential risk of requirements to hold additional capital or fines being applied by regulators.

Focus remains on artificial intelligence ('AI') and machine learning models given the rapid pace of technological advances, including the development of GenAI and agentic AI (autonomous systems powered by AI agents). AI is driving significant changes in modelling techniques, and regulators across the globe are beginning to publish regulations and guidance.

Mitigating actions

- We are investing in the redevelopment of our IRB models used in our wholesale businesses to enhance our modelling capability and help ensure we meet regulatory expectations for the adoption of Basel 3.1 requirements.
- We further enhanced our Model Risk Management ('MRM') framework to meet the requirements of the PRA's SS1/23 with a programme of work in progress to implement these changes across our model landscape.
- We completed the identification of tools that meet the definition of Deterministic Quantitative Methods ('DQMs'), which are complex and material calculators, and although not technically models, they present similar risks. We have now commenced a programme for uplifting the controls for these DQMs.
- We made changes to our Model Risk Governance committees at the Group, business and functional levels as part of our organisational simplification, to help ensure they continue to provide effective and efficient oversight of model risk.
- Model Risk Management works closely with businesses to support the development of IRB/IMM/IMA/IFRS 9/stress testing models by providing independent validation and review and challenge in order to help meet risk management, pricing, capital management, and credit risk measurement needs.

- Additional assurance work is performed by the model risk governance teams, which act as second lines of defence. The teams test whether controls implemented by model users comply with model risk policy and if model risk procedures are adequate.
- Models using AI or GenAI techniques are reviewed by the relevant risk teams and monitored by the business to help ensure that identified risks have adequate oversight and review. A framework has been developed to manage the range of risks that are generated by these advanced techniques and to recognise the multidisciplinary nature of these risks.
- We have enhanced our inventory control to apply heightened scrutiny of agentic AI use cases before deployment.

Data risk

We use multiple systems and an increasing volume of data to support our customers. Risk arises if data is incorrect, unavailable, misused or unprotected. Like other banks and financial institutions, we must comply with external regulatory obligations and laws governing data, such as the Basel Committee on Banking Supervision's 239 ('BCBS239') principles and the UK/EU General Data Protection Regulation.

Mitigating actions

- We actively monitor the quality, availability, and security of data that supports our customers and internal processes, seeking to address any identified issues.
- We continue to make regular improvements to our data policies and control framework, including trusted sources, data flows, and data quality, to enhance comprehensive management of data risk. We seek to protect customer data through our data privacy processes and controls, which set practices, design principles, and guidelines to help ensure compliance with data privacy laws and regulations at the regional and entity level.
- We have established a comprehensive Risk Data Aggregation and Risk Reporting framework, seeking to ensure compliance with the BCBS239 principles.
- We continue to modernise our data and analytics infrastructure through investments in cloud technology, data visualisation, machine learning and AI.
- We provide regular mandatory training globally to educate our employees on data risk management, seeking to ensure they know how to process and protect data effectively.

Risks arising from the receipt of services from third parties

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

Mitigating actions

We continue to:

- monitor the effectiveness of the controls operated by our third-party providers and request third-party control reports, where required;
- develop the management of our intra-group arrangements using equivalent control requirements as we apply to external third-party arrangements;
- strengthen our due diligence and monitoring capabilities in respect of the financial stability of our third parties;
- strengthen third-party risk oversight across all non-financial risks and to enhance our processes and framework;
- enhance reporting capabilities to help improve the visibility of risk and enable more robust management of our material third parties by our business segments and functions; and
- implement changes required by new regulations.

Risk review

Our material banking and insurance risks

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

Description of risks – banking operations

Risks	Arising from	Measurement, monitoring and management of risk
Credit risk (see page 23) Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract.	Credit risk arises principally from direct lending, trade finance and leasing business, but also from other products such as guarantees and derivatives.	Credit risk is: – measured as the amount that could be lost if a customer or counterparty fails to make repayments; – monitored using various internal risk management measures and within limits approved by individuals within a framework of delegated authorities; and – managed through a risk control framework, which seeks to outline clear and consistent policies, principles and guidance for risk managers; and by setting limits and appetite across geographical markets, portfolios or sectors.
Treasury risk (see page 56) Treasury risk is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements, including the risk of an adverse impact on earnings or capital due to structural and transactional foreign exchange exposures and changes in market interest rates, together with pension and insurance risks.	Treasury risk arises from changes to the respective resources and risk profiles driven by customer behaviour, management decisions or the external environment.	Treasury risk is: – measured through risk appetite and more granular limits, set to provide an early warning of increasing risk, minimum ratios of relevant regulatory metrics, and metrics to monitor the key risk drivers impacting treasury resources; – monitored and projected against appetites and by using operating plans based on strategic objectives together with stress and scenario testing; and – managed through control of resources in conjunction with risk profiles, strategic objectives and cash flows.
Market risk (see page 62) Market risk is the risk of an adverse financial impact on trading activities arising from changes in market parameters such as interest rates, foreign exchange rates, asset prices, volatilities, correlations and credit spreads.	Market risk arises from both trading portfolios and non-trading portfolios. Market risk for trading portfolios is discussed in the Market risk section on page 62. Market risk for non-trading portfolios is discussed in the Treasury risk section on page 56. Market risk exposures arising from our insurance operations are discussed on page 69.	Market risk is: – measured using sensitivities, value at risk ('VaR') and stress testing, giving a detailed picture of potential gains and losses for a range of market movements and scenarios, as well as tail risks over specified time horizons; – monitored using VaR, stress testing and other measures; and – managed using risk limits approved by the Group Risk Management Meeting and the risk management meetings in various business segments.
Climate risk (see page 64) Climate risk relates to the financial and non-financial impacts that may arise as a result of climate change and the move to a net zero economy	Climate risk can materialise through: – physical risk, which arises from the increased frequency and severity of extreme weather events, such as hurricanes and floods, or chronic gradual shifts in weather patterns or rises in the sea level; – transition risk, which arises from the process of moving to a net zero economy, including changes in government policy and legislation, technology, market demand, and reputational implications triggered by a change in stakeholder expectations, action or inaction; and – the risk of greenwashing, which arises from the act of knowingly or unknowingly making inaccurate, unclear, misleading or unsubstantiated claims regarding sustainability to stakeholders.	Climate risk is: – measured using risk metrics and stress testing; – monitored against risk appetite statements; – managed through adherence to risk appetite thresholds, through specific policies; and through enhancements to processes and development of tools; and – this includes the development of product controls to manage the risk of greenwashing and the development of portfolio steering capabilities to manage our net zero ambitions.
Resilience risk, including cybersecurity risk (see page 66) Resilience risk is the risk of sustained and significant business disruption causing the inability to provide critical services to our customers, affiliates, and counterparties.	Resilience risk arises from failures or inadequacies in processes, people, systems or external events.	Resilience risk is: – measured using a range of metrics and against our agreed risk appetite; – monitored through oversight of enterprise processes, risks, controls and strategic change programmes; and – managed by continual monitoring and thematic reviews.

Risk review

Description of risks – banking operations (continued)

Risks	Arising from	Measurement, monitoring and management of risk
Regulatory compliance risk (see page 67) Regulatory compliance risk is the risk associated with breaching our duty to clients and other counterparties, inappropriate market conduct (including unauthorised trading) and breaching related financial services regulatory standards.	Regulatory compliance risk arises from the failure to observe relevant laws, codes, rules and regulations, potentially resulting in adverse market or conduct outcomes, fines, penalties and reputational harm.	Regulatory compliance risk is: – assessed and measured with reference to risk appetite, identified metrics, incident assessments, regulatory feedback and the judgement of our regulatory compliance teams; – monitored against the first line of defence risk and control assessments and testing, alongside the outcome of the second line of defence monitoring and control assurance activities, as well as internal and external audits and regulatory inspections; and – managed by establishing and communicating appropriate policies and procedures, training employees accordingly, and monitoring activities to help ensure compliance.
Financial crime risk (see page 67) Financial crime risk is the risk that the group's products and services will be exploited for criminal activity. This includes fraud, bribery and corruption, tax evasion and the facilitation of tax evasion, sanctions and export control violations and evasion, money laundering, terrorist financing and proliferation financing.	Financial crime risk arises from day-to-day banking operations involving customers, third parties and employees.	Financial crime risk is: – measured by reference to risk appetite, identified metrics, incident assessments, regulatory feedback and the judgement of, and assessment by, our financial crime teams; – monitored against the first line of defence risk and control assessments, and the results of the monitoring and control assurance activities of the second line of defence functions; and – managed by establishing and communicating appropriate policies and procedures, training employees and monitoring activity to help embed them. Proactive risk control and/or remediation work is undertaken where required.
Model risk (see page 68) Model risk is the risk of the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions.	Model risk arises in both financial and non-financial contexts whenever business decision making includes reliance on models.	Model risk is: – measured by reference to model performance tracking and the output of detailed technical reviews and regulatory feedback, with key metrics including model validation outcomes and monitoring results; – monitored against model risk appetite statements, insight from the independent validations completed by the model risk management team; and – managed by creating and communicating appropriate policies, procedures and guidance, training colleagues in their application, supervising their adoption to help ensure operational effectiveness, and ensuring models are approved for use.

Our insurance manufacturing subsidiaries are regulated separately from our banking operations. Risks in our insurance entities are managed using methodologies and processes that are subject to group oversight. Our insurance operations are also subject to

many of the same risks as our banking operations, and these are covered by the group's risk management processes. However, there are specific risks inherent to the insurance operations as noted below.

Description of risks – insurance manufacturing operations

Risks	Arising from	Measurement, monitoring and management of risk
Financial risk (see page 69) For insurance entities, financial risk includes the risk of not being able to effectively match liabilities arising under insurance contracts with appropriate investments and that the expected sharing of financial performance with policyholders under certain contracts is not possible.	Exposure to financial risk arises from: – market risk affecting the fair values of financial assets or their future cash flows; – credit risk; and – liquidity risk of entities being unable to make payments to policyholders as they fall due.	Financial risk is: – measured for market risk, in terms of fluctuation in key financial reporting metrics; credit risk, in terms of the market value that could be lost if a counterparty fails to make repayments; and for liquidity risk, in terms of internal metrics including stressed operational cash flow projections; – monitored through a framework of approved limits and delegated authorities; and – managed through a risk control framework, which seeks to outline clear and consistent policies, principles and guidance. This includes using product design, asset liability matching and bonus rates.
Insurance risk (see page 69) Insurance risk is the risk that, over time, the cost of insurance policies written, including claims and benefits, may exceed the total amount of premiums and investment income received.	The cost of claims and benefits can be influenced by many factors, including mortality and morbidity experience, as well as lapse and surrender rates.	Insurance risk is: – measured in terms of the variance between actual experience and expected assumptions and impact on key financial reporting metrics; – monitored through a framework of approved limits and delegated authorities; and – managed through a risk control framework, which seeks to outline clear and consistent policies, principles and guidance. This includes using product design, underwriting, reinsurance and claims-handling procedures.

Credit risk

► See page 21 for our definition of Credit risk.

Credit risk management

Key developments in 2025

There were no material changes to the policies and practices for the management of credit risk in 2025. We continued to apply the requirements of IFRS 9 'Financial Instruments' within the Credit Risk sub-function.

We actively managed the risks related to macroeconomic uncertainties, including interest rates, inflation, fiscal and monetary policy, broader geopolitical uncertainties and conflicts.

► For further details, see 'Top and emerging risks' on page 16.

Governance and structure

We have established HSBC Group-wide credit risk management and related IFRS 9 processes. We continue to assess the impact of economic developments in key markets on specific customers, customer segments or portfolios. As credit conditions change, we take mitigating actions, including the revision of risk appetites or limits and tenors, as appropriate. In addition, we continue to evaluate the terms under which we provide credit facilities within the context of individual customer requirements, the quality of the relationship, local regulatory requirements, market practices and our local market position.

Credit Risk sub-function

(Audited)

Credit approval authorities are delegated by the Board to the Chief Executive together with the authority to sub-delegate them. The Credit risk sub-function in Risk is responsible for the key policies and processes for managing credit risk, which include formulating credit policies and risk rating frameworks, guiding the appetite for credit risk exposures, undertaking independent reviews and objective assessment of credit risk, and monitoring performance and management of portfolios.

The principal objectives of our credit risk management are:

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

Key risk management processes

IFRS 9 'Financial Instruments' process

The IFRS 9 process comprises three main areas: modelling, data and forward economic guidance; implementation; and governance.

Modelling, data and forward economic guidance

The HSBC Group has established IFRS 9 modelling and data processes in various geographies, which are subject to internal model risk governance including independent review of significant model developments.

We have a centralised process for generating unbiased and independent global economic scenarios. Scenarios are subject to a process of review and challenge by a dedicated central team, and individually for each region. Each quarter, the scenarios and probability weights are reviewed and checked for consistency with the economic conjuncture and current economic and financial risks. These are subject to final review and approval by senior management in a forward economic guidance global business impairment committee.

Implementation

A centralised impairment engine performs the expected credit losses calculation using data, which is subject to a number of validation checks and enhancements, from a variety of client, finance and risk systems. Where possible, these checks and processes are performed in a globally consistent and centralised manner.

Governance

Management review forums are established in order to review and approve the impairment results. Regional management review forums have representatives from Credit Risk and Finance. Required members of the forums are the heads of Wholesale Credit, Market Risk, and Wealth and Personal Banking Risk, as well as the global business Chief Financial Officers and the Chief Accounting Officer.

Concentration of exposure

(Audited)

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is similarly affected by changes in economic, political or other conditions. The group uses a number of controls and measures to minimise undue concentration of exposure in the group's portfolios across industry, country and customer groups. These include portfolio and counterparty limits, approval and review controls, and stress testing.

Credit quality of financial instruments

(Audited)

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

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

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

Wholesale lending

The CRR 10-grade scale summarises a more granular underlying 23-grade scale of obligor probability of default ('PD'). All corporate customers are rated using the 10- or 23-grade scale, depending on the degree of sophistication of the Basel approach adopted for the exposure.

Each CRR band is associated with an external rating grade by reference to long-run default rates for that grade, represented by the average of issuer-weighted historical default rates. This mapping between internal and external ratings is indicative and may vary over time.

Retail lending

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

Risk review

Credit quality classification

	Sovereign debt securities and bills	Other debt securities and bills	Wholesale lending and derivatives		Retail lending	
	External credit rating	External credit rating	Internal credit rating	12-month Basel probability of default %	Internal credit rating	12 month probability-weighted PD %
Quality classification^{1,2}						
Strong	BBB and above	A- and above	CRR1 to CRR2 ¹	0 – 0.169	Band 1 and 2	0.000 – 0.500
Good	BBB- to BB	BBB+ to BBB-	CRR3	0.170 – 0.740	Band 3	0.501 – 1.500
Satisfactory	BB- to B and unrated	BB+ to B and unrated	CRR4 to CRR5	0.741 – 4.914	Band 4 and 5	1.501 – 20.000
Sub-standard	B- to C	B- to C	CRR6 to CRR8	4.915 – 99.999	Band 6	20.001 – 99.999
Credit impaired	Default	Default	CRR9 to CRR10	100	Band 7	100

1 Customer risk rating ('CRR').

2 12-month point-in-time probability-weighted PD.

Quality classification definitions

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

Forborne loans and advances

(Audited)

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

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

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

Credit quality of forborne loans

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

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

Forborne loans and recognition of expected credit losses

(Audited)

Forborne loans expected credit loss assessments reflect the higher rates of losses typically experienced with these types of loans such that they are in stage 2 and stage 3. The higher rates are more pronounced in unsecured retail lending requiring further

segmentation. For wholesale lending, forborne loans are typically assessed individually. Credit risk ratings are intrinsic to the impairment assessments. The individual impairment assessment takes into account the higher risk of the future non-payment inherent in forborne loans.

Impairment assessment

(Audited)

- For details of our impairment policies on loans and advances and financial investments see Note 1.2(i) on the financial statements.

Write-off of loans and advances

(Audited)

Under IFRS 9, write-off should occur when there is no reasonable expectation of recovering further cash flows from the financial asset.

This principle does not prohibit early write-off, which is defined in local policies to ensure effectiveness in the management of customers in the collections process.

Unsecured personal facilities, including credit cards, are generally written off at between 150 and 210 days past due. The standard period runs until the end of the month in which the account becomes 180 days contractually delinquent. However, in exceptional circumstances, to avoid unfair customer outcomes, deliver customer duty or meet regulatory expectations, the period may be extended further.

For secured facilities, write-off should occur upon repossession of collateral, receipt of proceeds via settlement, or determination that recovery of the collateral will not be pursued. Where these assets are maintained on the balance sheet beyond 60 months of consecutive delinquency-driven default, the prospect of recovery is reassessed.

Recovery activity, on both secured and unsecured assets, may continue after write-off.

Any unsecured exposures which are not written off at 180 days past due ('DPD'), and any secured exposures which are in 'default' status for 60 months or greater but are not written off, are subject to additional monitoring via the appropriate governance forums.

Risk review

Credit risk in 2025

At 31 December 2025, gross loans and advances to banks and customers of £100b increased by £1.9b on a reported basis compared with 31 December 2024. This included total favourable foreign exchange movements of £2.7b. Excluding foreign exchange movements, the balance of personal gross loans and advances to customers decreased by £6.4b, this was mainly driven by the sale of the retained portfolio of home and other loans in France. This was partially offset by a £0.8b increase in wholesale gross loans and advances to customers, and a £4.7b increase in gross loans and advances to banks.

At 31 December 2025, the allowance for ECL excluding foreign exchange movements in relation to loans and advances to customers decreased by £178m from 31 December 2024.

This was attributable to:

- a £169m decrease in wholesale loans and advances to customers, which included a £161m in stage 3 and £13m in stages 1 and 2; partially offset by a £4m increase in purchased or originated credit-impaired ('POCI') loans; and

- a £9m decrease in personal loans and advances to customers, of which decrease of £10m was driven by stages 1 and 2 and £1m increase by stage 3.

The ECL charge for 2025 was £154m, inclusive of recoveries.

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. The allowance for ECL decreased from £925m at 31 December 2024 to £760m at 31 December 2025.

The allowance for ECL at 31 December 2025 comprised of £708m (2024: £867m) in respect of assets held at amortised cost; £52m (2024: £58m) in respect of loan and other credit related commitments, and financial guarantees; £3m (2024: £22m) in respect of debt instruments measured at FVOCI.

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

(Audited)

	31 Dec 2025		31 Dec 2024	
	Gross carrying/ nominal amount £m	Allowance for ECL ¹ £m	Gross carrying/ nominal amount £m	Allowance for ECL ¹ £m
The group				
Loans and advances to customers at amortised cost	80,558	(700)	83,524	(858)
Loans and advances to banks at amortised cost	19,351	(2)	14,524	(3)
Other financial assets measured at amortised cost	235,405	(6)	237,475	(6)
– cash and balances at central banks	101,443	—	119,184	—
– reverse repurchase agreements – non-trading	68,110	—	53,612	—
– financial investments	22,256	—	12,226	—
– assets held for sale	622	(4)	2,591	(3)
of which: loans and advances to customers	582	(4)	772	(3)
of which: loans and advances to banks	12	—	115	—
– prepayments, accrued income and other assets ²	42,974	(2)	49,862	(3)
Total gross carrying amount on-balance sheet	335,314	(708)	335,523	(867)
Loan and other credit-related commitments	140,696	(45)	121,764	(49)
Financial guarantees ³	2,809	(7)	2,876	(9)
Total nominal amount off-balance sheet⁴	143,505	(52)	124,640	(58)
	478,819	(760)	460,163	(925)
	Fair value £m	Memorandum allowance for ECL ⁵ £m	Fair value ⁶ £m	Memorandum allowance for ECL ⁵ £m
Debt instruments measured at fair value through other comprehensive income ('FVOCI')	44,216	(3)	46,649	(22)

- 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 92 comprises both financial and non-financial assets, including cash collateral and settlement accounts.
- 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.
- 6 Includes £6,776m related to French Life Insurance Business which was classified as assets held for sale as of 31 Dec 2024.

Risk review

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied (continued)
(Audited)

	31 Dec 2025		31 Dec 2024	
	Gross carrying/ nominal amount £m	Allowance for ECL ¹ £m	Gross carrying/ nominal amount £m	Allowance for ECL ¹ £m
The bank				
Loans and advances to customers at amortised cost	32,522	(142)	31,308	(392)
Loans and advances to banks at amortised cost	15,930	(1)	12,731	(1)
Other financial assets measured at amortised cost	149,885	(4)	165,387	(3)
– cash and balances at central banks	50,285	—	78,250	—
– reverse repurchase agreements – non-trading	45,432	—	34,394	—
– financial investments	19,415	—	14,217	—
– assets held for sale	328	(4)	532	(3)
of which: loans and advances to customers	325	(4)	526	(3)
– prepayments, accrued income and other assets ²	34,425	—	37,994	—
Total gross carrying amount on-balance sheet	198,337	(147)	209,426	(396)
Loan and other credit-related commitments	39,652	(11)	34,994	(21)
Financial guarantees ³	1,081	—	1,143	(3)
Total nominal amount off-balance sheet⁴	40,733	(11)	36,137	(24)
	239,070	(158)	245,563	(420)
	Fair value £m	Memorandum allowance for ECL ⁵ £m	Fair value £m	Memorandum allowance for ECL ⁵ £m
Debt instruments measured at fair value through other comprehensive income ('FVOCI')	22,753	(1)	19,978	(3)

- 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 92 comprises both financial and non-financial assets, including cash collateral and settlement accounts.
- 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 and bank'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 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 on 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.

Risk review

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

The group	Gross carrying/nominal amount ²					Allowance for ECL					ECL coverage %				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%	%	%	%
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 ¹	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
Loans and advances to customers at amortised cost	75,844	5,546	2,096	38	83,524	(56)	(107)	(677)	(18)	(858)	0.1	1.9	32.3	47.4	1.0
– personal	18,733	955	259	–	19,947	(14)	(19)	(79)	–	(112)	0.1	2.0	30.5	–	0.6
– corporate and commercial	41,386	4,375	1,628	38	47,427	(35)	(85)	(454)	(18)	(592)	0.1	1.9	27.9	47.4	1.2
– non-bank financial institutions	15,725	216	209	–	16,150	(7)	(3)	(144)	–	(154)	–	1.4	68.9	–	1.0
Loans and advances to banks at amortised cost	14,457	67	–	–	14,524	(2)	(1)	–	–	(3)	–	1.5	–	–	–
Other financial assets measured at amortised cost	237,375	59	41	–	237,475	(4)	–	(2)	–	(6)	–	–	4.9	–	–
Loan and other credit-related commitments	116,787	4,812	162	3	121,764	(14)	(24)	(11)	–	(49)	–	0.5	6.8	–	–
– personal	1,149	4	2	–	1,155	–	–	–	–	–	–	–	–	–	–
– corporate and commercial	58,281	3,775	146	3	62,205	(12)	(22)	(10)	–	(44)	–	0.6	6.8	–	0.1
– financial	57,357	1,033	14	–	58,404	(2)	(2)	(1)	–	(5)	–	0.2	7.1	–	–
Financial guarantees ¹	2,763	69	44	–	2,876	(2)	(1)	(6)	–	(9)	0.1	1.4	13.6	–	0.3
– personal	130	1	–	–	131	–	–	–	–	–	–	–	–	–	–
– corporate and commercial	1,288	43	43	–	1,374	(2)	(1)	(5)	–	(8)	0.2	2.3	11.6	–	0.6
– financial	1,345	25	1	–	1,371	–	–	(1)	–	(1)	–	–	100.0	–	0.1
At 31 Dec 2024	447,226	10,553	2,343	41	460,163	(78)	(133)	(696)	(18)	(925)	–	1.3	29.7	43.9	0.2

1 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.

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

Risk review

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

	Gross carrying/nominal amount ²					Allowance for ECL					ECL coverage %				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
The bank	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%	%	%	%
Loans and advances to customers at amortised cost	30,928	1,348	203	43	32,522	(16)	(11)	(93)	(22)	(142)	0.1	0.8	45.8	51.2	0.4
– personal	1,966	563	22	–	2,551	(2)	(2)	(2)	–	(6)	0.1	0.4	9.1	–	0.2
– corporate and commercial	16,267	616	133	43	17,059	(11)	(8)	(47)	(22)	(88)	0.1	1.3	35.3	51.2	0.5
– non-bank financial institutions	12,695	169	48	–	12,912	(3)	(1)	(44)	–	(48)	–	0.6	91.7	–	0.4
Loans and advances to banks at amortised cost	15,907	23	–	–	15,930	(1)	–	–	–	(1)	–	–	–	–	–
Other financial assets measured at amortised cost	149,853	15	17	–	149,885	–	–	(4)	–	(4)	–	–	23.5	–	–
Loan and other credit-related commitments	38,456	1,178	15	3	39,652	(8)	(2)	(1)	–	(11)	–	0.2	6.7	–	–
– personal	369	1	–	–	370	–	–	–	–	–	–	–	–	–	–
– corporate and commercial	16,970	420	15	3	17,408	(7)	(2)	(1)	–	(10)	–	0.5	6.7	–	0.1
– financial	21,117	757	–	–	21,874	(1)	–	–	–	(1)	–	–	–	–	–
Financial guarantees ¹	1,072	7	2	–	1,081	–	–	–	–	–	–	–	–	–	–
– personal	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– corporate and commercial	401	7	2	–	410	–	–	–	–	–	–	–	–	–	–
– financial	671	–	–	–	671	–	–	–	–	–	–	–	–	–	–
At 31 Dec 2025	236,216	2,571	237	46	239,070	(25)	(13)	(98)	(22)	(158)	–	0.5	41.4	47.8	0.1
Loans and advances to customers at amortised cost	29,149	1,503	619	37	31,308	(12)	(24)	(338)	(18)	(392)	–	1.6	54.6	48.6	1.3
– personal	2,009	586	20	–	2,615	(3)	(1)	(2)	–	(6)	0.1	0.2	10.0	–	0.2
– corporate and commercial	16,316	786	384	37	17,523	(6)	(21)	(182)	(18)	(227)	–	2.7	47.4	48.6	1.3
– non-bank financial institutions	10,824	131	215	–	11,170	(3)	(2)	(154)	–	(159)	–	1.5	71.6	–	1.4
Loans and advances to banks at amortised cost	12,696	35	–	–	12,731	(1)	–	–	–	(1)	–	–	–	–	–
Other financial assets measured at amortised cost	165,328	31	28	–	165,387	(1)	–	(2)	–	(3)	–	–	7.1	–	–
Loan and other credit-related commitments	33,110	1,827	54	3	34,994	(6)	(12)	(3)	–	(21)	–	0.7	5.6	–	0.1
– personal	338	1	2	–	341	–	–	–	–	–	–	–	–	–	–
– corporate and commercial	16,154	817	38	3	17,012	(5)	(10)	(2)	–	(17)	–	1.2	5.3	–	0.1
– financial	16,618	1,009	14	–	17,641	(1)	(2)	(1)	–	(4)	–	0.2	7.1	–	–
Financial guarantees ¹	1,111	24	8	–	1,143	–	–	(3)	–	(3)	–	–	37.5	–	0.3
– personal	–	1	–	–	1	–	–	–	–	–	–	–	–	–	–
– corporate and commercial	558	2	7	–	567	–	–	(2)	–	(2)	–	–	28.6	–	0.4
– financial	553	21	1	–	575	–	–	(1)	–	(1)	–	–	100.0	–	0.2
At 31 Dec 2024	241,394	3,420	709	40	245,563	(20)	(36)	(346)	(18)	(420)	–	1.1	48.8	45.0	0.2

1 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.

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

Risk review

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

(Audited)

At 31 Dec 2025	Gross carrying amount			Allowance for ECL			ECL coverage %		
	Stage 2	of which:	of which:	Stage 2	of which:	of which:	Stage 2	of which:	of which:
		1 to 29 DPD ^{1,2}	30 and > DPD ^{1,2}		1 to 29 DPD ^{1,2}	30 and > DPD ^{1,2}		1 to 29 DPD ^{1,2}	30 and > DPD ^{1,2}
The group	£m	£m	£m	£m	£m	£m	%	%	%
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	—	—	—	—	—	—
At 31 Dec 2024									
Loans and advances to customers at amortised cost	5,546	81	48	(107)	(3)	(1)	1.9	3.7	2.1
– personal	955	74	19	(19)	(3)	(1)	2.0	4.1	5.3
– corporate and commercial	4,375	6	28	(85)	—	—	1.9	—	—
– non-bank financial institutions	216	1	1	(3)	—	—	1.4	—	—
Loans and advances to banks at amortised cost	67	—	—	(1)	—	—	1.5	—	—
Other financial assets measured at amortised cost	59	—	—	—	—	—	—	—	—

1 Up-to-date accounts in stage 2 are not shown in amounts presented above.

2 The days past due amounts presented above are on a contractual basis.

Stage 2 days past due analysis

(Audited)

At 31 Dec 2025	Gross carrying amount			Allowance for ECL			ECL coverage %		
	Stage 2	of which:	of which:	Stage 2	of which:	of which:	Stage 2	of which:	of which:
		1 to 29 DPD ^{1,2}	30 and > DPD ^{1,2}		1 to 29 DPD ^{1,2}	30 and > DPD ^{1,2}		1 to 29 DPD ^{1,2}	30 and > DPD ^{1,2}
The bank	£m	£m	£m	£m	£m	£m	%	%	%
Loans and advances to customers at amortised cost	1,348	22	5	(11)	—	—	0.8	—	—
– personal	563	22	5	(2)	—	—	0.4	—	—
– corporate and commercial	616	—	—	(8)	—	—	1.3	—	—
– non-bank financial institutions	169	—	—	(1)	—	—	0.6	—	—
Loans and advances to banks at amortised cost	23	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost	15	—	—	—	—	—	—	—	—
At 31 Dec 2024									
Loans and advances to customers at amortised cost	1,503	19	8	(24)	—	—	1.6	—	—
– personal	586	18	8	(1)	—	—	0.2	—	—
– corporate and commercial	786	1	—	(21)	—	—	2.7	—	—
– non-bank financial institutions	131	—	—	(2)	—	—	1.5	—	—
Loans and advances to banks at amortised cost	35	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost	31	—	—	—	—	—	—	—	—

1 Up-to-date accounts in stage 2 are not shown in amounts presented above.

2 The days past due amounts presented above are on a contractual basis.

Risk review

Stage 2 decomposition

The following table presents the stage 2 decomposition of gross carrying amount and allowances for ECL for loans and advances to customers and banks. It also sets out the reasons why an exposure is classified as stage 2 and therefore presented as a significant increase in credit risk at 31 December 2025.

The quantitative classification shows gross carrying amount and allowances for ECL for which the applicable reporting date PD measure exceeds defined quantitative thresholds for

retail and wholesale exposures, as set out in Note 1.2 'Summary of material accounting policies', on page 101.

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

► A summary of our current policies and practices for the significant increase in credit risk is set out in 'Summary of material accounting policies' on page 101.

Loans and advances to customers and banks¹

	At 31 Dec 2025									
	Gross carrying amount					Allowance for ECL				
	Loans and advances to customers					Loans and advances to customers				
	Personal	Corporate and commercial	Non-bank financial institutions	Loans and advances to banks at amortised cost	Total stage 2	Personal	Corporate and commercial	Non-bank financial institutions	Loans and advances to banks at amortised cost	Total stage 2
The group	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Quantitative	637	1,582	149	44	2,412	(6)	(36)	(2)	—	(44)
Qualitative	164	1,786	568	7	2,525	(5)	(30)	(2)	(1)	(38)
– of which: forbearance	—	191	75	—	266	—	(3)	—	—	(3)
30 DPD backstop	1	19	8	—	28	—	—	—	—	—
Total stage 2	802	3,387	725	51	4,965	(11)	(66)	(4)	(1)	(82)
ECL coverage %	1.4	1.9	0.6	2.0	1.7					
The bank	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Quantitative	459	286	122	23	890	(2)	(4)	—	—	(6)
Qualitative	104	330	47	—	481	—	(4)	(1)	—	(5)
– of which: forbearance	—	—	—	—	—	—	—	—	—	—
30 DPD backstop	—	—	—	—	—	—	—	—	—	—
Total stage 2	563	616	169	23	1,371	(2)	(8)	(1)	—	(11)
ECL coverage %	0.4	1.3	0.6	—	0.8					

At 31 Dec 2024										
The group	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Quantitative	776	2,135	126	64	3,101	(18)	(37)	(2)	—	(57)
Qualitative	174	2,225	89	3	2,491	(1)	(48)	(1)	(1)	(51)
– of which: forbearance	—	422	—	—	422	—	(3)	—	—	(3)
30 DPD backstop	5	15	1	—	21	—	—	—	—	—
Total stage 2	955	4,375	216	67	5,613	(19)	(85)	(3)	(1)	(108)
ECL coverage %	2.0	1.9	1.4	1.5	1.9					
The bank	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Quantitative	418	478	86	35	1,017	(1)	(9)	(2)	—	(12)
Qualitative	167	308	45	—	520	—	(12)	—	—	(12)
– of which: forbearance	—	—	—	—	—	—	—	—	—	—
30 DPD backstop	1	—	—	—	1	—	—	—	—	—
Total stage 2	586	786	131	35	1,538	(1)	(21)	(2)	—	(24)
ECL coverage %	0.2	2.7	1.5	—	1.6					

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

Credit exposure

Maximum exposure to credit risk

(Audited)

This section provides information on balance sheet items and their offsets as well as loan and other credit-related commitments.

Other credit risk mitigants

While not disclosed as an offset in the following 'Maximum exposure to credit risk' table, other arrangements are in place that reduce our maximum exposure to credit risk. These include a charge over collateral on borrowers' specific assets, such as residential properties, collateral held in the form of financial instruments that are not held on the balance sheet and short positions in securities. In addition, for financial assets held as part of linked insurance/investment contracts the credit risk is predominantly borne by the policyholder. See Note 28 on the financial statements for further details of collateral in respect of certain loans and advances and derivatives.

Collateral available to mitigate credit risk is disclosed in the 'Collateral and other credit enhancements' section on page 52.

The following table presents our maximum exposure before taking account of any collateral held or other credit enhancements (unless such enhancements meet accounting offsetting requirements).

The table excludes trading assets, financial assets designated and otherwise mandatorily measured at fair value through profit or loss, and financial investments measured at fair value through other comprehensive income as their carrying amount best represents the net exposure to credit risk. Equity securities are also excluded as they are not subject to credit risk.

For the financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount and is net of the allowance for ECL. For financial guarantees and other guarantees granted, it is the maximum amount that we would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments, it is generally the full amount of the committed facilities.

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

Maximum exposure to credit risk

(Audited)

	At 31 Dec 2025			At 31 Dec 2024		
	Maximum exposure £m	Offset £m	Net £m	Maximum exposure £m	Offset £m	Net £m
The group						
Loans and advances to customers held at amortised cost	79,858	(8,465)	71,393	82,666	(8,897)	73,769
– personal	13,957	—	13,957	19,835	—	19,835
– corporate and commercial	44,676	(7,626)	37,050	46,835	(7,942)	38,893
– non-bank financial institutions	21,225	(839)	20,386	15,996	(955)	15,041
Loans and advances to banks at amortised cost	19,349	—	19,349	14,521	—	14,521
Other financial assets held at amortised cost	235,202	(4,687)	230,515	235,130	(4,082)	231,048
– cash and balances at central banks	101,443	—	101,443	119,184	—	119,184
– reverse repurchase agreements – non-trading	68,110	(4,687)	63,423	53,612	(4,082)	49,530
– financial investments	22,256	—	22,256	12,226	—	12,226
– prepayments, accrued income and other assets	43,393	—	43,393	50,108	—	50,108
Assets held for sale	5,558	—	5,558	21,606	—	21,606
Derivatives	168,585	(167,770)	815	198,172	(195,301)	2,871
Total on-balance sheet exposure to credit risk	508,552	(180,922)	327,630	552,095	(208,280)	343,815
Total off-balance sheet	171,549	—	171,549	150,262	—	150,262
– financial and other guarantees	24,954	—	24,954	22,305	—	22,305
– loan and other credit-related commitments	146,595	—	146,595	127,957	—	127,957
Total	680,101	(180,922)	499,179	702,357	(208,280)	494,077

	£m	£m	£m	£m	£m	£m
The bank						
Loans and advances to customers held at amortised cost	32,380	(8,465)	23,915	30,916	(8,884)	22,032
– personal	2,545	—	2,545	2,609	—	2,609
– corporate and commercial	16,971	(7,626)	9,345	17,296	(7,942)	9,354
– non-bank financial institutions	12,864	(839)	12,025	11,011	(942)	10,069
Loans and advances to banks at amortised cost	15,929	—	15,929	12,730	—	12,730
Other financial assets held at amortised cost	149,790	(4,586)	145,204	164,954	(3,077)	161,877
– cash and balances at central banks	50,285	—	50,285	78,250	—	78,250
– reverse repurchase agreements – non-trading	45,432	(4,586)	40,846	34,394	(3,077)	31,317
– financial investments	19,415	—	19,415	14,217	—	14,217
– prepayments, accrued income and other assets	34,658	—	34,658	38,093	—	38,093
Assets held for sale	315	—	315	527	—	527
Derivatives	147,581	(147,577)	4	183,658	(183,655)	3
Total on-balance sheet exposure to credit risk	345,995	(160,628)	185,367	392,785	(195,616)	197,169
Total off-balance sheet	48,854	—	48,854	43,444	—	43,444
– financial and other guarantees	8,595	—	8,595	7,914	—	7,914
– loan and other credit-related commitments	40,259	—	40,259	35,530	—	35,530
Total	394,849	(160,628)	234,221	436,229	(195,616)	240,613

Concentration of exposure

Our business segments offer a broad range of products. We operate in a number of markets with the majority of our exposures in the UK and France.

For an analysis of:

- financial investments, see Note 15 on the financial statements;
- trading assets, see Note 10 on the financial statements;
- derivatives, see page 55 and Note 14 on the financial statements; and
- loans and advances by industry sector, see page 54 for wholesale lending and page 56 for personal lending.

Credit deterioration of financial instruments

(Audited)

- A summary of our current policies and practices regarding the identification, treatment and measurement of stage 1, stage 2, stage 3 (credit impaired) and POCI financial instruments can be found in Note 1.2(i) on the financial statements.

Measurement uncertainty and sensitivity analysis of ECL estimates

(Audited)

The recognition and measurement of ECL involves the use of significant judgement and estimation. We form multiple 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 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 31 December 2025, four economic 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 created using the latest economic forecasts and distributional estimates, each quarter.

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

The consensus outer scenarios represent short-term cyclical deviations from the Central scenario, where variable paths converge back to long-term trend expectations. They are calibrated to a 10% probability.

HSBC's Central scenario assumes that the effects of announced climate measures, carbon pricing and green levies are incorporated into economic forecasts where their short-term effects are known from enacted legislation, or may be reasonably projected from current trends and statutory targets.

Variable paths and projections aligned to long-term climate outcomes, but which are dependent on additional policy adjustments, carry greater uncertainty.

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

In most circumstances, the alignment of weightings with the calibrated probability of 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.

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 the 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 incorporates higher growth forecasts for 2026 relative to the fourth quarter of 2024, in most of our major markets. The change in forecasts for 2027 is more mixed, reflecting differing regional dynamics. The scenario is modelled consistent with a US tariff rate, measured as an effective trade-weighted average, of 15% at the start of 2026. That rate has fallen in recent months to reflect the lowering of US tariff rates on imports from mainland China, the conclusion of a trade agreement with Switzerland and targeted tariff exemptions on key products.

In the UK forecasts have deteriorated as unemployment has risen and both household and business confidence has weakened.

Global GDP is expected to grow by 2.5% in 2026 in the Central scenario, and the average rate of global GDP growth is forecast to be 2.6% over the five-year forecast period.

The key features of our Central scenario are:

- Forecast GDP growth has improved since the fourth quarter of 2024, although the outlook still envisages either a slowdown or stabilisation in growth in 2026, relative to 2025, for most markets.
- In most markets, unemployment is forecast to rise moderately in 2026 in line with slower economic activity and subdued hiring. It will remain relatively low by historical standards.
- The evolution of inflation is mixed. In the UK, inflation is expected to fall gradually but remains above central bank target rates through 2026, reflecting higher tariffs in the US and the effects of services price inflation.
- House prices are projected to remain positive, but subdued in the UK.
- Challenging conditions are also forecast to continue in certain segments of the commercial property sector in a number of our major markets. Structural changes to demand in the office segment in particular have driven lower valuations.
- Policy interest rates in major markets are forecast to gradually decline further in 2026. In the longer term, they are expected to remain at a higher level than in recent years.
- The Brent crude oil price is forecast to average around \$65 per barrel over the projection period.

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

Risk review

The following tables describe key macroeconomic variables in the consensus Central scenario.

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 a projected period of 20 quarters 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 also incorporates lower unemployment and higher asset prices than incorporated in the Central scenario. Inflation accelerates modestly, driven by increased investment and higher consumption spending.

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

The following tables describe key macroeconomic variables in the consensus Upside scenario.

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 The lowest projected unemployment in the scenario.
- 3 The highest projected policy rate and year-on-year percentage change in inflation in the scenario.

Consensus Central scenario 2025–2029 (as at 4Q24)

	UK	France
GDP (annual average growth rate, %)		
2025	1.2	0.9
2026	1.3	0.9
2027	1.8	1.4
2028	1.6	1.5
2029	1.6	1.4
5-year average ¹	1.5	1.2
Unemployment rate (%)		
2025	4.9	7.5
2026	4.7	7.3
2027	4.5	7.2
2028	4.3	7.0
2029	4.3	7.0
5-year average ¹	4.5	7.2
House prices (annual average growth rate, %)		
2025	1.4	2.1
2026	3.8	4.4
2027	4.6	4.4
2028	3.5	3.8
2029	2.7	3.1
5-year average ¹	3.2	3.6
Inflation (annual average growth rate, %)		
2025	2.4	1.2
2026	2.1	1.6
2027	2.1	2.0
2028	2.0	2.3
2029	2.0	2.2
5-year average ¹	2.1	1.9
Central bank policy rate (annual average, %)		
2025	4.2	2.1
2026	3.9	1.8
2027	3.8	2.0
2028	3.7	2.0
2029	3.7	2.1
5-year average ¹	3.9	2.0

1 The five-year average is calculated over a projected period of 20 quarters from 1Q25 to 4Q29.

Consensus Upside scenario 2025–2029 (as at 4Q24)

	UK	France
GDP level (% start-to-peak)¹	11.3 (4Q29)	8.9 (4Q29)
Unemployment rate (% min)²	3.5 (3Q26)	6.4 (4Q26)
House price index (% start-to-peak)¹	24.2 (4Q29)	22.8 (4Q29)
Inflation rate (YoY % change, min)³	1.4 (1Q26)	0.1 (4Q25)
Central bank policy rate (% min)³	3.6 (4Q25)	1.4 (3Q25)

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

Downside scenarios

Downside scenarios explore the intensification and crystallisation of key risk themes and are modelled so that economic shocks drive consumption and investment lower and commodity prices fall. For most markets, inflation and interest rates are lower compared with the Central scenario.

Key downside risks include:

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

Risk review

The consensus Downside scenario

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

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

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

The following tables describe key macroeconomic variables in the consensus Downside scenario.

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) ³	1.3 (3Q26)	0.4 (4Q26)
Central bank policy rate (%) 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 in the scenario.
- 3 The lowest projected policy rate and year-on-year percentage change in inflation in the scenario.

Consensus Downside scenario 2025-2029 (as at 4Q24)

	UK	France
GDP level (% , start-to-trough) ¹	(1.0) (4Q26)	(0.6) (1Q26)
Unemployment rate (% , max) ²	6.1 (4Q25)	8.3 (3Q25)
House price index (% , start-to-trough) ¹	(4.5) (1Q26)	(0.3) (1Q25)
Inflation rate (YoY % change, max) ³	3.4 (4Q25)	2.6 (3Q25)
Central bank policy rate (% , max) ³	5.0 (1Q25)	3.2 (1Q25)

- 1 Cumulative change to the lowest level of the series during the 20-quarter projection.
- 2 The highest projected unemployment in the scenario.
- 3 The 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. The subsequent drop in demand leads to a steep fall in commodity prices, and a rapid increase in unemployment.

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

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

The following tables describe key macroeconomic variables in the Downside 2 scenario.

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) ³	(1.9) (4Q26)	(0.6) (4Q26)
Central bank policy rate (%) 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 in the scenario.
- 3 The lowest projected policy rate and year-on-year percentage change in inflation in the scenario.

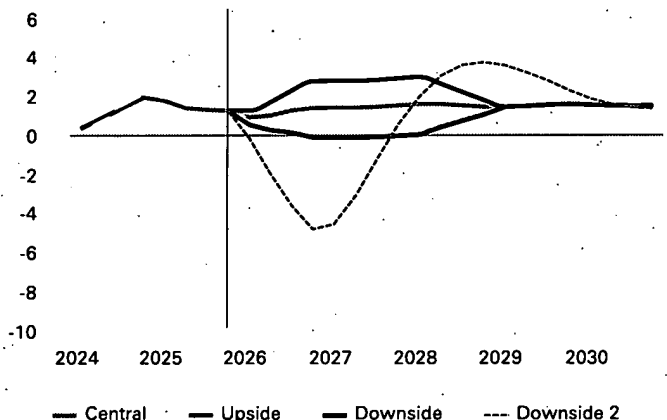
Downside 2 scenario 2025-2029 (as at 4Q24)

	UK	France
GDP level (% , start-to-trough) ¹	(9.1) (2Q26)	(7.9) (2Q26)
Unemployment rate (% , max) ²	8.4 (2Q26)	10.4 (1Q27)
House price index (% , start-to-trough) ¹	(27.2) (4Q26)	(14.0) (2Q27)
Inflation rate (YoY % change, max) ³	10.1 (2Q25)	7.6 (2Q25)
Central bank policy rate (% , max) ³	5.5 (1Q25)	4.2 (1Q25)

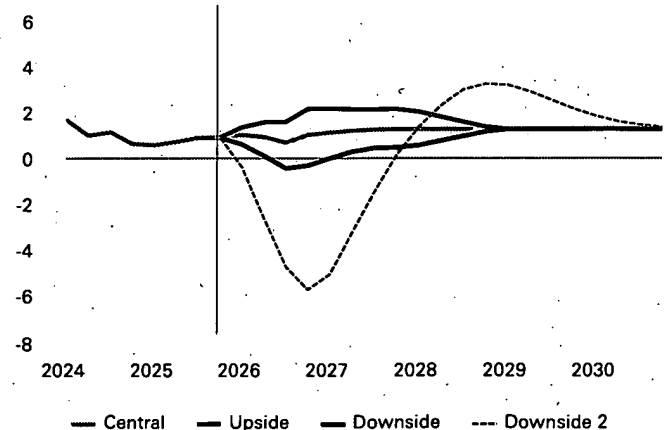
- 1 Cumulative change to the lowest level of the series during the 20-quarter projection.
- 2 The highest projected unemployment in the scenario.
- 3 The highest projected policy rate and year-on-year percentage change in inflation in the scenario.

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

UK



France



Risk review

Scenario weighting

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

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

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

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

The following tables describe the probabilities assigned in each scenario.

Scenario weightings, %

	Standard weights	UK	France
4Q25			
Upside scenario	10	10	10
Central scenario	75	75	75
Downside scenario	10	10	10
Downside 2 scenario	5	5	5
4Q24			
Upside scenario	10	10	10
Central scenario	75	75	75
Downside scenario	10	10	10
Downside 2 scenario	5	5	5

At 31 December 2025, the consensus Upside and Central scenarios for all markets had a combined weighting of 85%, unchanged from the weightings at 31 December 2024. Weightings assigned to downside scenarios also remained unchanged.

Critical estimates and judgements

The IFRS 9 ECL calculation involved significant judgements, assumptions and estimates. These included selecting and configuring economic scenarios amid changing economic conditions and risks and estimating their effects on ECL, especially when historical conditions are not fully captured by credit risk models.

How economic scenarios are reflected in ECL calculations

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

For wholesale portfolios, a global methodology is used for the estimation of the term structure of probability of default ('PD') and loss given default ('LGD'). PDs use the correlation of forward economic guidance with default rates for a particular industry within a country, and LGDs use the correlation of forward economic guidance

with collateral values and realisation rates for a particular country and industry. PDs and LGDs are estimated for the entire term structure of each instrument.

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

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

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

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

For unsecured retail portfolios historically observed recovery rates are leveraged to measure loss. For both mortgages and unsecured loans, a limited number of portfolios utilise a stressed LGD applied to the Downside 2 scenario.

Management judgemental adjustments

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

Management judgemental adjustments impacts are considered for both gross balances and allowances for ECL when determining whether a significant increase in credit risk has occurred and is allocated to an appropriate stage in accordance with the internal adjustments framework.

Management judgemental adjustments are reviewed under the IFRS 9 governance process (see page 23). Management's review and challenge focuses on the rationale and adjustment amounts and, where significant, is subject to a further review by the second line of defence. Internal frameworks establish the conditions where some management judgemental adjustments should no longer be required and as such are considered as part of the governance process.

The internal governance process regularly reviews management judgemental adjustments and, where possible, mitigates these through a model recalibration or redevelopment.

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

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

Risk review

At 31 December 2025, there was a £25m increase in management judgemental adjustments compared with 31 December 2024.

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

Management judgemental adjustments to ECL at 31 December 2025¹

	Retail £m	Wholesale ² £m	Total £m
Modelled ECL (A)³	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

Management judgemental adjustments to ECL at 31 December 2024¹

	Retail £m	Wholesale ² £m	Total £m
Modelled ECL (A)³	125	154	279
Corporate lending adjustments	—	25	25
Other credit judgements	9	(13)	(4)
Total management judgemental adjustments (B)⁴	9	12	21
Other adjustments (C)⁵	(15)	—	(15)
Final ECL (A+B+C)⁶	119	166	285

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

At 31 December 2025, wholesale management judgemental adjustments were an increase to allowance for ECL of £40m (31 December 2024: £12m 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 31 December 2025, retail management judgemental adjustments were an immaterial increase to allowance for ECL £6m (31 December 2024: £9m increase). 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

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

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

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

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

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

Wholesale and retail sensitivity

The wholesale and retail sensitivity tables present the 100% weighted results for each of our scenarios. These exclude portfolios held by the insurance business 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 Downside 2 scenarios 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 retail and wholesale portfolios, the gross carrying amount of financial instruments are the same under each scenario. For exposures with similar risk profile and product characteristics, the sensitivity impact is therefore largely the result of changes in macroeconomic assumptions.

Risk review

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
	£m	£m	£m	£m	£m	£m
At 31 Dec 2025						
Corporate and commercial and NBFIs ^{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
At 31 Dec 2024						
Corporate and commercial and NBFIs ^{1,2,3}	347,588	165	155	130	192	552
– of which: UK	139,207	39	35	24	49	284
– of which: France	145,484	64	63	55	76	99
Mortgages ⁴	4,479	67	66	66	67	74
– of which: UK	1,979	2	2	2	2	4
Credit cards and other retail ⁴	68	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.

Reconciliation of changes in gross carrying/nominal amount and allowances

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

In addition, a reconciliation by stage of the group's gross carrying amount and allowances for loans and advances to banks and customers and a reconciliation by stage of the group's nominal amount and allowances for loan commitments and financial guarantees were included in this section following the adoption of the recommendations of the Disclosures on Expected Credit Losses ('DECL') Taskforce's third report.

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

The transfers of financial instruments represent the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL.

The net remeasurement of ECL arising from transfer of stage represents the increase or decrease due to these transfers, for example, moving from a 12-month (stage 1) to a lifetime (stage 2) ECL measurement basis. Net remeasurement excludes the underlying CRR/PD movements of the financial instruments transferring stage. This is captured, along with other credit quality movements in the 'changes in risk parameters – credit quality' line item.

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

Risk review

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

(Audited)

	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI			
	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
The group	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
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 models 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 ^{2,3}	(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)

	At 31 Dec 2025	12 months ended	31 Dec 2025
	Gross carrying/nominal amount	Allowance for ECL	ECL (charge)/release
	£m	£m	£m
As above	196,101	(754)	(165)
Other financial assets measured at amortised cost	235,405	(6)	(1)
Non-trading reverse purchase agreement commitments	47,313	—	—
Performance and other guarantees not considered for IFRS 9			1
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/Summary consolidated income statement	478,819	(760)	(165)
Debt instruments measured at FVOCI	44,216	(3)	11
Total allowance for ECL/total income statement ECL change for the period	N/A	(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. As at 31 December 2025, these amounted to £2.97bn and were classified as stage 1 with no ECL.

3 This 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.

Risk review

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

(Audited)

	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI			
	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
The group	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2024	162,228	(91)	15,445	(147)	2,556	(903)	35	(6)	180,264	(1,147)
Transfers of financial instruments:	2,460	(42)	(3,223)	47	763	(5)	—	—	—	—
– transfers from stage 1 to stage 2	(7,440)	8	7,440	(8)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	10,182	(48)	(10,182)	48	—	—	—	—	—	—
– transfers to stage 3	(390)	1	(649)	13	1,039	(14)	—	—	—	—
– transfers from stage 3	108	(3)	168	(6)	(276)	9	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	29	—	(22)	—	—	—	—	—	7
Net new and further lending/repayments	10,816	7	(1,409)	3	(635)	322	6	(7)	8,778	325
Changes to risk parameters – credit quality	—	23	—	(31)	—	(504)	—	(5)	—	(517)
Changes to models used for ECL calculation	—	(1)	—	17	—	—	—	—	—	16
Assets written off	—	—	—	—	(257)	255	—	—	(257)	255
Foreign exchange	(4,916)	2	(345)	2	(83)	24	—	—	(5,344)	28
Others ²	6,588	(1)	26	(2)	(42)	117	—	—	6,572	114
At 31 Dec 2024	177,176	(74)	10,494	(133)	2,302	(694)	41	(18)	190,013	(919)
ECL income statement change for the period		58		(33)		(182)		(12)		(169)
Recoveries										2
Others										13
Total ECL income statement change for the period										(154)

	At 31 Dec 2024		12 months ended	31 Dec 2024
	Gross carrying/nominal amount	Allowance for ECL		ECL charge
	£m	£m		£m
As above	190,013	(919)		(154)
Other financial assets measured at amortised cost	237,475	(6)		(6)
Non-trading reverse purchase agreement commitments	32,675	—		—
Performance and other guarantees not considered for IFRS 9				(2)
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/Summary consolidated income statement	460,163	(925)		(162)
Debt instruments measured at FVOCI	46,649	(22)		(1)
Total allowance for ECL/total income statement ECL change for the period	N/A	(947)		(163)

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. As at 31 December 2024, these amounted to £(0.77)bn and were classified as stage 1 with no ECL.

Risk review

Reconciliation of changes in gross carrying amount and allowances for loans and advances to banks and customers
(Audited)

The group	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI			
	Gross carrying amount £m	Allowance for ECL £m	Gross carrying amount £m	Allowance for ECL £m	Gross carrying amount £m	Allowance for ECL £m	Gross carrying amount £m	Allowance for ECL £m	Gross carrying amount £m	Allowance for ECL £m
At 1 Jan 2025	90,301	(58)	5,613	(108)	2,096	(677)	38	(18)	98,048	(861)
Transfers of financial instruments:	(791)	(25)	388	47	403	(22)	—	—	—	—
– transfers from stage 1 to stage 2	(3,862)	6	3,862	(6)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	3,236	(30)	(3,236)	30	—	—	—	—	—	—
– transfers to stage 3	(175)	1	(423)	31	598	(32)	—	—	—	—
– transfers from stage 3	10	(2)	185	(8)	(195)	10	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	18	—	(16)	—	(1)	—	—	—	1
Net new and further lending/ repayments	4,487	1	(1,030)	41	(638)	57	6	—	2,825	99
Changes to risk parameters – credit quality	—	(5)	—	(70)	—	(211)	—	(4)	—	(290)
Changes to models used for ECL calculation	—	5	—	26	—	—	—	—	—	31
Assets written off	—	—	—	—	(344)	344	—	—	(344)	344
Foreign exchange	2,460	—	190	(4)	68	(17)	—	—	2,718	(21)
Others ^{1,2}	(3,128)	1	(196)	2	(14)	(8)	—	—	(3,338)	(5)
At 31 Dec 2025	93,329	(63)	4,965	(82)	1,571	(535)	44	(22)	99,909	(702)
ECL income statement change for the period		19		(19)		(155)		(4)		(159)
Recoveries										6
Others										(20)
Total ECL income statement change for the period										(173)

- 1 Includes the period on period movement in exposures relating to other HSBC Group companies. As at 31 December 2025, these amounted to £2.98bn and were classified as stage 1 with no ECL.
- 2 This 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.

Reconciliation of changes in gross carrying amount and allowances for loans and advances to banks and customers (continued)
(Audited)

	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI			
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
The group	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2024	80,612	(76)	7,997	(125)	2,310	(882)	32	(6)	90,951	(1,089)
Transfers of financial instruments:	579	(33)	(1,402)	38	823	(5)	—	—	—	—
– transfers from stage 1 to stage 2	(3,332)	7	3,332	(7)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	4,244	(38)	(4,244)	38	—	—	—	—	—	—
– transfers to stage 3	(365)	1	(571)	13	936	(14)	—	—	—	—
– transfers from stage 3	32	(3)	81	(6)	(113)	9	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	22	—	(17)	—	—	—	—	—	5
Net new and further lending/ repayments	4,724	11	(799)	7	(664)	308	6	(7)	3,267	319
Changes to risk parameters – credit quality	—	21	—	(17)	—	(493)	—	(5)	—	(494)
Changes to models used for ECL calculation	—	(3)	—	6	—	—	—	—	—	3
Assets written off	—	—	—	—	(257)	255	—	—	(257)	255
Foreign exchange	(2,143)	2	(209)	2	(74)	23	—	—	(2,426)	27
Others ¹	6,529	(2)	26	(2)	(42)	117	—	—	6,513	113
At 31 Dec 2024	90,301	(58)	5,613	(108)	2,096	(677)	38	(18)	98,048	(861)
ECL income statement change for the period		51		(21)		(185)		(12)		(167)
Recoveries										2
Others										12
Total ECL income statement change for the period										(153)

- 1 Includes the period on period movement in exposures relating to other HSBC Group companies. As at 31 December 2024, these amounted to £(0.68)bn and were classified as stage 1 with no ECL.

Risk review

Reconciliation of changes in nominal amount and allowances for loan commitments and financial guarantees¹

(Audited)

The group	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2025	86,875	(16)	4,881	(25)	206	(17)	3	—	91,965	(58)
Transfers of financial instruments:	311	(11)	(339)	11	28	—	—	—	—	—
– transfers from stage 1 to stage 2	(4,589)	2	4,589	(2)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	4,926	(13)	(4,926)	13	—	—	—	—	—	—
– transfers to stage 3	(136)	—	(36)	—	172	—	—	—	—	—
– transfers from stage 3	110	—	34	—	(144)	—	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	11	—	(6)	—	—	—	—	—	5
Net new and further lending/ repayments	1,785	(4)	(866)	7	(103)	1	—	—	816	4
Changes to risk parameters – credit quality	—	(3)	—	(6)	—	4	—	—	—	(5)
Changes to models used for ECL calculation	—	1	—	2	—	—	—	—	—	3
Foreign exchange	3,245	(1)	160	(1)	10	(1)	—	—	3,415	(3)
Others ²	(5)	—	1	1	—	1	—	—	(4)	2
At 31 Dec 2025	92,211	(23)	3,837	(17)	141	(12)	3	—	96,192	(52)
ECL income statement change for the period	—	5	—	(3)	—	5	—	—	—	7
Others	—	—	—	—	—	—	—	—	—	1
Total ECL income statement change for the period	—	5	—	(3)	—	5	—	—	—	8

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. As at 31 December 2025, these amounted to £(5)m and were classified as stage 1 with no ECL.

Reconciliation of changes in nominal amount and allowances for loan commitments and financial guarantees¹

(Audited)

The group	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2024	81,616	(15)	7,448	(22)	246	(21)	3	—	89,313	(58)
Transfers of financial instruments:	1,881	(9)	(1,821)	9	(60)	—	—	—	—	—
– transfers from stage 1 to stage 2	(4,108)	1	4,108	(1)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	5,938	(10)	(5,938)	10	—	—	—	—	—	—
– transfers to stage 3	(25)	—	(78)	—	103	—	—	—	—	—
– transfers from stage 3	76	—	87	—	(163)	—	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	7	—	(5)	—	—	—	—	—	2
Net new and further lending/ repayments	6,092	(4)	(610)	(4)	29	14	—	—	5,511	6
Changes to risk parameters – credit quality	—	2	—	(14)	—	(11)	—	—	—	(23)
Changes to models used for ECL calculation	—	2	—	11	—	—	—	—	—	13
Foreign exchange	(2,773)	—	(136)	—	(9)	1	—	—	(2,918)	1
Others ²	59	1	—	—	—	—	—	—	59	1
At 31 Dec 2024	86,875	(16)	4,881	(25)	206	(17)	3	—	91,965	(58)
ECL income statement change for the period	—	7	—	(12)	—	3	—	—	—	(2)
Others	—	—	—	—	—	—	—	—	—	1
Total ECL income statement change for the period	—	7	—	(12)	—	3	—	—	—	(1)

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. As at 31 December 2024, these amounted to £(0.10)bn and were classified as stage 1 with no ECL.

Risk review

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

(Audited)

The bank	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI			
	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 2025	72,276	(19)	3,389	(36)	681	(344)	40	(18)	76,386	(417)
Transfers of financial instruments:	382	(7)	(405)	19	23	(12)	—	—	—	—
– transfers from stage 1 to stage 2	(2,106)	2	2,106	(2)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	2,497	(10)	(2,497)	10	—	—	—	—	—	—
– transfers to stage 3	(10)	1	(16)	11	26	(12)	—	—	—	—
– transfers from stage 3	1	—	2	—	(3)	—	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	6	—	(3)	—	—	—	—	—	3
Net new and further lending/repayments	3,697	(3)	(441)	4	(217)	24	6	—	3,045	25
Changes to risk parameters – credit quality	—	(2)	—	(6)	—	(34)	—	(4)	—	(46)
Changes to models used for ECL calculation	—	2	—	9	—	—	—	—	—	11
Assets written off	—	—	—	—	(271)	271	—	—	(271)	271
Foreign exchange	189	(1)	13	—	4	1	—	—	206	—
Others ²	1,618	(1)	—	—	—	—	—	—	1,618	(1)
At 31 Dec 2025	78,162	(25)	2,556	(13)	220	(94)	46	(22)	80,984	(154)
ECL income statement change for the period		3		4		(10)		(4)		(7)
Recoveries										—
Others										(12)
Total ECL income statement change for the period										(19)

	At 31 Dec 2025		12 months ended 31 Dec 2025	
	Gross carrying/nominal amount	Allowance for ECL	ECL (charge)/release	
	£m	£m	£m	
As above	80,984	(154)	(19)	
Other financial assets measured at amortised cost	149,885	(4)	—	
Non-trading reverse purchase agreement commitments	8,201	—	—	
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/Summary consolidated income statement	239,070	(158)	(19)	
Debt instruments measured at FVOCI	22,753	(1)	—	
Total allowance for ECL/total income statement ECL change for the period	N/A	(159)	(19)	

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. As at 31 December 2025, these amounted to £1.62bn and were classified as stage 1 with no ECL.

Risk review

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

(Audited)

	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI			
	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
The bank	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 Jan 2024	67,478	(23)	7,548	(61)	781	(298)	28	(6)	75,835	(388)
Transfers of financial instruments:	3,097	(17)	(3,516)	23	419	(6)	—	—	—	—
– transfers from stage 1 to stage 2	(3,020)	2	3,020	(2)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	6,386	(20)	(6,386)	20	—	—	—	—	—	—
– transfers to stage 3	(271)	1	(153)	5	424	(6)	—	—	—	—
– transfers from stage 3	2	—	3	—	(5)	—	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	13	—	(6)	—	—	—	—	—	7
Net new and further lending/repayments	4,895	(1)	(610)	2	(444)	108	12	(7)	3,853	102
Changes to risk parameters – credit quality	—	7	—	(15)	—	(202)	—	(5)	—	(215)
Changes to model used for ECL calculation	—	1	—	21	—	—	—	—	—	22
Assets written off	—	—	—	—	(50)	50	—	—	(50)	50
Foreign exchange	(76)	1	(13)	—	(4)	1	—	—	(93)	2
Others ²	(3,118)	—	(20)	—	(21)	3	—	—	(3,159)	3
At 31 Dec 2024	72,276	(19)	3,389	(36)	681	(344)	40	(18)	76,386	(417)
ECL income statement change for the period		20		2		(94)		(12)		(84)
Recoveries										1
Others										4
Total ECL income statement change for the period										(79)

	At 31 Dec 2024	12 months ended	31 Dec 2024
	Gross carrying/nominal amount	Allowance for ECL	ECL charge
	£m	£m	£m
As above	76,386	(417)	(79)
Other financial assets measured at amortised cost	165,387	(3)	(6)
Non-trading reverse purchase agreement commitments	3,790	—	—
Performance and other guarantees not considered for IFRS 9			1
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/Summary consolidated income statement	245,563	(420)	(84)
Debt instruments measured at FVOCI	19,978	(3)	—
Total allowance for ECL/total income statement ECL change for the period	N/A	(423)	(84)

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. As at 31 December 2024, these amounted to £(2.58)bn and were classified as stage 1 with no ECL.

Risk review

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

(Audited)

	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI			
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
The bank	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2025	41,845	(13)	1,538	(24)	619	(338)	37	(18)	44,039	(393)
Transfers of financial instruments:	(310)	(4)	287	16	23	(12)	—	—	—	—
– transfers from stage 1 to stage 2	(1,270)	2	1,270	(2)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	969	(7)	(969)	7	—	—	—	—	—	—
– transfers to stage 3	(10)	1	(16)	11	26	(12)	—	—	—	—
– transfers from stage 3	1	—	2	—	(3)	—	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	4	—	(3)	—	—	—	—	—	1
Net new and further lending/ repayments	3,599	(3)	(463)	5	(171)	18	6	—	2,971	20
Changes to risk parameters – credit quality	—	(3)	—	(12)	—	(33)	—	(4)	—	(52)
Changes to models used for ECL calculation	—	1	—	7	—	—	—	—	—	8
Assets written off	—	—	—	—	(271)	271	—	—	(271)	271
Foreign exchange	84	1	9	—	3	1	—	—	96	2
Others ¹	1,617	—	—	—	—	—	—	—	1,617	—
At 31 Dec 2025	46,835	(17)	1,371	(11)	203	(93)	43	(22)	48,452	(143)
ECL income statement change for the period		(1)		(3)		(15)		(4)		(23)
Recoveries										—
Others										(12)
Total ECL income statement change for the period										(35)

1 Includes the period on period movement in exposures relating to other HSBC Group companies. As at 31 December 2025, these amounted to £1.62bn and were classified as stage 1 with no ECL.

Reconciliation of changes in gross carrying amount and allowances for loans and advances to banks and customers (continued)

(Audited)

	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI			
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
The bank	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2024	40,450	(15)	3,255	(47)	740	(289)	25	(6)	44,470	(357)
Transfers of financial instruments:	668	(11)	(1,065)	17	397	(6)	—	—	—	—
– transfers from stage 1 to stage 2	(1,298)	1	1,298	(1)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	2,218	(13)	(2,218)	13	—	—	—	—	—	—
– transfers to stage 3	(254)	1	(148)	5	402	(6)	—	—	—	—
– transfers from stage 3	2	—	3	—	(5)	—	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	8	—	(4)	—	—	—	—	—	4
Net new and further lending/ repayments	3,106	2	(628)	2	(444)	102	12	(7)	2,046	99
Changes to risk parameters – credit quality	—	6	—	(2)	—	(200)	—	(5)	—	(201)
Changes to models used for ECL calculation	—	(1)	—	10	—	—	—	—	—	9
Assets written off	—	—	—	—	(50)	50	—	—	(50)	50
Foreign exchange	(9)	—	(4)	—	(3)	1	—	—	(16)	1
Others ¹	(2,370)	(2)	(20)	—	(21)	4	—	—	(2,411)	2
At 31 Dec 2024	41,845	(13)	1,538	(24)	619	(338)	37	(18)	44,039	(393)
ECL income statement change for the period		15		6		(98)		(12)		(89)
Recoveries										1
Others										4
Total ECL income statement change for the period										(84)

1 Includes the period on period movement in exposures relating to other HSBC Group companies. As at 31 December 2024, these amounted to £(1.83)bn and were classified as stage 1 with no ECL.

Risk review

Reconciliation of changes in nominal amount and allowances for loan commitments and financial guarantees¹
(Audited)

	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL
The bank	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2025	30,431	(6)	1,851	(12)	62	(6)	3	—	32,347	(24)
Transfers of financial instruments:	692	(3)	(692)	3	—	—	—	—	—	—
– transfers from stage 1 to stage 2	(836)	—	836	—	—	—	—	—	—	—
– transfers from stage 2 to stage 1	1,528	(3)	(1,528)	3	—	—	—	—	—	—
– transfers to stage 3	—	—	—	—	—	—	—	—	—	—
– transfers from stage 3	—	—	—	—	—	—	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	2	—	—	—	—	—	—	—	2
Net new and further lending/ repayments	98	—	22	(1)	(46)	6	—	—	74	5
Changes to risk parameters – credit quality	—	1	—	6	—	(1)	—	—	—	6
Changes to models used for ECL calculation	—	1	—	2	—	—	—	—	—	3
Foreign exchange	105	(2)	4	—	1	—	—	—	110	(2)
Others	1	(1)	—	—	—	—	—	—	1	(1)
At 31 Dec 2025	31,327	(8)	1,185	(2)	17	(1)	3	—	32,532	(11)
ECL income statement change for the period	—	4	—	7	—	5	—	—	—	16
Total ECL income statement change for the period										16

¹ Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.

Reconciliation of changes in nominal amount and allowances for loan commitments and financial guarantees¹ (continued)
(Audited)

	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL	Nominal amount	Allowance for ECL
The bank	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2024	27,028	(8)	4,293	(14)	41	(9)	3	—	31,365	(31)
Transfers of financial instruments:	2,429	(6)	(2,451)	6	22	—	—	—	—	—
– transfers from stage 1 to stage 2	(1,722)	1	1,722	(1)	—	—	—	—	—	—
– transfers from stage 2 to stage 1	4,168	(7)	(4,168)	7	—	—	—	—	—	—
– transfers to stage 3	(17)	—	(5)	—	22	—	—	—	—	—
– transfers from stage 3	—	—	—	—	—	—	—	—	—	—
Net remeasurement of ECL arising from transfer of stage	—	5	—	(2)	—	—	—	—	—	3
Net new and further lending/ repayments	1,789	(3)	18	—	—	6	—	—	1,807	3
Changes to risk parameters – credit quality	—	1	—	(13)	—	(2)	—	—	—	(14)
Changes to models used for ECL calculation	—	2	—	11	—	—	—	—	—	13
Foreign exchange	(67)	1	(9)	—	(1)	—	—	—	(77)	1
Others ²	(748)	2	—	—	—	(1)	—	—	(748)	1
At 31 Dec 2024	30,431	(6)	1,851	(12)	62	(6)	3	—	32,347	(24)
ECL income statement change for the period	—	5	—	(4)	—	4	—	—	—	5
Total ECL income statement change for the period										5

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. As at 31 December 2024, these amounted to £(0.75)bn and were classified as stage 1 with no ECL.

Risk review

Credit quality

Credit quality of financial instruments

(Audited)

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

The five credit quality classifications provided below each encompass a range of granular internal credit rating grades assigned to wholesale and personal lending businesses and the external ratings attributed by external agencies to debt securities, as shown in the table on page 24.

Distribution of financial instruments by credit quality at 31 December 2025

(Audited)

The group	Gross carrying/notional amount						Allowance for ECL/ other credit provisions £m	Net £m
	Strong £m	Good £m	Satisfactory £m	Sub- standard £m	Credit impaired £m	Total £m		
In-scope for IFRS 9 ECL								
Loans and advances to customers held at amortised cost	37,137	17,467	21,327	3,012	1,615	80,558	(700)	79,858
– personal	11,616	1,032	1,096	43	272	14,059	(102)	13,957
– corporate and commercial	14,677	12,267	14,237	2,759	1,278	45,218	(542)	44,676
– non-bank financial institutions	10,844	4,168	5,994	210	65	21,281	(56)	21,225
Loans and advances to banks held at amortised cost	17,529	991	822	9	—	19,351	(2)	19,349
Cash and balances at central banks	101,443	—	—	—	—	101,443	—	101,443
Reverse repurchase agreements – non-trading	46,178	15,895	6,037	—	—	68,110	—	68,110
Financial investments	17,230	—	5,026	—	—	22,256	—	22,256
Assets held for sale	246	213	131	—	32	622	(4)	618
Other assets	41,583	781	584	7	19	42,974	(2)	42,972
– endorsements and acceptances	65	—	—	—	—	65	—	65
– accrued income and other	41,518	781	584	7	19	42,909	(2)	42,907
Debt instruments measured at FVOCI ¹	43,543	768	50	11	—	44,372	(3)	44,369
Out-of-scope for IFRS 9 ECL								
Trading assets	41,220	10,716	11,588	326	113	63,963	—	63,963
Other financial assets designated and otherwise mandatorily measured at fair value through profit or loss	505	2,394	502	6	—	3,407	—	3,407
Derivatives	143,990	19,494	4,964	135	2	168,585	—	168,585
Assets held for sale	—	—	—	—	110	110	—	110
Total gross carrying amount on balance sheet	490,604	68,719	51,031	3,506	1,891	615,751	(711)	615,040
Percentage of total credit quality (%)	79.7	11.2	8.3	0.6	0.3	100.0		
Loan and other credit-related commitments	79,080	31,253	26,811	3,443	109	140,696	(45)	140,651
Financial guarantees	1,560	411	758	45	35	2,809	(7)	2,802
In-scope for IFRS 9 ECL	80,640	31,664	27,569	3,488	144	143,505	(52)	143,453
Loan and other credit-related commitments	3,090	1,927	890	34	3	5,944	—	5,944
Performance and other guarantees	11,892	5,894	3,858	333	196	22,173	(22)	22,151
Out-of-scope for IFRS 9 ECL	14,982	7,821	4,748	367	199	28,117	(22)	28,095

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

Risk review

Distribution of financial instruments by credit quality at 31 December 2024 (continued)
(Audited)

	Gross carrying/notional amount						Allowance for ECL/ other credit provisions	Net
	Strong £m	Good £m	Satisfactory £m	Sub- standard £m	Credit impaired £m	Total £m		
The group								
In-scope for IFRS 9 ECL								
Loans and advances to customers held at amortised cost	41,588	17,843	19,698	2,261	2,134	83,524	(858)	82,666
– personal	16,984	1,433	1,209	62	259	19,947	(112)	19,835
– corporate and commercial	16,976	12,162	14,548	2,075	1,666	47,427	(592)	46,835
– non-bank financial institutions	7,628	4,248	3,941	124	209	16,150	(154)	15,996
Loans and advances to banks held at amortised cost	13,029	724	762	9	—	14,524	(3)	14,521
Cash and balances at central banks	119,184	—	—	—	—	119,184	—	119,184
Reverse repurchase agreements – non-trading	39,233	12,426	1,952	1	—	53,612	—	53,612
Financial investments	11,236	—	990	—	—	12,226	—	12,226
Assets held for sale	1,933	363	278	—	17	2,591	(3)	2,588
Other assets	48,187	670	975	6	24	49,862	(3)	49,859
– endorsements and acceptances	69	—	1	—	—	70	—	70
– accrued income and other	48,118	670	974	6	24	49,792	(3)	49,789
Debt instruments measured at FVOCI ¹	46,733	262	1,076	71	—	48,142	(22)	48,120
Out-of-scope for IFRS 9 ECL								
Trading assets	31,137	9,983	8,075	1,723	32	50,950	—	50,950
Other financial assets designated and otherwise mandatorily measured at fair value through profit or loss	606	1,854	928	1	—	3,389	—	3,389
Derivatives	173,222	20,632	4,163	146	9	198,172	—	198,172
Assets held for sale	2,406	—	—	—	—	2,406	—	2,406
Total gross carrying amount on balance sheet	528,494	64,757	38,897	4,218	2,216	638,582	(889)	637,693
Percentage of total credit quality (%)	82.8	10.1	6.1	0.7	0.3	100.0		
Loan and other credit-related commitments	73,726	28,582	17,150	2,141	165	121,764	(49)	121,715
Financial guarantees	1,348	794	660	30	44	2,876	(9)	2,867
In-scope for IFRS 9 ECL	75,074	29,376	17,810	2,171	209	124,640	(58)	124,582
Loan and other credit-related commitments	3,159	2,217	809	50	7	6,242	—	6,242
Performance and other guarantees	9,787	5,784	3,518	240	135	19,464	(26)	19,438
Out-of-scope for IFRS 9 ECL	12,946	8,001	4,327	290	142	25,706	(26)	25,680

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

Risk review

Distribution of financial instruments by credit quality at 31 December 2025

(Audited)

	Gross carrying/notional amount					Total	Allowance for ECL/ other credit provisions	Net
	Strong	Good	Satisfactory	Sub-standard	Credit impaired			
	£m	£m	£m	£m	£m	£m	£m	£m
The bank								
In-scope for IFRS 9 ECL								
Loans and advances to customers held at amortised cost	20,278	7,413	3,978	607	246	32,522	(142)	32,380
– personal	1,783	233	505	7	23	2,551	(6)	2,545
– corporate and commercial	9,117	4,621	2,595	551	175	17,059	(88)	16,971
– non-bank financial institutions	9,378	2,559	878	49	48	12,912	(48)	12,864
Loans and advances to banks held at amortised cost	14,727	829	372	2	—	15,930	(1)	15,929
Cash and balances at central banks	50,285	—	—	—	—	50,285	—	50,285
Reverse repurchase agreements – non-trading	28,617	13,643	3,172	—	—	45,432	—	45,432
Financial investments	19,415	—	—	—	—	19,415	—	19,415
Assets held for sale	93	118	105	—	12	328	(4)	324
Other assets	34,153	158	105	4	5	34,425	—	34,425
– endorsements and acceptances	65	—	—	—	—	65	—	65
– accrued income and other	34,088	158	105	4	5	34,360	—	34,360
Debt instruments measured at FVOCI ¹	22,526	456	—	—	—	22,982	(1)	22,981
Out-of-scope for IFRS 9 ECL								
Trading assets	21,522	9,845	11,433	285	113	43,198	—	43,198
Other financial assets designated and otherwise mandatorily measured at fair value through profit or loss	552	2,363	435	6	—	3,356	—	3,356
Derivatives	127,237	17,107	3,126	111	—	147,581	—	147,581
Assets held for sale	—	—	—	—	—	—	—	—
Total gross carrying amount on balance sheet	339,405	51,932	22,726	1,015	376	415,454	(148)	415,306
Percentage of total credit quality (%)	81.7	12.5	5.5	0.2	0.1	100.0		
Loan and other credit-related commitments	24,013	11,154	3,689	778	18	39,652	(11)	39,641
Financial guarantees	567	87	425	—	2	1,081	—	1,081
In-scope for IFRS 9 ECL	24,580	11,241	4,114	778	20	40,733	(11)	40,722
Loan and other credit-related commitments	271	166	175	6	—	618	—	618
Performance and other guarantees	5,324	1,293	883	11	2	7,513	—	7,513
Out-of-scope for IFRS 9 ECL	5,595	1,459	1,058	17	2	8,131	—	8,131

Distribution of financial instruments by credit quality at 31 December 2024

The bank

In-scope for IFRS 9 ECL								
Loans and advances to customers held at amortised cost	19,827	7,293	3,166	366	656	31,308	(392)	30,916
– personal	1,777	249	566	3	20	2,615	(6)	2,609
– corporate and commercial	10,390	4,207	2,187	318	421	17,523	(227)	17,296
– non-bank financial institutions	7,660	2,837	413	45	215	11,170	(159)	11,011
Loans and advances to banks held at amortised cost	12,114	598	11	8	—	12,731	(1)	12,730
Cash and balances at central banks	78,250	—	—	—	—	78,250	—	78,250
Reverse repurchase agreements – non-trading	23,020	9,497	1,876	1	—	34,394	—	34,394
Financial investments	14,217	—	—	—	—	14,217	—	14,217
Assets held for sale	137	244	134	—	17	532	(3)	529
Other assets	37,736	151	94	2	11	37,994	—	37,994
– endorsements and acceptances	68	—	—	—	—	68	—	68
– accrued income and other	37,668	151	94	2	11	37,926	—	37,926
Debt instruments measured at FVOCI ¹	19,394	50	1,001	—	—	20,445	(3)	20,442
Out-of-scope for IFRS 9 ECL								
Trading assets	18,004	9,797	7,809	1,718	29	37,357	—	37,357
Other financial assets designated and otherwise mandatorily measured at fair value through profit or loss	507	1,818	860	1	—	3,186	—	3,186
Derivatives	160,423	19,755	3,360	120	—	183,658	—	183,658
Assets held for sale	8	—	—	—	—	8	—	8
Total gross carrying amount on balance sheet	383,637	49,203	18,311	2,216	713	454,080	(399)	453,681
Percentage of total credit quality (%)	84.5	10.8	4.0	0.5	0.2	100.0		
Loan and other credit-related commitments	23,083	8,578	2,797	479	57	34,994	(21)	34,973
Financial guarantees	517	316	302	—	8	1,143	(3)	1,140
In-scope for IFRS 9 ECL	23,600	8,894	3,099	479	65	36,137	(24)	36,113
Loan and other credit-related commitments	245	250	57	6	—	558	—	558
Performance and other guarantees	4,964	1,423	378	3	6	6,774	(1)	6,773
Out-of-scope for IFRS 9 ECL	5,209	1,673	435	9	6	7,332	(1)	7,331

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

Risk review

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

The group	Gross carrying/notional amount					Total	Allowance for ECL	Net
	Strong	Good	Satisfactory	Sub-standard	Credit impaired			
	£m	£m	£m	£m	£m	£m	£m	£m
Loans and advances to customers at amortised cost	37,137	17,467	21,327	3,012	1,615	80,558	(700)	79,858
– stage 1	36,776	16,736	19,027	1,490	–	74,029	(62)	73,967
– stage 2	361	731	2,300	1,522	–	4,914	(81)	4,833
– stage 3	–	–	–	–	1,571	1,571	(535)	1,036
– POCI	–	–	–	–	44	44	(22)	22
Loans and advances to banks at amortised cost	17,529	991	822	9	–	19,351	(2)	19,349
– stage 1	17,493	986	820	1	–	19,300	(1)	19,299
– stage 2	36	5	2	8	–	51	(1)	50
– stage 3	–	–	–	–	–	–	–	–
– POCI	–	–	–	–	–	–	–	–
Other financial assets measured at amortised cost	206,680	16,889	11,778	7	51	235,405	(6)	235,399
– stage 1	206,679	16,877	11,768	–	–	235,324	(2)	235,322
– stage 2	1	12	10	7	–	30	–	30
– stage 3	–	–	–	–	51	51	(4)	47
– POCI	–	–	–	–	–	–	–	–
Loan and other credit-related commitments	79,080	31,253	26,811	3,443	109	140,696	(45)	140,651
– stage 1	78,043	30,728	25,481	2,619	–	136,871	(21)	136,850
– stage 2	1,037	525	1,330	824	–	3,716	(13)	3,703
– stage 3	–	–	–	–	106	106	(11)	95
– POCI	–	–	–	–	3	3	–	3
Financial guarantees	1,560	411	758	45	35	2,809	(7)	2,802
– stage 1	1,558	408	670	17	–	2,653	(2)	2,651
– stage 2	2	3	88	28	–	121	(4)	117
– stage 3	–	–	–	–	35	35	(1)	34
– POCI	–	–	–	–	–	–	–	–
At 31 Dec 2025	341,986	67,011	61,496	6,516	1,810	478,819	(760)	478,059
Debt instruments at FVOCI ¹								
– stage 1	43,501	768	48	3	–	44,320	(3)	44,317
– stage 2	42	–	2	8	–	52	–	52
– stage 3	–	–	–	–	–	–	–	–
– POCI	–	–	–	–	–	–	–	–
At 31 Dec 2025	43,543	768	50	11	–	44,372	(3)	44,369
Loans and advances to customers at amortised cost	41,588	17,843	19,698	2,261	2,134	83,524	(858)	82,666
– stage 1	41,150	17,227	16,555	912	–	75,844	(56)	75,788
– stage 2	438	616	3,143	1,349	–	5,546	(107)	5,439
– stage 3	–	–	–	–	2,096	2,096	(677)	1,419
– POCI	–	–	–	–	38	38	(18)	20
Loans and advances to banks at amortised cost	13,029	724	762	9	–	14,524	(3)	14,521
– stage 1	12,983	708	758	8	–	14,457	(2)	14,455
– stage 2	46	16	4	1	–	67	(1)	66
– stage 3	–	–	–	–	–	–	–	–
– POCI	–	–	–	–	–	–	–	–
Other financial assets measured at amortised cost	219,773	13,459	4,195	7	41	237,475	(6)	237,469
– stage 1	219,771	13,432	4,170	2	–	237,375	(4)	237,371
– stage 2	2	27	25	5	–	59	–	59
– stage 3	–	–	–	–	41	41	(2)	39
– POCI	–	–	–	–	–	–	–	–
Loan and other credit-related commitments	73,726	28,582	17,150	2,141	165	121,764	(49)	121,715
– stage 1	73,328	26,774	15,172	1,513	–	116,787	(14)	116,773
– stage 2	398	1,808	1,978	628	–	4,812	(24)	4,788
– stage 3	–	–	–	–	162	162	(11)	151
– POCI	–	–	–	–	3	3	–	3
Financial guarantees	1,348	794	660	30	44	2,876	(9)	2,867
– stage 1	1,348	785	626	4	–	2,763	(2)	2,761
– stage 2	–	9	34	26	–	69	(1)	68
– stage 3	–	–	–	–	44	44	(6)	38
– POCI	–	–	–	–	–	–	–	–
At 31 Dec 2024	349,464	61,402	42,465	4,448	2,384	460,163	(925)	459,238
Debt instruments at FVOCI ¹								
– stage 1	46,694	262	1,072	–	–	48,028	(7)	48,021
– stage 2	39	–	4	71	–	114	(15)	99
– stage 3	–	–	–	–	–	–	–	–
– POCI	–	–	–	–	–	–	–	–
At 31 Dec 2024	46,733	262	1,076	71	–	48,142	(22)	48,120

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

Risk review

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

(Audited)

The bank	Gross carrying/notional amount					Allowance for ECL		Net
	Strong £m	Good £m	Satisfactory £m	Sub- standard £m	Credit impaired £m	Total £m	£m	£m
Loans and advances to customers at amortised cost	20,278	7,413	3,978	607	246	32,522	(142)	32,380
– stage 1	20,013	7,147	3,561	207	—	30,928	(16)	30,912
– stage 2	265	266	417	400	—	1,348	(11)	1,337
– stage 3	—	—	—	—	203	203	(93)	110
– POCI	—	—	—	—	43	43	(22)	21
Loans and advances to banks at amortised cost	14,727	829	372	2	—	15,930	(1)	15,929
– stage 1	14,709	827	370	1	—	15,907	(1)	15,906
– stage 2	18	2	2	1	—	23	—	23
– stage 3	—	—	—	—	—	—	—	—
– POCI	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost	132,563	13,919	3,382	4	17	149,885	(4)	149,881
– stage 1	132,562	13,918	3,373	—	—	149,853	—	149,853
– stage 2	1	1	9	4	—	15	—	15
– stage 3	—	—	—	—	17	17	(4)	13
– POCI	—	—	—	—	—	—	—	—
Loan and other credit-related commitments	24,013	11,154	3,689	778	18	39,652	(11)	39,641
– stage 1	23,509	10,894	3,496	557	—	38,456	(8)	38,448
– stage 2	504	260	193	221	—	1,178	(2)	1,176
– stage 3	—	—	—	—	15	15	(1)	14
– POCI	—	—	—	—	3	3	—	3
Financial guarantees	567	87	425	—	2	1,081	—	1,081
– stage 1	567	87	418	—	—	1,072	—	1,072
– stage 2	—	—	7	—	—	7	—	7
– stage 3	—	—	—	—	2	2	—	2
– POCI	—	—	—	—	—	—	—	—
At 31 Dec 2025	192,148	33,402	11,846	1,391	283	239,070	(158)	238,912
Debt instruments at FVOCI ¹								
– stage 1	22,526	456	—	—	—	22,982	(1)	22,981
– stage 2	—	—	—	—	—	—	—	—
– stage 3	—	—	—	—	—	—	—	—
– POCI	—	—	—	—	—	—	—	—
At 31 Dec 2025	22,526	456	—	—	—	22,982	(1)	22,981
Loans and advances to customers at amortised cost	19,827	7,293	3,166	366	656	31,308	(392)	30,916
– stage 1	19,595	7,003	2,387	164	—	29,149	(12)	29,137
– stage 2	232	290	779	202	—	1,503	(24)	1,479
– stage 3	—	—	—	—	619	619	(338)	281
– POCI	—	—	—	—	37	37	(18)	19
Loans and advances to banks at amortised cost	12,114	598	11	8	—	12,731	(1)	12,730
– stage 1	12,094	583	11	8	—	12,696	(1)	12,695
– stage 2	20	15	—	—	—	35	—	35
– stage 3	—	—	—	—	—	—	—	—
– POCI	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost	153,360	9,892	2,104	3	28	165,387	(3)	165,384
– stage 1	153,358	9,886	2,083	1	—	165,328	(1)	165,327
– stage 2	2	6	21	2	—	31	—	31
– stage 3	—	—	—	—	28	28	(2)	26
– POCI	—	—	—	—	—	—	—	—
Loan and other credit-related commitments	23,083	8,578	2,797	479	57	34,994	(21)	34,973
– stage 1	22,957	7,657	2,163	333	—	33,110	(6)	33,104
– stage 2	126	921	634	140	—	1,827	(12)	1,815
– stage 3	—	—	—	—	54	54	(3)	51
– POCI	—	—	—	—	3	3	—	3
Financial guarantees	517	316	302	—	8	1,143	(3)	1,140
– stage 1	517	315	279	—	—	1,111	—	1,111
– stage 2	—	1	23	—	—	24	—	24
– stage 3	—	—	—	—	8	8	(3)	5
– POCI	—	—	—	—	—	—	—	—
At 31 Dec 2024	208,901	26,677	8,380	856	749	245,563	(420)	245,143
Debt instruments at FVOCI ¹								
– stage 1	19,394	50	997	—	—	20,441	(2)	20,439
– stage 2	—	—	4	—	—	4	(1)	3
– stage 3	—	—	—	—	—	—	—	—
– POCI	—	—	—	—	—	—	—	—
At 31 Dec 2024	19,394	50	1,001	—	—	20,445	(3)	20,442

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

Risk review

Credit-impaired loans

(Audited)

The group determines that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay, such as when a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the loan is otherwise considered to be in default. If such unlikelihood to pay is not identified at an earlier stage, it is deemed

to occur when an exposure is 90 days past due. Therefore, the definitions of credit impaired and default are aligned as far as possible so that stage 3 represents all loans that are considered defaulted or otherwise credit impaired.

Forbearance

The following table shows the gross carrying amount and allowance for ECL of the group's holdings of forbore loans and advances to customers by industry sector and by stages.

- A summary of our current policies and practices for forbearance is set out in 'Credit risk management' on page 24.

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

	Performing forborne	Non-performing forborne	POCI	Total forborne
	Stage 2 £m	Stage 3 £m		Total £m
The group				
Gross carrying amount				
Personal	66	133	—	199
Wholesale	808	715	43	1,566
of which: corporate and commercial	791	712	43	1,546
At 31 Dec 2025	874	848	43	1,765
Allowance for ECL				
Personal	(3)	(23)	—	(26)
Wholesale	(23)	(222)	(22)	(267)
of which: corporate and commercial	(23)	(222)	(22)	(267)
At 31 Dec 2025	(26)	(245)	(22)	(293)
Gross carrying amount				
Personal	78	111	—	189
Wholesale	1,122	1,114	34	2,270
of which: corporate and commercial	1,118	1,111	34	2,263
At 31 Dec 2024	1,200	1,225	34	2,459
Allowance for ECL				
Personal	(4)	(36)	—	(40)
Wholesale	(25)	(316)	(18)	(359)
of which: corporate and commercial	(25)	(316)	(18)	(359)
At 31 Dec 2024	(29)	(352)	(18)	(399)

	Performing forborne	Non-performing forborne	POCI	Total forborne
	Stage 2 £m	Stage 3 £m		Total £m
The bank				
Gross carrying amount				
Personal	3	10	—	13
Wholesale	32	53	43	128
of which: corporate and commercial	32	53	43	128
At 31 Dec 2025	35	63	43	141
Allowance for ECL				
Personal	—	(1)	—	(1)
Wholesale	(1)	(31)	(22)	(54)
of which: corporate and commercial	(1)	(31)	(22)	(54)
At 31 Dec 2025	(1)	(32)	(22)	(55)
Gross carrying amount				
Personal	3	11	—	14
Wholesale	—	259	34	293
of which: corporate and commercial	—	259	34	293
At 31 Dec 2024	3	270	34	307
Allowance for ECL				
Personal	—	(1)	—	(1)
Wholesale	—	(162)	(18)	(180)
of which: corporate and commercial	—	(162)	(18)	(180)
At 31 Dec 2024	—	(163)	(18)	(181)

Collateral and other credit enhancements

(Audited)

Although collateral can be an important mitigant of credit risk, it is the group's practice to typically lend on the basis of the customer's ability to meet their obligations out of cash flow resources rather than placing primary reliance on collateral and other credit risk enhancements. Depending on the customer's standing and the type of product, facilities may be provided without any collateral or other credit enhancements. For other lending, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of default, the group may utilise the collateral as a source of repayment.

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

Mitigants may include a charge on borrowers' specific assets, such as real estate or financial instruments. Other credit risk mitigants include short positions in securities and financial assets held as part of linked insurance/investment contracts where the risk is predominantly borne by the policyholder. Additionally, risk may be managed by employing other types of collateral and credit risk enhancements, such as second charges, other liens and unsupported guarantees. Guarantees are normally taken from corporates and export credit agencies. Corporates would normally provide guarantees as part of a parent/subsidiary relationship and span a number of credit grades. The export credit agencies will normally be investment grade.

Certain credit mitigants are used strategically in portfolio management activities. Across Corporate and Institutional Banking, risk limits and utilisations, maturity profiles and risk quality are monitored and managed proactively. This process is key to the setting of risk appetite for these larger, more complex, geographically distributed customer groups. While the principal form of risk management continues to be at the point of exposure origination, through the lending decision-making process, Corporate and Institutional Banking also utilises loan sales and credit default swap ('CDS') hedges to manage concentrations and reduce risk.

These transactions are the responsibility of a dedicated Corporate and Institutional Banking portfolio management team. Hedging activity is carried out within agreed credit parameters, and is subject to market risk limits and a robust governance structure. Where applicable, CDSs are entered into directly with a central clearing house counterparty. Otherwise, our exposure to CDS protection providers is diversified among mainly banking counterparties with strong credit ratings.

CDS mitigants are held at portfolio level and are not included in the expected credit loss calculations. CDS mitigants are not reported in the following table.

Collateral on loans and advances

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

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

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

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

For credit-impaired loans, the collateral values cannot be directly compared with impairment allowances recognised. The LTV figures use open market values with no adjustments, actual values realised are a function of market conditions. Impairment allowances are calculated on a different basis, by considering other cash flows and adjusting collateral values for costs of realising collateral as explained further on page 105.

Mortgage loans

The following table provides a quantification of the value of fixed charges we hold over specific assets where we have a history of enforcing, and are able to enforce, collateral in satisfying a debt in the event of the borrower failing to meet its contractual obligations, and where the collateral is cash or can be realised by sale in an established market. The collateral valuation excludes any adjustments for obtaining and selling the collateral and, in particular, loans shown as not collateralised or partially collateralised may also benefit from other forms of credit mitigants.

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

Other corporate, commercial and financial (non-bank) loans are analysed separately in the following table. For financing activities in other corporate and commercial lending, collateral value is not strongly correlated to principal repayment performance. Collateral values are generally refreshed when an obligor's general credit performance deteriorates and we have to assess the likely performance of secondary sources of repayment should it prove necessary to rely on them.

Risk review

Loans and advances to customers including loan commitments by level of collateral (by stage)
(Audited)

	Gross carrying/nominal amount					ECL coverage				
	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m	Stage 1 %	Stage 2 %	Stage 3 %	POCI %	Total %
Residential mortgages										
Fully collateralised by LTV ratio	6,220	756	122		7,098	0.1	0.8	17.2		0.5
– less than 50%	2,744	422	65		3,231	0.1	0.2	9.2		0.3
– 51% to 70%	2,564	234	31		2,829	0.1	0.9	19.4		0.4
– 71% to 80%	633	57	10		700	0.2	1.8	30.0		0.7
– 81% to 90%	231	35	13		279	–	2.9	38.5		2.5
– 91% to 100%	48	8	3		59	–	12.5	33.3		3.4
Partially collateralised (A): LTV > 100%	14	11	36		61	–	18.2	66.7		42.6
– collateral value on A	9	9	18		36					
At 31 Dec 2025	6,234	767	158		7,159	0.1	1.0	28.5		0.8
Other corporate, commercial and financial (non-bank)										
Not collateralised	138,837	6,435	915	1	146,188	–	1.1	46.6	–	0.4
Fully collateralised by LTV ratio	12,284	877	73	–	13,234	0.1	0.5	9.6	–	0.2
– less than 50%	5,918	425	66	–	6,409	0.1	0.5	9.1	–	0.2
– 51% to 75%	2,366	172	4	–	2,542	0.1	1.2	25.0	–	0.2
– 76% to 90%	448	69	1	–	518	0.2	–	–	–	0.2
– 91% to 100%	3,552	211	2	–	3,765	–	–	–	–	–
Partially collateralised (A): LTV > 100%	4,319	626	121	–	5,066	–	1.3	13.2	–	0.5
– collateral value on A	3,120	391	50	–	3,561					
At 31 Dec 2025	155,440	7,938	1,109	1	164,488	–	1.0	40.5	–	0.4
Residential mortgages										
Fully collateralised by LTV ratio	6,858	759	137		7,754	0.1	1.7	21.9		0.6
– less than 50%	2,869	403	57		3,329	–	1.0	14.0		0.4
– 51% to 70%	2,885	257	49		3,191	0.1	1.6	20.4		0.5
– 71% to 80%	796	59	9		864	0.1	3.4	33.3		0.7
– 81% to 90%	261	29	11		301	–	6.9	36.4		2.0
– 91% to 100%	47	11	11		69	–	9.1	45.5		8.7
Partially collateralised (A): LTV > 100%	32	12	51		95	–	25.0	64.7		37.9
– collateral value on A	23	11	29		63					
At 31 Dec 2024	6,890	771	188		7,849	0.1	2.1	33.5		1.1
Other corporate, commercial and financial (non-bank)										
Not collateralised	125,338	7,660	1,254	4	134,256	–	1.0	42.8	–	0.5
Fully collateralised by LTV ratio	11,789	762	109	–	12,660	0.1	1.2	10.1	–	0.2
– less than 50%	5,211	289	17	–	5,517	0.1	1.4	23.5	–	0.2
– 51% to 75%	2,298	143	13	–	2,454	–	0.7	30.8	–	0.2
– 76% to 90%	1,139	34	3	–	1,176	0.1	2.9	33.3	–	0.3
– 91% to 100%	3,141	296	76	–	3,513	–	1.0	2.6	–	0.2
Partially collateralised (A): LTV > 100%	4,056	755	469	–	5,280	–	1.9	6.8	–	0.9
– collateral value on A	3,230	419	147	–	3,796					
At 31 Dec 2024	141,183	9,177	1,832	4	152,196	–	1.1	31.7	–	0.5

Risk review

Wholesale lending

The table below provides a breakdown by industry sector and stage of the group's gross carrying amount and allowances for ECL for wholesale loans and advances to banks and customers.

Counterparties or exposures are classified when presenting comparable economic characteristics, or engaged in similar activities so that their collective ability to meet contractual obligations is

uniformly affected by changes in economic, political or other conditions. Therefore, the industry classification does not adhere to Nomenclature des Activités Économiques dans la Communauté Européenne, which is applicable to other financial regulatory reporting.

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

	Gross carrying amount					Allowance for ECL				
	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Corporate and commercial	40,553	3,387	1,234	44	45,218	(42)	(66)	(412)	(22)	(542)
– agriculture, forestry and fishing	92	96	15	—	203	—	(2)	—	—	(2)
– mining and quarrying	429	1	—	—	430	—	—	—	—	—
– manufacture	7,951	870	190	—	9,011	(8)	(12)	(88)	—	(108)
– electricity, gas, steam and air-conditioning supply	1,492	39	59	—	1,590	(1)	(3)	(5)	—	(9)
– water supply, sewerage, waste management and remediation	86	1	35	—	122	—	—	(7)	—	(7)
– construction and real estate	4,438	290	340	43	5,111	(6)	(8)	(66)	(22)	(102)
– wholesale and retail trade, repair of motor vehicles and motorcycles	7,404	559	209	1	8,173	(3)	(4)	(108)	—	(115)
– transportation and storage	2,461	492	21	—	2,974	(2)	(4)	(11)	—	(17)
– accommodation and food	358	28	11	—	397	(2)	—	(4)	—	(6)
– publishing, audiovisual and broadcasting	3,884	104	15	—	4,003	(7)	(2)	(8)	—	(17)
– professional, scientific and technical activities	4,955	427	174	—	5,556	(4)	(8)	(49)	—	(61)
– administrative and support services	3,526	391	75	—	3,992	(5)	(23)	(35)	—	(63)
– public administration and defence, compulsory social security	2	—	—	—	2	—	—	—	—	—
– education	25	3	—	—	28	—	—	—	—	—
– health and care	270	2	4	—	276	—	—	—	—	—
– arts, entertainment and recreation	103	—	1	—	104	—	—	—	—	—
– other services	1,590	28	56	—	1,674	(3)	—	(29)	—	(32)
– government	1,487	56	29	—	1,572	(1)	—	(2)	—	(3)
– asset-backed securities	—	—	—	—	—	—	—	—	—	—
Non-bank financial institutions	20,491	725	65	—	21,281	(9)	(4)	(43)	—	(56)
Loans and advances to banks	19,300	51	—	—	19,351	(1)	(1)	—	—	(2)
At 31 Dec 2025	80,344	4,163	1,299	44	85,850	(52)	(71)	(455)	(22)	(600)

Risk review

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

	Gross carrying amount					Allowance for ECL				
	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Corporate and commercial	41,386	4,375	1,628	38	47,427	(35)	(85)	(454)	(18)	(592)
– agriculture, forestry and fishing	178	44	17	—	239	—	(1)	(4)	—	(5)
– mining and quarrying	785	1	203	—	989	(1)	—	—	—	(1)
– manufacture	8,649	711	254	—	9,614	(7)	(25)	(61)	—	(93)
– electricity, gas, steam and air-conditioning supply	1,060	103	50	—	1,213	(1)	(2)	(1)	—	(4)
– water supply, sewerage, waste management and remediation	262	40	—	—	302	—	—	—	—	—
– construction and real estate	4,003	426	194	34	4,657	(5)	(13)	(30)	(18)	(66)
– wholesale and retail trade, repair of motor vehicles and motorcycles	7,549	645	193	1	8,388	(3)	(6)	(85)	—	(94)
– transportation and storage	2,071	833	206	—	3,110	(1)	(5)	(152)	—	(158)
– accommodation and food	792	14	15	—	821	(3)	—	(4)	—	(7)
– publishing, audiovisual and broadcasting	2,622	166	13	—	2,801	(1)	(2)	(4)	—	(7)
– professional, scientific and technical activities	4,972	662	261	3	5,898	(5)	(15)	(56)	—	(76)
– administrative and support services	4,588	397	174	—	5,159	(5)	(4)	(51)	—	(60)
– public administration and defence, compulsory social security	3	—	—	—	3	—	—	—	—	—
– education	20	7	—	—	27	—	—	—	—	—
– health and care	44	15	4	—	63	—	—	(2)	—	(2)
– arts, entertainment and recreation	162	7	1	—	170	(1)	—	—	—	(1)
– other services	1,648	194	2	—	1,844	(1)	(2)	(1)	—	(4)
– government	1,963	99	41	—	2,103	(1)	—	(3)	—	(4)
– asset-backed securities	15	11	—	—	26	—	(10)	—	—	(10)
Non-bank financial institutions	15,725	216	209	—	16,150	(7)	(3)	(144)	—	(154)
Loans and advances to banks	14,457	67	—	—	14,524	(2)	(1)	—	—	(3)
At 31 Dec 2024	71,568	4,658	1,837	38	78,101	(44)	(89)	(598)	(18)	(749)

Other credit risk exposures

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

- Some securities issued by governments, banks and other financial institutions benefit from additional credit enhancements provided by government guarantees that cover the assets.
 - Debt securities issued by banks and financial institutions include asset-backed securities ('ABSs') and similar instruments, which are supported by underlying pools of financial assets. Credit risk associated with ABSs is reduced through the purchase of credit default swap ('CDS') protection.
 - Trading loans and advances mainly consist of reverse repos and stock borrowing, which are by their nature collateralised.
 - Cash collateral is posted to satisfy margin requirements. There is limited credit risk on cash collateral posted since in the event of default of the counterparty this would be set off against the related liability.
- Collateral accepted as security that the group is permitted to sell or repledge under these arrangements is described on page 142 of the financial statements.

The group's maximum exposure to credit risk includes financial guarantees and similar contracts granted, as well as loan and other credit-related commitments. Depending on the terms of the arrangement, we may use additional credit mitigation if a guarantee is called upon or a loan commitment is drawn and subsequently defaults.

- For further information on these arrangements, see Note 30 on the financial statements.

Derivatives

We participate in transactions exposing us to counterparty credit risk. Counterparty credit risk is the risk of financial loss if the counterparty to a transaction defaults before satisfactorily settling it. It arises principally from over-the-counter ('OTC') derivatives and securities financing transactions and is calculated in both the trading and non-trading books. Transactions vary in value by reference to a market factor such as an interest rate, exchange rate or asset price.

The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit valuation adjustment ('CVA').

The International Swaps and Derivatives Association ('ISDA') master agreement is our preferred agreement for documenting derivatives activity. It is common, and our preferred practice, for the parties involved in a derivative transaction to execute a credit support annex ('CSA') in conjunction with the ISDA master agreement. Under a CSA, collateral is passed between the parties to mitigate the counterparty risk inherent in outstanding positions. The majority of our CSAs are with financial institutional clients.

We manage the counterparty exposure on our OTC derivative contracts by using collateral agreements with counterparties and netting agreements. Currently, we do not actively manage our general OTC derivative counterparty exposure in the credit markets, although we may manage individual exposures in certain circumstances.

We place strict policy restrictions on collateral types and as a consequence the types of collateral received and pledged are, by value, highly liquid and of a strong quality, being predominantly cash.

Where a collateral type is required to be approved outside the collateral policy, approval is required from a committee of senior representatives from Markets, Legal and Risk.

- See Note 28 on the financial statements for details regarding legally enforceable right of offset in the event of counterparty default and collateral received in respect of derivatives.

Risk review

Personal lending

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

	Gross carrying amount				Allowance for ECL			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
By portfolio								
First lien residential mortgages	6,038	762	159	6,959	(6)	(9)	(46)	(61)
Other personal lending	6,947	40	113	7,100	(5)	(2)	(34)	(41)
– other personal lending which is secured ¹	6,719	34	107	6,860	(3)	(1)	(31)	(35)
– other personal lending which is unsecured ²	228	6	6	240	(2)	(1)	(3)	(6)
At 31 Dec 2025	12,985	802	272	14,059	(11)	(11)	(80)	(102)

1 'Other personal lending which is secured' has been expanded to encompass guaranteed loans related to residential property and motor vehicle finance, which were previously reported as separate line items.

2 'Other personal lending which is unsecured' has been expanded to encompass credit cards, which were previously reported as a separate line item.

Total personal lending for loans and advances to customers at amortised cost by stage distribution (continued)

	Gross carrying amount				Allowance for ECL			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
By portfolio								
First lien residential mortgages	6,725	770	188	7,683	(5)	(16)	(62)	(83)
Other personal lending	12,008	185	71	12,264	(9)	(3)	(17)	(29)
– other personal lending which is secured ¹	11,773	179	62	12,014	(7)	(2)	(10)	(19)
– other personal lending which is unsecured ²	235	6	9	250	(2)	(1)	(7)	(10)
At 31 Dec 2024	18,733	955	259	19,947	(14)	(19)	(79)	(112)

1 'Other personal lending which is secured' has been expanded to encompass guaranteed loans related to residential property and motor vehicle finance, which were previously reported as separate line items.

2 'Other personal lending which is unsecured' has been expanded to encompass credit cards, which were previously reported as a separate line item.

Treasury risk

See page 21 for our definition of Treasury risk.

Approach and policy

(Audited)

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

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

Our policy is supported by a risk management framework with further details provided on page 15.

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

Treasury risk management

Key developments in 2025

- The group continues to maintain and benefit from a healthy capital, liquidity and funding position, which has been resilient throughout the periods of volatility in the macroeconomic environment and global markets during 2025.
- See page 13–14 for a summary of key risks including geopolitical and macroeconomic risks that we are managing.
- On 8 October 2025, HSBC Bank plc obtained a permission to apply the leverage ratio capital requirements to the Leverage Sub-Consolidation Group, which includes the bank and certain entities within the group.
- We have continued our focus on the de-risking of our defined benefit pension plans over 2025, supported by the fiduciaries of the plans. Key actions included further transitioning of assets towards lower risk investment strategies and purchasing a buy-in policy for one of our plans to help provide protection from market movements and changing demographics.

Governance and structure

The Chief Risk and Compliance Officer ('CRCO') is the accountable risk steward for all treasury risks. The Chief Financial Officer is the risk owner for all treasury risks, with the exception of pension risk which is co-owned with the regional heads of Performance & Reward. Capital risk, liquidity risk, interest rate risk in the banking book, structural foreign exchange risk and transactional foreign exchange risk are the responsibility of the Executive Committee and the Risk Committee. Treasury actively manages these risks on an ongoing basis, supported by the Asset and Liability Management Committee ('ALCO'), overseen by Treasury Risk Management.

Pension risk is overseen by the Pension Risk Management Meeting.

Capital, liquidity and funding risk management processes

Assessment and risk appetite

Our capital management approach is underpinned by a global capital risk policy and supporting frameworks for recovery and resolution planning and stress testing. The policy outlines our approach to determining key capital risk appetites including CET1, total capital, minimum requirements for own funds and eligible liabilities ('MREL'), and the leverage ratio. Our internal capital adequacy assessment process ('ICAAP') evaluates the group's capital position, considering both regulatory and internal capital resources and requirements. Relevant subsidiaries prepare ICAAPs in line with global guidance, while also considering their local regulatory regimes to determine their own risk appetites and ratios.

HSBC Holdings provides our MREL, 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. In line with the HSBC Group's existing structure and business model, HSBC has three resolution groups – the European (of which HSBC Bank plc forms part), the Asian and the US resolution groups.

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

Our internal liquidity adequacy assessment process ('ILAAP') seeks to ensure that we have strategies, policies, processes and systems in place for the identification, measurement, management and monitoring of liquidity risk across various time horizons, including intra-day. The ILAAP informs the setting of risk appetite and helps to assess our capability to manage liquidity and funding effectively. Metrics are set and managed locally but are subject to global review and challenge to help ensure consistency of approach and application of the HSBC Group's policies and controls.

Planning and performance

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

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

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

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

Stress testing and recovery and resolution planning

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

In addition to our internal stress tests, we undergo supervisory stress testing by the PRA and BoE. Our subsidiaries may also be subject to supervisory stress tests, including by the European Banking Authority and the European Central Bank. The results from these tests are used for evaluating our internal capital and liquidity needs through the ICAAP and ILAAP. The outcomes of these assessments influence the establishment of regulatory requirements and inform the setting of internal management buffers.

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

Our recovery plans for the group and material entities establish a framework and governance arrangements to support restoring the group to a stable and viable position, helping to reduce the probability of failure from either specific stress or market-wide stresses. Our recovery plans provide detailed actions that could be taken to help stabilise our financial position in stress environments.

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

Measurement of interest rate risk in the banking book processes

Interest rate risk in the banking book ('IRRBB') refers to the potential negative impact on earnings or capital due to fluctuations in market interest rates or changes in the expected repricing of client products. The risk arises from our non-traded assets and liabilities that are not held for trading intent or in order to hedge positions held with trading intent. Our global IRRBB risk management framework is designed to help identify, measure, manage and monitor all material sources of IRRBB. We have established policies and frameworks to help ensure comprehensive oversight.

To help manage this risk and provide more stable earnings, we use a structural hedge, which is a portfolio of fixed rate assets such as bonds, derivatives and customer loans. The size and duration of this hedge may be limited in certain currencies and locations, depending on available financial resources and market conditions. To reduce accounting mismatches, we mostly hedge with amortised cost financial instruments or hedge-accounted derivatives. However, bonds measured at fair value through other comprehensive income may also be used. We utilise a combination of economic value and earnings-based measures to help manage IRRBB effectively. These measures are used to assess IRRBB risks across the banking book, supporting the overall monitoring against risk appetite. They include:

- Banking net interest income ('Banking NII') sensitivity; and
- Economic value of equity ('EVE') sensitivity.

Other Risks

Structural foreign exchange exposures

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

Exchange differences from these structural exposures are recognised in other comprehensive income ('OCI'). We use the pound sterling as our presentation currency in our consolidated financial statements.

Therefore, our consolidated balance sheet is impacted by foreign exchange fluctuations between the pound sterling and all the other functional currencies of our foreign operations.

Our main goal in managing these exposures is to protect our consolidated capital ratios and those of our subsidiaries from exchange rates fluctuations. For capital efficiency reasons, we rely on net investment hedges held at HSBC Holdings plc to manage our structural foreign exchange positions.

- For further details of our structural foreign exchange exposures, see page 61.

Transactional foreign exchange exposures

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

Non-trading Portfolios

Value at Risk of 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 seek to have a complete picture of risk, complementing risk sensitivity analysis.

VaR of non-trading portfolios is a technique for estimating potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence.

Our models predominantly rely on historical simulation incorporating:

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

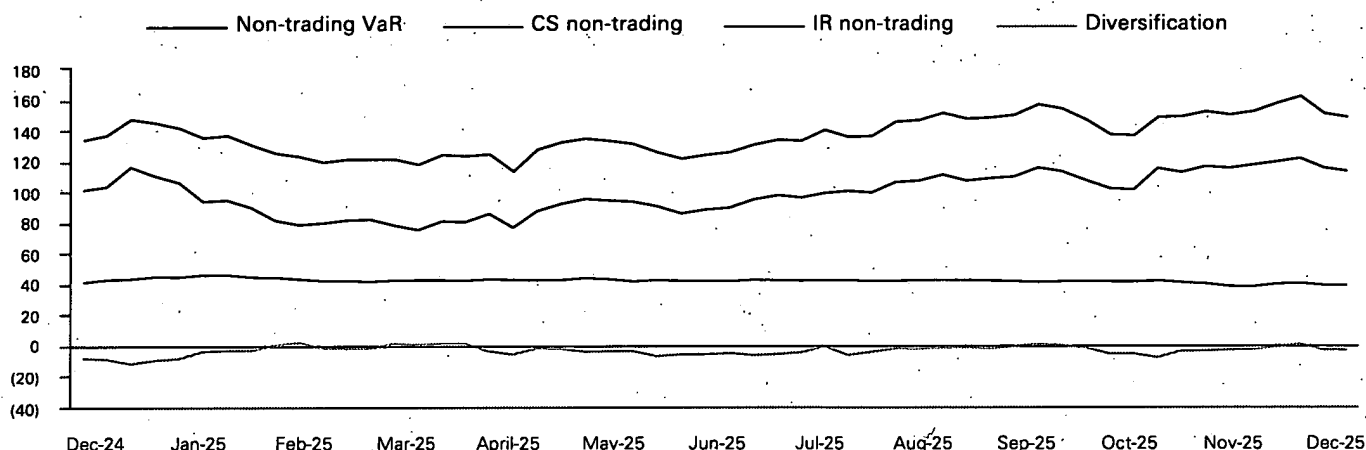
Although a valuable guide to risk, VaR is used for non-trading portfolios with awareness of its limitations. For example:

- Historical data is used to estimate future market movements, and may not cover all potential events, particularly those that are extreme in nature. As the model is calibrated on the last 500 business days, it does not adjust instantly to a change in market regime.
- The 10-day holding period for risk management purposes of non-trading books is an indication and does not reflect the actual time period needed to hedge or liquidate positions.
- The use of a 99% confidence level does not consider losses that might occur beyond this level of confidence.

Non-trading VaR includes non-trading financial instruments held in portfolios managed by Markets Treasury. The management of interest rate risk in the banking book is described further in 'Banking net interest income sensitivity' on page 62. Insurance operations were excluded from non-trading VaR as of 30 June 2025 which resulted in an immaterial impact. Non-trading VaR also excludes the equity risk on securities held at fair value and non-trading book foreign exchange risk.

The weekly levels of total non-trading VaR in 2025 are set out in the graph below.

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



The group's non-trading VaR for 2025 is shown in the table below.

Non-trading VaR, 99% 10 day
(Audited)

	Interest rate (IR) £m	Credit spread (CS) £m	Portfolio diversification ¹ £m	Total ² £m
Balance at 31 Dec 2025	112.8	38.7	(3.4)	148.1
Average	98.5	41.9	(3.5)	136.9
Maximum	121.2	45.7	—	161.7
Minimum	75.0	37.9	—	113.2
Balance at 31 Dec 2024³	101.0	41.1	(8.4)	133.7
Average	114.4	38.0	(31.6)	120.7
Maximum	202.3	57.7	—	216.3
Minimum	41.5	29.1	—	54.8

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 - such as 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.

The VaR for non-trading activity, increased by £14.4m year-on-year largely driven by an increase in the duration risk of the Markets Treasury portfolio. The average portfolio diversification effect between interest rate and credit spread exposure decreased from £31.6m to £3.5m, mainly due to higher correlations between the two asset classes. Non-trading VaR is managed and controlled through a limit approved by the CRCO.

Pension risk management processes

HSBC provides future pension benefits on a defined contribution basis from many of its European operations. However, there remain future defined benefit pensions provided in the region.

Pension plans are run by local fiduciaries in line with local legislative requirements. The largest pension plan is the HSBC Switzerland Pension Plan which is regulated by Swiss Federal law.

In defined contribution pension plans, the contributions that HSBC is required to make are known, while the final pension benefits depend on investment returns from employee selected options. While the market risk of defined contribution plans is minimal for HSBC, operational and reputational risks remain.

In defined benefit pension plans, the level of pension benefit is known, but HSBC's contribution levels can fluctuate due to a number of risks, including:

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

Pension risk is assessed using an economic capital model that takes into account potential variations in these factors. The impact of these variations on both pension assets and pension liabilities is assessed using a 1-in-200-year stress test. Scenario analysis and other stress tests are also used to support pension risk management.

To fund the benefits associated with defined benefit plans, sponsoring group companies, and in some instances employees, make regular contributions in accordance with advice from actuaries and in consultation with the plan's fiduciaries where relevant. Contributions help ensure that there are sufficient funds to meet the cost of the accruing benefits for the future service of active members with higher contributions required when plan assets are considered insufficient to cover the existing pension liabilities. Contribution rates are typically revised annually or once every three years, depending on the plan.

The defined benefit plans invest contributions in a range of investments designed to limit the risk of assets failing to meet a plan's liabilities. Any changes in expected returns from the investments may also change future contribution requirements. Asset allocations are strategically set, with benchmarks reviewed every three to five years.

Capital risk in 2025

Capital overview

Capital adequacy metrics

	At	
	31 Dec 2025	31 Dec 2024
Risk-weighted assets ('RWAs') (£m)		
Credit risk	59,541	61,456
Counterparty credit risk	20,999	18,228
Market risk	16,799	18,519
Operational risk	15,001	14,048
Total RWAs	112,340	112,251
Capital (£m)		
Common equity tier 1 ('CET1') capital	20,063	21,896
Tier 1 capital	24,272	25,828
Total capital	41,473	41,306
Capital ratios (%)		
Common equity tier 1	17.9	19.5
Total tier 1	21.6	23.0
Total capital ratio	36.9	36.8
Leverage ratio (fully phased-in)		
Tier 1 capital (£m)	24,272	25,828
Total leverage ratio exposure measure (£m)	534,474	468,557
Leverage ratio (%)	4.5	5.5

References to 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 regulatory requirements of the Capital Requirements Regulation and Directive, the CRR II regulation and the PRA Rulebook ('CRR II'). Effective 1 January 2025, the IFRS 9 transitional arrangements came to an end, followed by the end of the CRR II grandfathering provisions on 28 June 2025. Accordingly, our current period capital figures are the same on 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.

Risk review

Own funds

Own funds disclosure

(Audited)

Ref*		At	
		31 Dec 2025 £m	31 Dec 2024 £m
	Common equity tier 1 ('CET1') capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	4,379	4,379
	– ordinary shares	4,379	4,379
2	Retained earnings	22,969	24,328
3	Accumulated other comprehensive income (and other reserves)	(5,155)	(6,448)
5	Minority interests (amount allowed in consolidated CET1)	62	89
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	–	716
6	Common equity tier 1 capital before regulatory adjustments	22,255	23,064
28	Total regulatory adjustments to common equity tier 1	(2,192)	(1,168)
29	Common equity tier 1 capital	20,063	21,896
36	Additional tier 1 capital before regulatory adjustments	4,209	3,932
43	Total regulatory adjustments to additional tier 1 capital	–	–
44	Additional tier 1 capital	4,209	3,932
45	Tier 1 capital	24,272	25,828
51	Tier 2 capital before regulatory adjustments	17,201	15,835
57	Total regulatory adjustments to tier 2 capital	–	(357)
58	Tier 2 capital	17,201	15,478
59	Total capital	41,473	41,306

* The references identify the lines prescribed in the template, that are applicable and where there is a value.

At 31 December 2025, our CET1 capital ratio decreased to 17.9% from 19.5% at 31 December 2024. The key drivers of the decrease in our CET1 ratio were:

- a (2.2) percentage point decrease mainly due to loss on disposal of our portfolio of home and certain other loans in France and a further decrease due to dividends paid during the year;
- a (0.3) percentage point decrease driven by higher RWAs from increased balance sheet exposures and due to methodology updates. This was partly offset by disposal of French life insurance business and PRA waivers granted for the exclusion of operational risk RWAs in 2025;
- a 0.9 percentage point increase from favourable FX movement, fair value reserve movement and other movements in own funds.

Throughout 2025, we complied with the PRA's regulatory capital adequacy requirements, including those relating to stress testing.

Risk-weighted assets

RWA movement by key driver

	Total RWAs £m
RWAs at 1 Jan 2025	112,251
Asset size	2,688
Asset quality	654
Model updates	2
Methodology and policy	939
Acquisitions, disposals and transfers	(3,417)
Foreign exchange movement	(777)
Total RWA movement	89
RWAs at 31 Dec 2025	112,340

RWAs increased by £0.1bn during the year. Excluding foreign currency translation differences of £(0.8)bn, RWAs rose by £0.9bn.

Asset size

The £2.7bn increase in Asset size was mainly driven by:

- £1.8bn rise in Counterparty Credit Risk RWAs, primarily due to an increase in derivatives and the Securities Financing Transactions portfolio, driven by client activity and favourable yields, mainly in our CIB business.
- £0.9bn rise in Operational Risk RWAs due to higher average revenue in the annual recalculation of operational risk.
- £0.5bn rise in Credit Risk RWAs, driven by the increase in intercompany and corporate lending exposures.

- £(0.6)bn fall in Market Risk RWAs, mainly due to a reduction in stressed value at risk ('SVaR') and incremental risk charge ('IRC') resulting from changes in risk profile and rates. This was partly offset by an increase in the standardised approach RWA.

Asset quality

The £0.7bn increase was mainly driven by credit risk parameters refinements and portfolio mix changes in credit risk.

Methodology and policy

The £0.9bn increase was primarily driven by methodology changes within our CIB business. This increase was partially offset by revised methodologies applied to undrawn exposures, alongside the restructuring of legacy securitisation positions.

Acquisitions and disposals

The £(3.4)bn decrease was primarily driven by:

- £(2.0)bn fall due to the sale of our French life insurance business.
- £(0.8)bn fall due to the sale of our retained portfolio of home and certain other loans in France.
- £(0.4)bn fall due to the PRA waivers granted for the exclusion of operational risk RWAs in 2025 associated with the sale of our retail banking operations in France.
- £(0.2)bn fall due to the disposal of our private banking business in Germany.

Leverage ratio

Our leverage ratio was 4.5% at 31 December 2025, down from 5.5% at 31 December 2024. The increase in Leverage exposure driven by balance sheet growth led to a fall of 0.7 percentage points in the leverage ratio. This was compounded by a reduction of 0.3 percentage points due to a decrease in Tier 1 capital.

At 31 December 2025, 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 Tier 1 capital, but this buffer translated to CET1 capital value of £2.1bn. We exceeded these leverage requirements throughout 2025.

Leverage ratio

	At	
	31 Dec 2025 £bn	31 Dec 2024 £bn
Tier 1 capital	24,272	25,828
Total leverage ratio exposure	534,474	468,557
	%	%
Leverage ratio	4.5	5.5

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 31 December 2025 is published on our website, www.hsbc.com/investors.

Structural foreign exchange exposures

The group's structural foreign currency exposure is represented by the net assets or capital investments in subsidiaries, branches, joint arrangements or associates, the functional currencies of which are currencies other than the sterling.

For our policies and procedures for managing structural foreign exchange exposures, see page 57 of the 'Risk management' section.

Net structural foreign exchange exposures

	2025 £m	2024 £m
Currency of structural exposure		
Euro	11,622	11,804
US Dollars	854	1,053
Swiss Franc	1,107	843
South African Rand	354	306
Israeli New Shekel	164	133
Polish Zloty	130	129
Others, each less than £100m	28	31
At 31 Dec	14,259	14,299

Liquidity and funding risk in 2025

Liquidity metrics

At 31 December 2025, all of the group material operating entities were above the required regulatory minimum liquidity and funding levels. Each entity maintains sufficient unencumbered liquid assets to comply with local and regulatory requirements. Each entity maintains a sufficient stable funding profile and is assessed using the NSFR or other appropriate metrics.

In addition to regulatory metrics, we use a wide set of measures to manage our liquidity and funding profile.

Liquidity coverage ratio

The LCR aims to ensure that a bank has sufficient unencumbered high-quality liquid assets ('HQLA') to meet its liquidity needs in a 30-calendar-day liquidity stress scenario. HQLA consist of cash or assets that can be converted into cash at little or no loss of value in markets.

LCR¹

	At 31 Dec 2025 %	At 31 Dec 2024 %
HSBC Bank plc	148	148

Net stable funding ratio

The NSFR requires institutions to maintain sufficient stable funding relative to required stable funding, and reflects a bank's long-term funding profile (funding with a term of more than a year).

NSFR¹

	At 31 Dec 2025 %	At 31 Dec 2024 %
HSBC Bank plc	114	115

Depositor concentration and term funding maturity concentration

To help ensure the deposit base is sufficiently diversified, depositor concentration is monitored on an ongoing basis.

In addition to this, operating entities monitor the term funding maturity concentration metric to ensure they are not overly exposed to term funding concentration of wholesale market counterparts by the current maturity profile in any defined period.

Liquid assets

The table below shows the weighted liquidity value of assets categorised as liquid, which is used for the purposes of calculating the LCR metric. This reflects the stock of unencumbered liquid assets at the reporting date, using the regulatory definition of liquid assets.

Liquid assets

	At Estimated liquidity value 31 Dec 2025 £m	At Estimated liquidity value 31 Dec 2024 £m
HSBC Bank plc		
Level 1	97,694	108,284
Level 2a	8,161	6,881
Level 2b	5,385	4,812

¹ The LCR and NSFR ratios presented in the tables are based on average value. The LCR is the average of the preceding 12 months. The NSFR is the average of preceding four quarters.

Sources of funding

The following 'Funding sources' and 'Funding uses' tables provide a view of the consolidated balance sheet. In practice, all principal operating entities are required to manage liquidity and funding risk on a stand-alone basis.

The tables show the consolidated balance sheet according to the assets that primarily arise from operating activities and the sources of funding primarily supporting these activities. Assets and liabilities that do not arise from operating activities are presented as a net balancing source or deployment of funds.

Funding sources and uses for the group

	2025 £m	2024 £m
Sources		
Customer accounts	244,763	242,303
Deposits by banks	39,679	26,515
Repurchase agreements – non-trading	46,758	40,384
Debt securities in issue	12,823	19,461
Cash collateral, margin, settlement accounts and items in course of transmission to other banks	44,852	44,569
Liabilities of disposal groups held for sale	15,711	23,110
Subordinated liabilities	18,919	16,908
Financial liabilities designated at fair value	41,842	37,443
Insurance contract liabilities	465	3,424
Trading liabilities	41,877	42,633
– repos	8,764	12,468
– stock lending	3,706	2,568
– other trading liabilities	29,407	27,597
Total equity	25,964	27,053
Other balance sheet liabilities	174,043	203,527
At 31 Dec	707,696	727,330

Risk review

Funding sources and uses for the group (continued)

	2025 £m	2024 £m
Uses		
Loans and advances to customers	79,858	82,666
Loans and advances to banks	19,349	14,521
Reverse repurchase agreements – non-trading	68,110	53,612
Cash collateral, margin, settlement accounts and items in course of collection from other banks	39,228	45,707
Assets held for sale	5,558	21,606
Trading assets	131,359	116,042
– reverse repos	7,897	9,275
– stock borrowing	8,587	4,474
– other trading assets	114,875	102,293
Financial investments	66,614	52,216
Cash and balances with central banks	101,443	119,184
Other balance sheet assets	196,177	221,776
At 31 Dec	707,696	727,330

Interest rate risk in the banking book in 2025

Banking net interest income sensitivity

Banking NII Sensitivity is the sensitivity of our banking net interest income to interest rate shocks. This metric includes the sensitivity arising from the use of banking book liabilities to fund trading assets, as well as the impacts of vanilla foreign exchange swaps to optimise cash management across the Group. It is aligned with the presentation in the Group's financial disclosures of banking net interest income as an alternative performance measure intended to approximate the Group's banking revenue that is directly impacted by changes in interest rates.

The following tables set out the assessed impact to a hypothetical base case projection of our banking NII under an immediate shock of 100bps to the current market-implied path of interest rates across all

currencies on 31 December 2025 (effects in the first, second and third years). For example, Year 3 shows the impact of an immediate rate shock on the banking NII projected for the third year.

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

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

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

An immediate interest rate rise of 100bps would increase projected banking NII by £32m. An immediate interest rate fall of 100bps would decrease projected banking NII by £31m.

The sensitivity of banking NII for 12 months as at 31 December 2025 decreased by £20m in the plus 100bps parallel shock and by £21m in the minus 100bps parallel shock, when compared with 31 December 2024. The decline in sensitivities is driven by changes in balance sheet composition.

Banking NII sensitivity to an instantaneous change in yield curves

	+100bps parallel £m	-100bps parallel £m	-100bps parallel £m	£m
	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	32	(31)	(62)	(90)
	Year 1 (Jan 2025 to Dec 2025)	Year 2 (Jan 2026 to Dec 2026)	Year 3 (Jan 2027 to Dec 2027)	
Based on balance sheet at 31 Dec 2024	52	(52)	(44)	(110)

Market risk

See page 21 for our definition of Market risk.

Market risk arises from both trading portfolios and non-trading portfolios. Trading portfolios comprise positions held for client servicing and market-making, with the intention of short-term resale and/or to hedge risks resulting from such positions.

Key developments in 2025

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

Market risk governance

(Audited)

The following diagram summarises the main business areas where trading market risks reside, and the market risk measures used to monitor and limit exposures.

Risk types	Trading risk
	– Foreign exchange and commodities
	– Interest rates
	– Credit spreads
	– Equities
Risk measure	Value at risk Sensitivity Stress testing

Where appropriate, we apply similar risk management policies and measurement techniques to trading portfolios. Our objective is to manage and control market risk exposures to optimise return on risk while maintaining a market profile consistent with our established risk appetite.

Market risk is managed and controlled through limits approved by the group Chief Risk and Compliance Officer. These limits are allocated across business lines and to the group and its subsidiaries. The majority of HSBC's total VaR and trading VaR reside in Markets and Securities Services. Each major operating entity has an independent market risk management and control sub-function, which is responsible for measuring, monitoring and reporting market risk exposures against limits on a daily basis. The Traded Risk function enforces the controls around trading in permissible instruments approved for each site as well as following completion of the new product approval process. Traded Risk also restricts trading in the more complex derivative products to offices with appropriate levels of product expertise and robust control systems.

Market risk measures

Monitoring and limiting market risk exposures

Our objective is to manage and control market risk exposures while maintaining a market profile consistent with the group's risk appetite.

We use a range of tools to monitor and limit market risk exposures including sensitivity analysis, VaR, and stress testing.

Sensitivity analysis

Sensitivity analysis measures the impact of individual market factor movements on specific instruments or portfolios, including interest rates, foreign exchange rates, credit spreads and equity prices, such as the effect of a one basis point change in yield. We use sensitivity measures to monitor the market risk positions within each risk type. Sensitivity limits are set for portfolios, products and risk types, with the depth of the market being one of the principal factors in determining the level of limits set.

Value at risk

VaR is a technique that estimates the potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is integrated into market risk management and is calculated for all trading positions regardless of how the group capitalises those exposures. Where there is not an approved internal model, the group uses the appropriate local rules to capitalise exposures.

The VaR models for trading portfolios are predominantly based on historical simulation. The VaR is calculated at a 99% confidence level for a one-day holding period. Where we do not calculate VaR explicitly, we use alternative tools like Stress Testing.

The VaR models derive plausible future scenarios from past series of recorded market rates and prices, taking into account inter-relationships between different markets and rates such as interest rates and foreign exchange rates. The models also incorporate the effect of option features on the underlying exposures.

The historical simulation models used incorporate the following features:

- historical market rates and prices are calculated with reference to foreign exchange rates and commodity prices, interest rates, equity prices and the associated volatilities;
- potential market movements utilised for VaR are calculated with reference to data from the past two years; and
- VaR measures are calculated to a 99% confidence level and use a one-day holding period.

The nature of the VaR models means that an increase in observed market volatility will most likely lead to an increase in VaR without any changes in the underlying positions.

VaR model limitations

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations. For example:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a holding period assumes that all positions can be liquidated or the risks offset during that period. This may not fully reflect the market risk arising at times of severe illiquidity, when the holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 99% confidence level by definition does not take into account losses that might occur beyond this level of confidence; and
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

Risk not in VaR framework

Other basis risks which are not completely covered in VaR are complemented by our risk not in VaR ('RNIV') calculations, and are integrated into our capital framework.

Risk factors are reviewed on a regular basis and either incorporated directly in the VaR models, where possible, or quantified through the VaR-based RNIV approach or a stress test approach within the RNIV framework. The outcome of the VaR-based RNIV is included in the VaR calculation; a stressed VaR RNIV is also computed for the risk factors considered in the VaR-based RNIV approach.

Stress-type RNIVs include a deal contingent derivatives capital charge to capture risk for these transactions and a de-peg risk measure to capture risk to pegged and heavily managed currencies.

Stress testing

Stress testing is an important procedure that is integrated into our market risk management tool to evaluate the potential impact on portfolio values of more extreme, although plausible, events or movements in a set of financial variables. In such scenarios, losses can be much greater than those predicted by VaR modelling.

Stress testing is implemented at legal entity, regional and overall HSBC Group levels. A standard set of scenarios is utilised consistently across all regions within the HSBC Group. Scenarios are tailored to capture the relevant events or market movements at each level. The risk appetite around potential stress losses for the group is set and monitored against referral limits.

Market risk reverse stress tests are undertaken on the premise that there is a fixed loss. The stress testing process identifies which scenarios lead to this loss. The rationale behind the reverse stress test is to understand scenarios which are beyond normal business settings that could have contagion and systemic implications.

Stressed VaR and stress testing, together with reverse stress testing and the management of gap risk, provide management with insights regarding the 'tail risk' beyond VaR for which the group's appetite is limited.

Trading portfolios

Back-testing

We routinely validate the accuracy of our VaR models by back-testing the VaR metric against both actual and hypothetical profit and loss. Hypothetical profit and loss exclude non-modelled items such as fees, commissions and revenue of intra-day transactions. The hypothetical profit and loss reflects the profit and loss that would be realised if positions were held constant from the end of one trading day to the end of the next. This measure of profit and loss does not align with how risk is dynamically hedged, and is not therefore necessarily indicative of the actual performance of the business. The number of hypothetical loss back-testing exceptions, together with a number of other indicators, is used to assess model performance and to consider whether enhanced internal monitoring of a VaR model is required. We back-test our VaR at set levels of our HSBC Group entity hierarchy.

Defined benefit pension plans

Market risk also arises within the Bank's defined benefit pension plans to the extent that the obligations of the plans are not fully matched by assets with determinable cash flows. Refer to the Pension risk management processes section on page 59 for additional information.

Risk review

Key Development in 2025

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

We continued to manage market risk prudently during 2025. Market risk was managed using a complementary set of risk measures and limits including stress testing and scenario analysis. Main sensitivity exposures and VaR levels remained within risk appetite, as the business pursued its core market making activities in support of our customers. We ran stress testing for a range of geopolitical and technical scenarios that were relevant during the year.

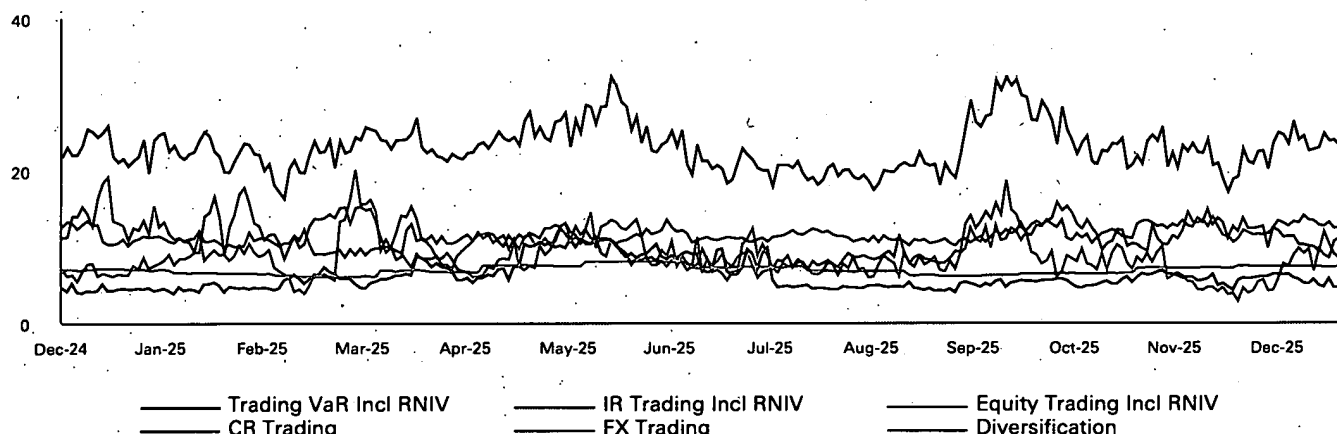
Trading portfolios

Value at risk of the trading portfolios

(Audited)

The Trading VaR predominantly resides within Markets and Securities Services where it amounted to £23m as of 31 December 2025 compared with £21.8m as of 31 December 2024. The VaR primarily fluctuated in response to client activity throughout the year. Market sentiment was cautious at the outset, as uncertainties arising from new US tariff policies contributed to a decline in Trading VaR to £16.3m in 1Q25. Trading VaR subsequently reached a peak of £32.3m in 2Q25.

Daily VaR (trading portfolios), 99% 1 day (£m)



The group's trading VaR for the year is shown in the table below.

Trading VaR, 99% 1 day

(Audited)

	Foreign exchange ('FX') and commodity	Interest rate ('IR')	Equity ('EQ')	Credit Spread ('CS')	Portfolio Diversification ¹	Total ²
	£m	£m	£m	£m	£m	£m
Balance at 31 Dec 2025	9.5	8.2	12.5	4.5	(11.8)	23.0
Average	8.5	10.8	11.5	6.0	(13.9)	23.0
Maximum	20.1	19.2	15.3	11.0		32.3
Minimum	2.7	5.9	8.6	3.8		16.3
Balance at 31 Dec 2024	6.9	11.2	12.6	4.6	(13.5)	21.8
Average	8.3	17.5	10.4	6.5	(16.5)	26.2
Maximum	14.8	27.8	13.4	9.3		37.2
Minimum	4.2	7.8	8.1	4.1		18.5

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 VaR RNIV.

Back-Testing

In 2025, HSBC Bank plc did not experience any back-testing exceptions against the Hypothetical P&L and Actual P&L.

Climate Risk

Our climate risk approach identifies two primary drivers of climate risk:

- physical risk, which arises from the increased frequency and severity of extreme weather events, such as hurricanes and floods, or chronic gradual shifts in weather patterns or rises in the sea level; and
- transition risk, which arises from the process of moving to a net zero economy, including changes in government policy and legislation, technology, market demand, and reputational implications triggered by a change in stakeholder expectations, action or inaction.

We continue to identify a thematic issue related to climate risk that could manifest as reputational, regulatory compliance, and litigation risks: the risk of greenwashing. This risk arises from knowingly or unknowingly making inaccurate, unclear, misleading or unsubstantiated claims regarding sustainability to our stakeholders.

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

Risk review

Approach

We acknowledge that the physical effects of climate change and the shift towards a net zero economy may pose substantial financial risks to companies, investors, and the financial system. HSBC may encounter climate risks directly or indirectly through our customer relationships, potentially leading to both financial and non-financial consequences.

HSBC Group's revised climate risk approach aims to effectively manage the material climate risks that could impact our operations, financial performance and stability, and reputation. It is informed by

the evolving expectations of our regulators and is aligned to our Group wide risk management framework which sets out how we identify, assess and manage our risks across our three lines of defence.

We continue to work to enhance our climate risk capabilities across our businesses by prioritising sectors, portfolios, and counterparties with the highest impacts. Recognising this as a long-term, iterative process, we aim to expand our coverage and integrate more advanced data, climate analytics, frameworks, and tools, while adapting to emerging industry best practices and climate-related regulations.

The tables below provide an overview of the climate risk drivers and the thematic issue considered within the HSBC Group's climate risk approach:

Climate risk – risk drivers		Details	Potential impacts	Time horizons
Physical	Acute	Increased frequency and severity of weather events causing disruption to business operations.	- Decreased real estate values or stranded assets. - Decreased household income and wealth. - Increased costs of legal and compliance. - Increased public scrutiny. - Decreased profitability. - Lower asset performance.	Short term Medium term Long term
	Chronic	Longer-term shifts in climate patterns (e.g. sustained higher temperatures, sea level rise, shifting monsoons or chronic heat waves).		
Transition	Policy and legal	Mandates for, and regulation of products and services and/or policy support for low-carbon alternatives. Litigation from parties who have suffered loss and damage from climate impacts.		
	Technology	Replacement of existing products with lower emissions options.		
	End-demand (market)	Changing consumer demand from individuals and corporates.		
	Reputational	Increased scrutiny following a change in stakeholder perceptions of climate-related action or inaction, and diverging national and political agendas.		

Climate risk – thematic issue

Risk of greenwashing	Firm	Making inaccurate, unclear, misleading, or unsubstantiated claims in relation to HSBC Group's sustainability ambitions, targets and commitments, as well as the reporting of our performance towards them.
	Product	Making inaccurate, unclear, misleading or unsubstantiated claims in relation to products or services offered to clients that have stated sustainability objectives, characteristics, impacts or features.
	Client	Making inaccurate, unclear, misleading or unsubstantiated claims as a consequence of HSBC Group's relationships with clients or transactions we undertake with them, where their sustainability commitments or related performance are misrepresented or are not aligned to HSBC Group's own commitments.

HSBC Group's annual global climate risk materiality assessment helps us to understand how climate risk may impact across HSBC's risk taxonomy. It assesses the type of impact, likelihood and severity over

a 12-month period, and also considers forward looking risk impacts. It is used to support policy, control enhancements, and scenario analysis.

The table below provides a summary of how climate risk may impact a subset of HSBC Group's principal risks.

Climate risk drivers	Credit risk	Traded risk	Reputational risk	Regulatory compliance risk	Resilience risk	Other financial and non-financial risk types
Physical risk	◆	◆			◆	◆
Transition risk	◆	◆	◆	◆	◆	◆

Climate risk management

Key developments in 2025

We continue to develop our climate risk management capabilities. The following outlines key developments in 2025:

- The HSBC Group has enhanced its approach to managing financed emission targets in the wholesale portfolio, through developing portfolio steering capabilities and revenue at risk assessments.
- HSBC Bank plc is aligned with HSBC Group in enhancing the Group's approach to assessing the impact of climate change on capital, focusing on credit, traded and operational risk.
- We enhanced our internal climate scenario analysis, aligned with HSBC Group, including through improvements to input data and models.
- HSBC Group enhanced its approach for managing and mitigating the risk of greenwashing.

- HSBC Group enhanced climate risk guidelines for relationship managers to further embed climate risk considerations into credit risk assessments.

While we have made progress, further work remains, including the need to develop additional metrics and tools to measure our exposure to climate-related risks.

Governance and structure

The Group's Board takes overall responsibility for our ESG strategy, overseeing executive management in developing the approach, execution and associated reporting.

HSBC Bank plc aligns to the HSBC Group in that the HSBC Bank plc Chief Risk and Compliance Officer is the senior manager responsible for the management of climate risk under the UK Senior Managers Regime.

Risk review

Our Reputational Risk Committee provides recommendations and advice on significant reputational risk matters with impacts across HSBC Bank plc (or the HSBC Group).

Our Environmental Risk Forum provides oversight of environmental risk and the risk of greenwashing for HSBC Bank plc, and we will continue to develop our approach to governance and oversight.

Our Risk Management Meeting and Risk Committee receive updates on our climate risk profile.

Risk appetite

Aligned to HSBC Group, our climate risk appetite forms part of HSBC Bank plc's risk appetite statement and is approved and overseen by the Board. This supports the business in delivering our net zero ambition effectively and sustainably, and is reviewed annually, or sooner should a breach occur.

Climate risk indicators are monitored regularly and can be escalated to HSBC Bank plc Risk Management Meeting and the HSBC Bank plc Risk Committee, should a breach occur.

Policies, processes and controls

Aligned with HSBC Group, we continue to update and integrate climate risk into policies, processes and controls across many areas of our organisation.

Challenges

Key challenges include:

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

Resilience Risk

► See page 21 for our definition of Resilience risk

Key developments in 2025

During the year, we conducted several initiatives to keep pace with geopolitical, regulatory and technology changes, and strengthened the management of resilience risk.

- We continued to recognise that our customers were impacted by service disruptions. We responded to these in line with our Incident Management plans and aimed to recover with minimal delay and minimal customer impact. Following any operational disruption, we conduct post-incident reviews to identify lessons learnt and help strengthen our operations.
- Where HSBC Bank plc identifies that enhancements are required to the group's operational resilience capabilities, these are fed into the group's business and investment planning, helping to ensure we continue to meet the expectations of our customers and our regulators.
- We continued to monitor markets affected by geopolitical events for any potential impact they may have on our colleagues and operations, enhancing response playbooks to reflect the local positions as they evolved.
- We provided analysis and easy-to-access risk and control information and metrics to enable management to focus on non-financial risks in their decision making and appetite setting.
- We prioritise our efforts on material risks and areas undergoing strategic growth, aligning our location strategy to this need. We also remotely provide oversight and stewardship, including support of chief risk officers, in territories where we have no physical presence.

Governance and structure

The Group Resilience Risk target operating model provides a globally consistent view across resilience risks, strengthening our risk management oversight. We view resilience risk across seven sub-risk types related to: technology and cybersecurity risk; third-party risk; transaction and payment processing risk; business interruption and incident risk; data risk; facilities availability, safety and security risk; and operational and resilience regulatory reporting risk.

Risk appetite and key escalations for resilience risk are reported to the group's Risk Management Meeting and the Risk Committee.

Operational resilience

We operate processes to support our operational resilience according to our Risk Management Framework. Operational resilience is our ability to anticipate, prevent, adapt, respond to, recover, and learn from internal or external disruption, and provide Important Business Services ('IBS') to customers and clients, while seeking to minimise impact on the wider financial system when disruption occurs. This is achieved via day-to-day oversight and ongoing assurance. We have invested to improve response and recovery strategies for our IBS and Important Group Business Services to meet regulatory and customer expectations.

Business operations continuity

We continue to monitor potential disruption events, such as geopolitical volatility, adverse weather conditions and cyber attacks, and remain ready to take measures to ensure business continuity in affected markets should the situations require. There have been no related significant disruptions to our services, although businesses and functions in our markets continually review their continuity plans and response plans to minimise any potential impacts should disruption occur.

Cybersecurity Risk

The threat of a significant cyber incident remains a concern for the group and the broader financial sector. As cyber threats continue to evolve, failure to protect our operations may result in disruption to our business services, potentially causing negative impact on our customers, financial loss or loss of sensitive data, or damage our own reputation, among other risks. We continue to monitor ongoing geopolitical events and changes to the cyber threat landscape and take proactive measures with the aim to reduce any impact to our customers.

Key developments in 2025

We invest in business and technical controls to help identify, prevent, detect and mitigate cyber threats. Our controls follow a 'defence in depth' approach, leveraging multiple security layers, and recognising the complexity of our environment. Our ability to detect and respond to attacks through our round-the-clock security operations is intended to help reduce the impact of attacks. We routinely test our data backup and disaster recovery processes with the aim of limiting the impact on customers and restoring services in the event of a cyber-attack. Our cyber intelligence and threat analysis team proactively collects and analyses internal and external cyber information to evaluate threat levels, including from ongoing geopolitical events, potential outcomes, and what control adjustments are needed to best defend against them. We collaborate with the broader cyber intelligence community, the financial services industry and global government agencies.

In 2025, we continued to enhance our cybersecurity capabilities to help reduce the likelihood and impact of unauthorised access, security vulnerabilities being exploited, data leakage, third-party security exposure and advanced malware. We focused on preparedness for emerging technology risks, such as AI and quantum computing. We work with third parties, suppliers and financial infrastructure bodies to help reduce the threat of cyber-attacks impacting our business services. We have a third-party security risk management process in place to continually assess, identify and manage cybersecurity risks with suppliers and other third-party relationships. This includes assessments of the third parties against our own cybersecurity standards and requirements.

Governance and structure

We have a suite of cybersecurity policies, procedures and controls to help with the effective oversight and management of the organisation. This includes but is not limited to defined information security responsibilities for employees, contractors and third parties, as well as standard procedures for cyber incident identification, investigation, mitigation and reporting. We operate a three lines of defence model, aligned to the Risk Management Framework, to help oversight and challenge of our cybersecurity capabilities. The assessment and management of our cybersecurity risk is led and coordinated by a Global Chief Information Security Officer ('CISO'). Our Global CISO has extensive experience in financial services, security and resilience as well as strategy, governance, risk management and regulatory compliance. The Global CISO is supported by business and regional level CISOs. In the event of incidents, the Global CISO and relevant supporting CISOs are informed and are engaged in line with our cybersecurity incident response protocols. Key risk indicators, significant cyber incidents and other matters related to cybersecurity are presented on a regular basis to various risk and control committees, including Board committees, the group Risk Management Meeting and global businesses. Our cybersecurity capabilities are periodically assessed against standards issued by the National Institute of Standards and Technology and by independent third parties, and we proactively collaborate with regulators to participate in regular testing activities. In addition, HSBC engages external, independent third parties to support our penetration and threat-led penetration testing.

Cyber training and awareness

Our people play an important role in protecting against cybersecurity threats and we aim to provide tools, and encourage behaviours to keep our organisation and customer data safe. This includes cybersecurity training and awareness for all our people and targeted training for staff that are identified as having elevated cyber risk exposure. We host an annual Cyber Awareness Month, covering topics such as online safety at home, social media safety, safe hybrid working and cyber incidents and response. We also provide a wide range of education and guidance to our customers about how to spot and prevent online fraud.

Regulatory compliance risk

See page 22 for our definition of Regulatory compliance risk.

Key developments in 2025

Regulatory Compliance risk stewardship is provided across a wide range of transformational change and control enhancement initiatives supporting HSBC's strategy and organisational structure, as well as Regulatory Compliance control frameworks, policies and governance processes.

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

From a regulatory change perspective, there is increased fragmentation of and/or divergence in regulatory approaches across the UK, EU and US with additional complexity within the EU by divergence in local transposition by member states.

Governance and structure

The Head of Regulatory Compliance, CIB and HSBC Bank plc reports to the Group Head of Regulatory Compliance, and is responsible for all Regulatory Compliance teams across HSBC Bank plc. Regulatory Compliance teams work with all relevant stakeholders to help ensure we achieve good conduct outcomes and provide enterprise-wide support on the Regulatory Compliance risk agenda.

Key risk management processes

The HSBC Bank plc Regulatory Compliance function is engaged in setting policies, standards, risk appetite, frameworks and tools to guide the management of regulatory compliance risks. It also provides oversight, review and challenge to the business, aiding them in identifying, assessing and mitigating Regulatory Compliance risks.

Relevant events and issues are escalated in line with the Group's Risk Management Framework including reporting to executive and non-executive risk governance committees for transparency, accountability and informed decision making. The Head of Regulatory Compliance, CIB and HSBC Bank plc attends the HSBC Bank plc Risk Management Meeting, the HSBC Bank plc Risk Committee, and the Global Regulatory Compliance Senior Leadership Meeting.

Our approach to Customer and Market Conduct

Our Conduct Approach guides us to do the right thing and to focus on the impact we have for our customers and the financial markets in which we operate. It is embedded throughout our product and services lifecycle, with a focus on five clear outcomes:

- We understand our customers' needs.
- We provide products and services that offer a fair exchange of value.
- We service customers' ongoing needs and put it right if we make a mistake.
- We act with integrity in the financial markets we operate in.
- We operate resiliently and securely to avoid harm to customers and markets.

Our principles, policies and procedures set standards to help ensure that we consider and meet customer needs and protect market integrity. They help ensure our products and services remain fit-for-purpose, offer fair value exchange and mitigate the risk of customer or market detriment.

We train all our colleagues on the importance of customer and market conduct, helping to ensure our conduct outcomes are part of everything we do.

Regulators and governments

We proactively engage with regulators and governments to facilitate strong relationships through virtual and in-person meetings and by responding to consultations individually and jointly via industry bodies.

Financial crime risk

See page 22 for our definition of Financial Crime risk.

Key developments in 2025

We regularly review the effectiveness of our financial crime risk management framework, which includes continued consideration of the complex sanctions compliance and export control risk. We continued to respond to the evolving financial sanctions and trade restrictions, including methods used to evade sanctions and export controls.

We continued to make progress with several key financial crime risk management initiatives, including:

- deployment of our intelligence-led, dynamic risk assessment ('DRA') capability for customer account monitoring in additional entities and business segments;
- deployment and optimisation of a capability to increase our monitoring coverage on correspondent banking activity in additional markets;
- enhancements in response to the rapidly evolving and complex global payments landscape and refinement of the control framework required to support HSBC's digital assets and currencies strategy; and
- enhancing our fraud controls and continuing to invest in, and monitor, technological developments;

Governance and Structure

During 2025 we have reviewed the organisational design for our Financial Crime function to help ensure we can continue to protect our customers, the bank and the integrity of the global financial system against financial crime while supporting safe and sustainable growth. The new structure aligns with broader Group simplification plans – helping to drive faster decision-making with clearer accountability. The Head of Financial Crime and HSBC Bank plc Money Laundering Reporting Officer reports to the HSBC Bank plc Chief Risk and Compliance Officer and to the Group Head of Financial Crime, while the HSBC Bank plc Risk Management Meeting retains oversight of matters relating to financial crime.

Key risk management processes

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

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

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

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

We are committed to working in partnership with the wider industry and the public sector in managing financial crime risk. In 2025, our focus remained on measures to improve the overall effectiveness of the global financial crime framework and promote the risk-based approach. Through our work with industry bodies, such as the Wolfsberg Group, we provided input into legislative and regulatory reform activities and supported the efforts of the global financial crime standard setter, the Financial Action Task Force. We did this by participating in consultations and other engagement, focused on delivering more effective outcomes in managing financial crime risk, which also enhances financial inclusion. Key themes for external engagement include risk-based supervision, the use of innovative technology, payment transparency, fraud risk management and tackling sanctions and export controls evasion.

Safeguarding the financial system

We have continued our efforts to combat financial crime and reduce its impact on our organisation, customers and the communities that we serve. Financial crime includes fraud, bribery and corruption, tax evasion and the facilitation of tax evasion, sanctions and export control violations and evasion, money laundering, terrorist financing and proliferation financing.

We manage financial crime risk because it is the right thing to do to protect our customers, shareholders, staff, the communities in which we operate, as well as the integrity of the financial system on which we all rely. Our financial crime risk management framework is applicable across all businesses and functions, and in all countries and territories in which we operate. The financial crime risk framework, which is overseen by the Board, supported by our global financial crime policy, and designed to enable adherence to applicable laws and regulations globally. Annual mandatory training is provided to all colleagues, with additional targeted training tailored to certain individuals. We carry out regular risk assessments, to identify where we need to respond to evolving financial crime threats, as well as to monitor and test our financial crime risk management programme.

Anti-bribery and anti-corruption

Our global Financial Crime policy requires that all activity must be: conducted without intent to bribe or corrupt; reasonable and transparent; considered to be neither lavish nor disproportionate to the professional relationship; appropriately documented with business rationale; and authorised at an appropriate level of seniority. There were no concluded, nor live active, legal cases regarding bribery or corruption brought against the group or its employees in 2025. The global financial crime policy requires that we identify and mitigate the risk of our employees, customers and third parties committing bribery or corruption. Among other controls we use risk assessments, due diligence and ongoing monitoring following a risk-based approach, to identify and help mitigate the risk that our customers are involved in, or use HSBC's products or services, to commit bribery or corruption.

Model risk

► See page 22 for our definition of Model risk

Key developments in 2025

In 2025, we continued to make improvements in our Model Risk Management ('MRM') processes amid regulatory changes in MRM requirements.

Initiatives during the year included:

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

Governance and structure

The group's Model Risk Committee is chaired by our Chief Risk and Compliance Officer and provides oversight of model risk. The committee includes senior leaders and risk owners across the lines of business and Risk and focuses on model-related concerns and key model risk metrics. Model Risk Committee focuses on model-related concerns and is supported by key model risk metrics.

Key risk management processes

We use a variety of modelling approaches, including regression, simulation, sampling, machine learning and judgmental scorecards for a range of business applications. These activities include customer selection, product pricing, financial crime transaction monitoring, creditworthiness evaluation and financial reporting. Responsibility for managing model risk is delegated from the RMM to the HSBC Bank plc Model Risk Committee, which is chaired by the group Chief Risk and Compliance Officer. This committee regularly reviews our model risk management policies and procedures, and requires the first line of defence to demonstrate comprehensive and effective controls based on a library of model risk controls provided by Model Risk Management.

Model Risk Management also reports on model risk to senior management and to the group Model Risk Committee on a regular basis through the use of the risk map, risk appetite metrics and top and emerging risks.

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

Insurance manufacturing operations risk

► See page 22 for our definition of Insurance manufacturing operations risk.

HSBC's insurance business

We sell insurance products through a range of channels including our branches, insurance sales forces, direct channels and third-party distributors. The majority of sales are through an integrated bancassurance model that provides insurance products principally for customers with whom we have a banking relationship, although the proportion of sales through digital is increasing.

For the insurance products we manufacture, the majority of sales are savings, universal life and protection contracts.

We choose to manufacture these insurance products in the group's subsidiaries based on an assessment of operational scale and risk appetite. Manufacturing insurance allows us to retain the risks and rewards associated with writing insurance contracts by keeping part of the underwriting profit and investment income within the group.

Our life insurance manufacturing subsidiaries operate in two markets, which are UK and Malta. This excludes France where the sale of the insurance business was completed on 31 October 2025.

Where we do not have the risk appetite or operational scale to be an effective insurance manufacturer, we engage with a select number of leading external insurance companies in order to provide insurance products to our customers. These arrangements are generally structured with our exclusive strategic partners and earn the group a combination of commissions, fees and a share of profits. We distribute insurance products in all of our geographical regions.

This section focuses only on the risks relating to the insurance products we manufacture.

Insurance manufacturing operations risk management

Key developments in 2025

The insurance manufacturing subsidiaries follow the group's risk management framework. In 2025, we continued to strengthen the insurance specific policies, frameworks and controls particularly across the financial and capital reporting processes, stress testing, asset-liability management, reinsurance and insurance underwriting risks. During the year, there was continued market volatility observed across interest rates, equity and credit markets and foreign exchange rates. This was predominantly driven by geopolitical factors including the introduction of trade tariffs by the US, and wider inflationary concerns.

The sale of the French insurance business HSBC Assurances Vie (France) was completed on 31 October 2025. Following HSBC's announcement on 3 July 2025 of entering into a binding agreement to sell its UK life insurance business HSBC Life (UK) Limited, the balance sheet of the UK business has been reported as held for sale at 31 December 2025. Further details are provided on page 162.

Governance

Insurance manufacturing risks are managed to a defined risk appetite, which is aligned to the group's risk appetite and risk management framework, including the three lines of defence model. For details on the governance framework, see page 15. The Group Insurance Risk Management Meeting oversees the risk and control framework for insurance business in the group.

The monitoring of the risks within the insurance operations is carried out by Insurance Risk teams. The Bank's risk stewardship functions support the Insurance Risk teams in their respective areas of expertise.

Stress and scenario testing

Stress testing forms a key part of the risk management framework for the insurance business. We participate in local and group-wide regulatory stress tests, as well as internally developed stress and scenario tests, including group internal stress test exercises.

The results of these stress tests and the adequacy of management action plans to mitigate these risks are considered in the group's ICAAP and the entities' regulatory Own Risk and Solvency Assessments, which are produced by all material entities.

Management and mitigation of key risk types

Market risk

(Audited)

All our insurance manufacturing subsidiaries have market risk mandates and limits that specify the investment instruments in which they are permitted to invest and the maximum quantum of market risk that they may retain. They manage market risk by using, among others, some or all of the techniques listed below, depending on the nature of the contracts written:

- We are able to adjust bonus rates and other discretionary benefits to manage the liabilities to policyholders for products with participating features. The effect is that a significant portion of the market risk is borne by the policyholder.
- We use asset and liability matching where asset portfolios are structured to support projected liability cash flows.
- We use derivatives and other financial instruments to protect against adverse market movements.
- We design new products to mitigate market risk, such as changing the investment return sharing portion between policyholders and the shareholder.

Credit risk

(Audited)

Our insurance manufacturing subsidiaries also have credit risk mandates and limits within which they are permitted to operate, which consider the credit risk exposure, quality and performance of their investment portfolios. Our assessment of the creditworthiness of issuers and counterparties is based primarily upon internationally recognised credit ratings and other publicly available information.

Stress testing is performed on investment credit exposures using credit spread sensitivities and default probabilities.

We use a number of tools to manage and monitor credit risk. These include a credit report containing a watch-list of investments with current credit concerns, primarily investments that may be at risk of future impairment or where high concentrations to counterparties are present in the investment portfolio. Sensitivities to credit spread risk are assessed and monitored regularly.

Capital and liquidity risk

(Audited)

Capital risk for our insurance manufacturing subsidiaries is assessed in the group's ICAAP based on their financial capacity to support the risks to which they are exposed. Capital adequacy is assessed on both the relevant local insurance regulatory basis and an internal capital basis.

Risk appetite buffers are set to ensure that the operations are able to remain solvent, allowing for business-as-usual volatility and extreme but plausible stress events.

Liquidity risk is less material for the insurance business. It is managed by cash flow matching and maintaining sufficient cash resources, investing in high credit-quality investments with deep and liquid markets, monitoring investment concentrations and restricting them where appropriate, and establishing committed contingency borrowing facilities.

Insurance manufacturing subsidiaries complete quarterly liquidity risk reports and an annual review of the liquidity risks to which they are exposed.

Risk review

Insurance underwriting risk

(Audited)

Our insurance manufacturing subsidiaries primarily use the following frameworks and processes to manage and mitigate insurance underwriting risks:

- a formal approval process for launching new products or making changes to products to ensure insurance risks are identified and mitigated;
- a product pricing and profitability framework, which requires initial and ongoing assessment of the adequacy of premiums charged on new insurance contracts to meet the risks associated with them;
- a framework for customer underwriting;
- reinsurance, which cedes risks to third-party reinsurers to keep risks within risk appetite, reduce volatility and improve capital efficiency; and
- oversight by financial reporting committees and actuarial review committees in each of our entities of the methodology and assumptions that underpin IFRS 17 reporting to ensure that appropriate reserves are established to cover insurance underwriting risks.

Insurance manufacturing operations risk in 2025

Measurement

The table below shows the composition of assets and liabilities by the following contract types:

- 'Life direct participating and investment discretionary participation feature ('DPF') contracts' are life direct participating contracts and investment contracts with discretionary participating features. These are substantially measured under the variable fee approach measurement model.
- 'Life other contracts' are measured under the general measurement model and mainly include protection insurance contracts as well as reinsurance contracts. The reinsurance contracts primarily provide diversification benefits over the life direct participating and investment DPF contracts.
- 'Other contracts' includes investment contracts for which HSBC does not bear significant insurance risk.

Balance sheet of insurance manufacturing subsidiaries by type of contract

(Audited)

	Life direct participating and investment DPF contracts	Life other	Other contracts	Shareholder assets and liabilities	Total
	£m	£m	£m	£m	£m
At 31 Dec 2025					
Financial assets	432	27	145	262	866
– financial assets designated and otherwise mandatorily measured at fair value through profit or loss	423	26	143	233	825
– derivatives	—	—	—	—	—
– financial investments – at amortised cost	—	—	—	1	1
– other financial assets	9	1	2	28	40
Insurance contract assets	—	—	—	—	—
Reinsurance contract assets	—	3	—	—	3
Assets held for sale ¹	3,540	204	1,005	201	4,950
Other assets and investment properties	2	1	—	1	4
Total assets	3,974	235	1,150	464	5,823
Liabilities under investment contracts designated at fair value	—	—	145	—	145
Insurance contract liabilities	422	43	—	—	465
Reinsurance contract liabilities	—	3	—	—	3
Liabilities of disposal groups held for sale ¹	3,530	142	—	1,178	4,850
Other liabilities	—	—	—	16	16
Total liabilities	3,952	188	145	1,194	5,479
Total equity	—	—	—	344	344
Total liabilities and equity	3,952	188	145	1,538	5,823

At 31 Dec 2024

Financial assets	3,749	48	1,026	421	5,244
– financial assets designated and otherwise mandatorily measured at fair value through profit or loss	3,223	32	1,018	365	4,638
– derivatives	5	—	—	—	5
– financial investments – at amortised cost	—	—	—	1	1
– other financial assets	521	16	8	55	600
Insurance contract assets	—	38	—	—	38
Reinsurance contract assets	—	132	—	—	132
Assets held for sale ¹	18,219	—	—	1,090	19,309
Other assets and investment properties	10	1	—	86	97
Total assets	21,978	219	1,026	1,597	24,820
Liabilities under investment contracts designated at fair value	—	—	1,078	—	1,078
Insurance contract liabilities	3,165	259	—	—	3,424
Reinsurance contract liabilities	—	38	—	—	38
Liabilities of disposal groups held for sale ¹	17,355	32	—	1,281	18,668
Other liabilities	—	—	—	489	489
Total liabilities	20,520	329	1,078	1,770	23,697
Total equity	—	—	—	1,123	1,123
Total liabilities and equity	20,520	329	1,078	2,893	24,820

¹ HSBC Life (UK) Limited is classified as held for sale at 31 December 2025. HSBC Assurances Vie (France) was classified as held for sale at 31 December 2024. Further details are provided on page 162.

Risk review

Key risk types

Market risk

(Audited)

Description and exposure

Market risk is the risk of changes in market factors affecting the group's capital or profit. Market factors include interest rates, equity and growth assets, credit spreads and foreign exchange rates.

Our exposure varies depending on the type of contract issued. Our most significant life insurance products are contracts with participating features. These products typically include some form of capital guarantee or guaranteed return on the sums invested by the policyholders, to which bonuses are added if allowed by the overall performance of the funds. For contracts without participating features, some form of guarantee may still exist but the group's ability to share risks with policyholders will be reduced. Funds supporting these savings products are invested in a mix of fixed income assets (to support guarantees) and other asset classes (to provide customers with the potential for enhanced returns).

These products expose the bank to the risk of variation in asset returns, which will impact our participation in the investment performance.

In certain circumstances, asset returns may be insufficient to meet the policyholders' guaranteed benefits. For non-participating contracts, any resulting shortfall is borne by the group.

Sensitivity of the group's insurance manufacturing subsidiaries to market risk factors

(Audited)

	2025			2024		
	Effect on CSM £m	Effect on profit after tax for the year £m	Effect on total equity £m	Effect on CSM £m	Effect on profit after tax for the year £m	Effect on total equity £m
+100 basis point parallel shift in yield curves	—	6	6	50	6	(19)
-100 basis point parallel shift in yield curves	—	(9)	(9)	(113)	(13)	12
+100 basis point shift in credit spreads	—	—	—	(17)	(4)	(29)
-100 basis point shift in credit spreads	—	—	—	8	4	28
10% increase in growth assets ¹	7	1	1	64	21	21
10% decrease in growth assets ¹	(5)	(3)	(3)	(63)	(22)	(22)

1 'Growth assets' primarily comprise equity securities and investment properties and variability in growth asset fair value constitutes a market risk to insurance manufacturing subsidiaries.

Credit risk

(Audited)

Description and exposure

Credit risk is the risk of financial loss if a customer or counterparty fails to meet their obligation under a contract. It arises in two main risks for our insurance manufacturers:

- the risk associated with credit spread volatility and default by debt security counterparties after investing premiums to generate a return for policyholders and shareholders; and
- the risk of default by reinsurance counterparties and non-reimbursement for claims made after ceding insurance risk.

The amounts outstanding at the balance sheet date in respect of these items are shown in the table on page 70.

The credit quality of the reinsurers' share of liabilities under insurance contracts is assessed as 'satisfactory' or higher as defined on page 24, with none of the exposure being either past due or impaired (2024: none).

For unit linked contracts, market risk is substantially borne by the policyholder, but some market risk exposure typically remains as fees earned are typically related to the market value of the linked assets.

Sensitivities

(Audited)

The following table shows the sensitivity of the CSM, profit and total equity of our insurance manufacturing subsidiaries to changes in interest rates, credit spreads and growth assets. All policies and underlying investments are in respective functional currencies and so there is no material exposure to changes in foreign exchange rate. These sensitivities are prepared in accordance with current IFRS Accounting Standards.

Due in part to the nature of the guarantees, and the reinsurance and hedging strategies which may be in place, the relationship between the CSM, profit and total equity is not linear. The sensitivities are before allowance for management actions, which may mitigate the effect of changes in the market environment.

The methodology for deriving sensitivity information and significant market risk factors remain consistent between 2024 and 2025.

The 2025 sensitivities below exclude HSBC Assurances Vie (France) following completion of its sale on 31 October 2025. Further details are provided on page 162.

Credit risk on assets supporting unit-linked liabilities is predominantly borne by the policyholder; therefore our exposure is primarily related to liabilities under non-linked insurance and investment contracts and shareholders' funds. The credit quality of these financial assets is included in the table on page 46.

The risk associated with credit spread volatility is to a large extent mitigated by holding debt securities to maturity, and sharing a degree of credit spread experience with policyholders.

Liquidity risk

(Audited)

Description and exposure

Liquidity risk is the risk that an insurance operation, though solvent, either does not have sufficient financial resources available to meet its obligations when they fall due, or can secure them only at excessive cost. Liquidity risk may be able to be shared with policyholders for products with participating features.

The remaining contractual maturity of investment contract liabilities is included in Note 4 on page 112.

Risk review

The amounts of insurance contract liabilities that are payable on demand are set out by the product grouping below and exclude insurance businesses classified as held for sale (2025: HSBC Life (UK) Limited; 2024: HSBC Assurances Vie (France)). Further details are provided on page 162.

Amounts Payable on Demand (Audited)

	2025		2024	
	Amounts Payable on Demand	Carrying Amount for these Contracts	Amounts Payable on Demand	Carrying Amount for these Contracts
	£m	£m	£m	£m
Life direct participating and investment DPF contracts	227	422	3,154	3,165
Life other contracts	—	43	—	259
At 31 Dec	227	465	3,154	3,424

Insurance underwriting risk (Audited)

Description and exposure

Insurance underwriting risk is the risk of loss through adverse experience, in either timing or amount, of insurance underwriting parameters (non-economic assumptions). These parameters include mortality, morbidity, longevity, lapse and expense rates.

The principal risk we face is that, over time, the cost of the contract, including claims and benefits, may exceed the total amount of premiums and investment income received.

The insurance underwriting risk profile and related exposures remain largely consistent with those observed at 31 December 2024.

Sensitivities

The table below shows the sensitivity of the CSM, profit and total equity of our insurance manufacturing subsidiaries to changes in non-economic assumptions, after considering the impacts of reinsurance contracts held as risk mitigation.

These sensitivities are prepared in accordance with current IFRS Accounting Standards.

Sensitivity to lapse rates depends on the type of contracts being written. An increase in lapse rates typically has a negative effect on CSM (and therefore expected future profits) due to the loss of future

income on the lapsed policies. However, some contract lapses have a positive effect on profit due to the existence of policy surrender charges.

Mortality and morbidity risk is typically associated with life insurance contracts. The effect on profit of an increase in mortality or morbidity depends on the type of business being written.

Expense rate risk is the exposure to a change in the allocated cost of administering insurance contracts. To the extent that increased expenses cannot be passed on to policyholders, an increase in expense rates will have a negative effect on CSM and profits.

The impact of changing insurance underwriting risk factors is primarily absorbed within the CSM, unless contracts are onerous in which case the impact is directly to profit. The impact of changes to the CSM is released to profits over the expected coverage periods of the related insurance contracts.

The 2025 sensitivities below exclude HSBC Assurances Vie (France) following completion of its sale on 31 October 2025. Further details are provided on page 162.

Sensitivity of group's insurance manufacturing subsidiaries to insurance underwriting risk factors (Audited)

	Effect on CSM	Effect on profit after tax for the year	Effect on total equity
	£m	£m	£m
At 31 Dec 2025			
10% increase in lapse rates	—	(3)	(3)
10% decrease in lapse rates	1	1	1
5% increase in mortality and/or morbidity rates	(3)	(2)	(2)
5% decrease in mortality and/or morbidity rates	3	2	2
10% increase in expense rates	(9)	(3)	(3)
10% decrease in expense rates	10	2	2
At 31 Dec 2024			
10% increase in lapse rates	(52)	(5)	(5)
10% decrease in lapse rates	57	5	5
5% increase in mortality and/or morbidity rates	(14)	—	—
5% decrease in mortality and/or morbidity rates	15	1	1
10% increase in expense rates	28	(3)	(3)
10% decrease in expense rates	(28)	3	3

Corporate Governance Report

The statement of corporate governance practices set out on pages 73 to 80, together with the information incorporated by reference, constitutes the Corporate Governance Report of the bank.

The following disclosures, read together with the Section 172(1) statement on pages 4 to 5, describe how the Board has discharged its responsibilities relating to Section 172(1) of the Act, as well as the requirements under the Companies (Miscellaneous Reporting) Regulations 2018 (the 'Reporting Regulations').

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

Board of Directors

As at 31 December 2025, the Board comprised 11 Directors including the Chair, non-executive Directors, and two executive Directors, being the Chief Executive Officer and the Chief Financial Officer. All Directors are subject to election or re-election at each Annual General Meeting ('AGM') of the bank.

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

Directors

Ann Godbehere (70)

Chair of the Board

Chair of the Nomination, Remuneration & Governance Committee.

Appointed to the Board: January 2025. Chair of the Board since April 2025.

Ann is the Senior Independent non-executive Director of HSBC Holdings plc and is a member of the Group Audit Committee, Group Remuneration Committee and Nomination and Corporate Governance Committee. Ann also serves as a non-executive Director and chair of the Audit Committee of Stellantis N.V and non-executive Director and chair of the Audit and Risk Committee and member of the Nomination and Succession Committee of Shell plc. Ann has extensive financial services experience over a 30-year career spanning insurance, retail and private banking, and wealth management.

Former appointments include: Chief Financial Officer, Swiss RE from 2003 to 2007; Interim Chief Financial Officer, Northern Rock Bank from 2008 to 2009 in the period immediately after its nationalisation; non-executive Director of Prudential plc, British American Tobacco plc, UBS AG, UBS Group AG; and Senior Independent non-executive Director of Rio Tinto plc and Rio Tinto Limited.

Michael Roberts (65)

Executive Director and Chief Executive Officer

Chair of the Operating Committee.

Appointed to the Board and as Chief Executive Officer: January 2025.

Michael was appointed Chief Executive Officer of HSBC Bank plc and of the Corporate and Institutional Bank in January 2025. He also serves as Chairman of HSBC Latin America Holdings (UK) Limited.

Former appointments include: CEO and Executive Director of HSBC North America Holdings Inc., and Chairman of HSBC Bank USA, N.A., and HSBC USA Inc. He was appointed as CEO, Americas, with oversight responsibility for Canada and Latin America, with effect from April 2021. Prior to joining HSBC, Michael spent over 30 years at

Citigroup in a number of senior leadership roles, most recently as Global Head of Corporate Banking and Capital Management and Chief Lending Officer.

Kavita Mahtani (55)

Executive Director and Chief Financial Officer

Member of the Operating Committee.

Appointed to the Board and as Chief Financial Officer: November 2023.

Kavita Mahtani is the Chief Financial Officer for the Corporate and Institutional Bank and for HSBC Bank plc, where she also serves as a member of the Board of Directors.

Kavita is responsible for the financial operations of the businesses and entities she oversees, including, but not limited to, accounting, financial planning, regulatory reporting, stress testing and capital management.

In addition, she serves in a supervisory capacity to the CFO of the Americas. Kavita has over 30 years of experience in financial services and a broad strategic knowledge of the banking industry. Before joining HSBC in 2019, Kavita spent 13 years at Citigroup, where she held a number of significant strategic roles. Prior to joining Citigroup in 2006, Kavita worked at Merrill Lynch and Morgan Stanley. Kavita graduated with a Bachelor's degree in Economics from the Wharton School of the University of Pennsylvania and an MBA from the University of Chicago.

Patrick Clackson (61)

Independent non-executive Director

Member of the Audit Committee.

Appointed to the Board: September 2022.

Former appointments include: Chief Financial Officer, Chief Operations Officer and Chief Executive Officer at Barclays Capital (now Barclays Corporate and Investment Bank). Patrick also held several positions whilst with Barclays and Barclays Capital as Head of Business Transformation and Structural Reform, as well as EMEA Chief Executive Officer, Chief Operations Officer, Chief Financial Officer and Head of Risk. Between 1986-1996, he was employed in the audit and financial services advisory teams of PwC, London.

Juliet Ellis (59)

Independent non-executive Director

Chair of the Transformation, Operational Resilience and Technology Committee, member of the Risk Committee and member of the Nomination, Remuneration & Governance Committee.

Appointed to the Board: January 2021.

Former appointments include: Dual role as European Head of Operations and Global Head of Shared Services and Banking Operations and other senior management positions at Morgan Stanley. Prior to 2007 she performed senior roles within Goldman Sachs International.

Euleen Goh (70)

Independent Non-executive Director

Appointed to the Board: December 2025.

Euleen is Chair of the Singapore Institute of Management Group Ltd and serves as an independent Non-executive Director of Jebson & Jessen Pte Ltd. Euleen is also a member of the Singapore Council of Board Diversity and the Public Service Commission.

Former appointments include: Various senior management positions in Standard Chartered Bank. Following her retirement, Euleen held non-executive appointments on various boards including Chairman of SATS Limited, Deputy Chairman and Senior Independent Director of Shell plc, DBS Holdings Ltd, DBS Bank Ltd, Singapore Airlines

Limited, Aviva plc, Singapore Exchange Limited, CapitaLand Limited, MediaCorp Pte Ltd, Standard Chartered Bank Thai plc, Standard Chartered Bank Malaysia Berhad and Singapore Health Services Pte Ltd. Euleen is the former Chairman of DBS Foundation, Singapore International Foundation, International Enterprise Singapore and Accounting Standards Council Singapore, as well as a former Board member of Temasek Trustees Pte Ltd. Euleen was also formerly a Trustee of the Singapore Institute of International Affairs Endowment Fund.

Kathryn Gurney (57)

Non-executive Director

Member of the Transformation, Operational Resilience & Technology Committee.

Appointed to the Board: March 2023.

Kathryn Gurney is General Counsel, Asia and Middle East.

Kathryn is a lawyer with over 20 years' experience working in the legal and financial services industry. Having trained and practised as a lawyer in the City of London, she has lived and worked in London, Beijing, Hong Kong and Switzerland.

Former appointments include: Chief of Staff to Group Chief Executive of HSBC from February 2020–2024.

Deirdre Hannigan (65)

Independent Non-executive Director

Member of the Audit Committee and member of the Transformation, Operational Resilience & Technology Committee.

Appointed to the Board: March 2025.

In addition to her HSBC Bank plc Board and Committee appointments, Deirdre is also Chair of the Audit Committee, Chair of the Nomination Committee and a member of the Risk Committee of HSBC Continental Europe. Deirdre is also Chair of the Dublin City University Education Trust, and Director, Member of the Nomination and Governance Committee, Member of the Audit Committee, Member of the Risk Committee and Chair of the Investment Committee of the New Ireland Assurance Company plc.

Former appointments include: Group Chief Risk Officer and a member of the Executive Management team of AIB Group plc. Deirdre joined AIB from Ireland's National Treasury Management Agency where she was Chief Risk Officer. Before that, Deirdre held a number of senior international risk management roles with GE Capital and senior roles at the Bank of Ireland, primarily in Strategy and Risk Management. Previous to that, Deirdre worked in Retail and Corporate Banking with AIB and Rabobank.

Lewis O'Donald (60)

Independent Non-executive Director

Member of the Risk Committee and member of the Transformation, Operational Resilience & Technology Committee.

Appointed to the Board: February 2023.

Lewis is currently a Member of the Global Association of Risk Professionals ('GARP') Board of Trustees and an Advisor for the Citizens Advice Bureau. Further to this, in 2022, Lewis established his own risk advisory business, Arboreal Risk Advisors, of which he remains a co-founder. Lewis is also a Trustee of the Dorchester Sailing Club.

Former appointments include: Global Chief Risk Officer and a member of the Executive Management Board at Nomura Holdings INC and various directorships at Nomura subsidiaries.

Dr Eric Strutz (61)

Independent non-executive Director

Chair of the Risk Committee, member of the Nomination, Remuneration & Governance Committee and member of the Audit Committee.

Appointed to the Board: October 2016.

Eric is a member of the HSBC Germany Advisory Board. Other appointments include member of the Advisory Board and Chair of the Audit and Risk Committee of T InvestCo Lux I S.a.r.l.

Former appointments include: Board Member and Chair of the Finance and Audit Committee of Global Blue Group Holding AG, Vice Chair and Lead Independent Director of Partners Group Holding AG, where he also chaired the Risk and Audit Committee; Chief Financial Officer of Commerzbank Group; Partner and Director of the Boston Consulting Group; and non-executive Director of Mediobanca Banca di Credito Finanziario SpA.

Andrew Wright (65)

Independent non-executive Director

Chair of the Audit Committee, member of the Risk Committee and member of the Nomination, Remuneration & Governance Committee.

Appointed to the Board: May 2018.

Former appointments include: Treasurer to the Prince of Wales and the Duchess of Cornwall, a role he held from May 2012 until June 2019; Global Chief Financial Officer for the Investment Bank at UBS AG; Chief Financial Officer, Europe and the Middle East at Lehman Brothers; and Chief Financial Officer for the Private Client and Asset Management Division at Deutsche Bank.

Board Changes during 2025 and following the year-end

Deirdre Hannigan was appointed to the Board and the Audit Committee with effect from 1 March 2025.

At the conclusion of the Annual General Meeting held on 24 April 2025, Stephen O'Connor, who served as Chair of the Board, together with Yukiko Omura and Norma Dove-Edwin, retired from the Board as non-executive Directors.

Ann Godbehere was appointed as Chair of the Board with effect from 24 April 2025.

Kathryn Gurney and Deirdre Hannigan were appointed as members of the Transformation, Operational Resilience & Technology Committee with effect from 1 November 2025.

Euleen Goh was appointed to the Board as non-executive Director with effect from 1 December 2025.

Company Secretary

The responsibilities of the Company Secretary include ensuring good governance practices at Board level and effective information flows within the Board and its committees and between senior management and the non-executive Directors.

Lynne Stuart was appointed as Company Secretary from 7 October 2024 and resigned on 12 June 2025. Micheál McDermott was appointed as Company Secretary with effect from 13 June 2025.

Board of Directors

Key responsibilities

The Board, led by the Chair, is responsible for, amongst other matters:

- promoting the long-term success of the bank and delivering sustainable value to shareholders and other stakeholders;
- entrepreneurial leadership of the bank within a framework of prudent and effective controls which enables risks to be assessed and managed;
- setting the bank's strategy and risk appetite statement, including monitoring the bank's risk profile and overseeing management's execution of the strategy;
- establishing and monitoring the effectiveness of procedures for the maintenance of a sound system of control and risk management and compliance with statutory and regulatory obligations; and
- approving and monitoring capital and financial resource plans for achieving strategic objectives, including material transactions.

The role of the non-executive Directors is to support the development of proposals on strategy, hold management to account and ensure the executive Directors are discharging their responsibilities properly while promoting a culture that encourages constructive challenge. Non-executive Directors also review the performance of management in meeting agreed goals and objectives. The Chair regularly meets with the non-executive Directors without executive Directors in attendance after Board meetings, and otherwise, as necessary.

Operation of the Board

During 2025, the Board met on a quarterly basis. One additional meeting was scheduled for strategy and 'deep dive' development sessions. Two further meetings were also held to help facilitate, amongst other matters, the submissions of the Internal Liquidity Adequacy Assessment Process and Internal Capital Adequacy Assessment Process to the PRA, the approval of the sale of HSBC Life (UK) Limited, the approval of the Financial Resource Plan and to review employee survey results and culture metrics. The Board agenda is agreed with the Chair, working closely with the Company Secretary, in advance of scheduled meetings. The agenda is informed by forward-looking planning and emerging matters that require Board oversight or approval.

The Chief Risk Officer, General Counsel, and Company Secretary are regular attendees at Board meetings, and other senior executives attend to contribute their subject matter expertise and insight, as required.

During the year, the Board completed its annual effectiveness review which was externally facilitated by Independent Audit. Overall, the work of the Board and its committees was rated highly, with feedback highlighting positive and constructive engagement with executive management. The Board endorsed actions to further optimise and enhance governance. Enhancements suggested in the review were subsequently considered and agreed to have been addressed.

Board activities during 2025

During 2025, the areas of focus for the Board included overseeing implementation of the approved strategy and the continued execution of the bank's transformation programme across Europe. The Board also considered performance against financial and other strategic objectives, key business challenges, emerging risks, business development and relationships with the bank's key stakeholders.

'Deep dives' on key aspects of the bank's business covered a range of areas, including individual business lines, Internal Controls, International Wealth and Personal Banking in HSBC Bank plc, Balance Sheet Velocity, MSS profitability incl. HSBC Bank plc RoTE and deep dive on Prime Finance and HSBC Bank plc Client Portfolio. Throughout the year, the Board received regular updates from management on, amongst other things, the implementation of regulatory programmes, technology, ESG, operations and resilience, as well as people, culture and talent.

Directors' emoluments

Details of the emoluments of the Directors for 2025, disclosed in accordance with the Act, are shown in Note 5: 'Employee compensation and benefits' on page 122.

Non-executive Directors do not have service contracts and are engaged through letters of appointment. There are no obligations in the non-executive Directors' letters of appointment that could give rise to payments other than fees due or payments for loss of office.

Board committees

The Board delegates oversight of certain audit, risk, remuneration, nomination and governance matters to its committees. With the exception of the Operating Committee which is chaired by the Chief Executive Officer, each Board committee is chaired by a non-executive Board member and has a remit to cover specific topics in accordance with their respective terms of reference approved by the Board. Excluding the Operating Committee, only non-executive Directors are members of Board committees. The Chair of each non-executive Board committee reports to the Board on the activities of the committee since the previous Board meeting.

Audit Committee

Key Responsibilities

The Audit Committee is accountable to the Board and has delegated responsibility for the oversight of financial reporting related matters, the internal control environment, the bank's Internal Audit function, and the relationship with the external auditor. The committee also oversees the bank's whistleblowing arrangements.

All members of the committee are independent non-executive directors.

Committee activities during 2025

During the year, the committee reviewed and provided oversight on: HSBC Bank plc group's financial reporting; the integrity of financial statements and disclosures and management's application of significant accounting judgements; regulatory reporting matters; the effectiveness of internal control systems; the bank's financial resources and capital; the effectiveness of the Internal Audit function and updates on key issues identified by Internal Audit related to the bank and its subsidiaries; and the independence, fees and performance of the external auditor. The members of the Risk Committee attended joint sessions with members of the Audit Committee to cover areas where updates are relevant to both committees.

The committee also received periodic updates from the audit committee chairs of key subsidiaries of the bank, the external auditor on the progress and findings of their audit, and on tax, legal and regulatory matters affecting the bank and its subsidiaries.

The Chief Financial Officer, Financial Controller, Chief Risk Officer, Head of Internal Audit, and Company Secretary are standing attendees and regularly attend committee meetings to contribute their subject matter expertise and insight. Other members of senior management routinely attended meetings of the committee by invitation. The external auditor attended all scheduled meetings. The committee also meets separately with the external audit Partner, Chief Financial Officer and Head of Internal Audit at least twice each year without any management present.

The committee held six scheduled meetings during the year, and a deep dive session on digital innovation led by the external auditor.

Report of the Directors | Corporate Governance Report

Significant accounting judgements and related matters considered by the Audit Committee ('AC') for the year ended 31 December 2025 included:

Key area	Action taken
Interim and annual reporting	The AC considered key matters in relation to interim and annual reporting.
Disposals	The AC considered the financial and accounting impacts of planned disposals of our insurance business in UK, Custody business in Germany and business in South Africa. In particular, the AC considered judgements related to the timing of recognition of assets as held-for-sale, the remeasurement of those assets and losses arising, and their impact in the year ended 31 December 2025.
Expected credit loss ('ECL')	The AC considered key judgements in relation to ECL, in particular multiple economic scenarios and post-model adjustments, with due consideration to risk and uncertainty.
Valuation of financial instruments	The AC considered key valuation metrics and judgements involved in the determination of the fair value of financial instruments.
Going concern	The AC considered a wide range of information relating to present and potential financial conditions, including projections for profitability, cash flow, liquidity and capital.
Impairment of investment in subsidiaries	The AC reviewed management's periodic assessment of impairment of investments in subsidiaries and paid particular attention to the sensitivities to cash flow projections and long-term growth rate and discount rate assumptions.
Appropriateness of provisioning for legal proceedings and regulatory matters	The AC received reports from management on the recognition and measurement of provisions and contingent liabilities for legal proceedings and regulatory matters, including investigations by regulators and competition and law-enforcement authorities.
Regulatory reporting	The AC reviewed management action to strengthen the control environment and operating model. The AC also received updates on ongoing independent external reviews of key aspects of regulatory reporting.
Controls	The AC considered the financial reporting control environment on an ongoing basis through the year, reviewing and challenging remediation actions undertaken and enhancements made. This included confirmation of mitigating controls where programmes of work had not fully completed by the year end. Areas of particular focus in 2025 were embedding of the restructuring activities and Regulatory Reporting programmes of work.
Tax	The AC reviewed management's judgements on the recognition, measurement, accounting and disclosure of tax assets and liabilities, in particular those related to deferred tax assets and withholding tax.

Risk Committee

Key Responsibilities

The Risk Committee is accountable to the Board and has been delegated responsibility for the oversight of risk related matters and the enterprise risks impacting the bank and its subsidiaries, and risk governance.

All members of the committee are independent non-executive directors.

Committee activities during 2025

During the year, the committee reviewed and provided oversight on the bank's approach to financial and non-financial risks, including all level one risk types. The members of the committee attended joint sessions with members of the Audit Committee to cover areas where there was a perceived overlap of responsibilities.

The committee reviewed and challenged management on key regulatory processes, including the bank's ICAAP and the ILAAP, and the outcome of both external and internal stress tests undertaken during the year. The committee also received updates from the risk committee chairs of key subsidiaries of the bank to understand the risk, legal and compliance position of its subsidiaries.

The Chief Risk and Compliance Officer ('CRCO'), Chief Financial Officer, Head of Internal Audit, Head of Regulatory Compliance and the Company Secretary are standing attendees and regularly attend committee meetings to contribute their subject matter expertise and insight. Other members of senior management routinely attended meetings of the committee by invitation. The external auditor attended all scheduled meetings. The committee also meets separately with the CRCO, Head of Regulatory Compliance, and Head of Internal Audit at least twice each year without any other members of management present.

The committee held seven meetings, one deep dive workshop and a 2026 priorities/horizon scanning session during the year.

Transformation, Operational Resilience and Technology Committee

Key Responsibilities

The Transformation, Operational Resilience and Technology Committee ('TRT') is accountable to the Board and Risk Committee and has been delegated responsibility for the oversight of transformation, operational resilience and technology. Neither the Board nor Risk Committee have delegated decision-making authority to the TRT.

All members of the committee are independent non-executive directors.

Committee activities during 2025

During the year, the committee reviewed and provided oversight on the bank's approach to transformation and change execution risk across the European region, operational resilience matters, including compliance with the Prudential Regulation Authority's SS1/21 requirements, and the bank's technology and cyber security strategy and risks. The committee also reviewed and challenged management on the progress, associated risks and controls, and governance with respect to data, third party management, business continuity and incident management, and artificial intelligence.

The Chief Operating Officer ('COO'), Chief Information Officer ('CIO'), Chief Risk and Compliance Officer ('CRCO'), Head of Internal Audit, Head of Enterprise Risk Management, and Company Secretary are standing attendees and regularly attend committee meetings to contribute their subject matter expertise and insight. Other members of senior management routinely attended meetings of the committee by invitation. The committee also meets separately with the COO and CIO at least twice each year and the CRCO at least annually without any other members of management present.

The committee held five meetings during the year.

Nomination, Remuneration & Governance Committee

Key Responsibilities

The Nomination, Remuneration & Governance Committee has delegated responsibilities from the Board in relation to nominations, remuneration and governance related matters for the bank and its subsidiaries. The committee leads the process for Board appointments and for identifying and nominating, for the approval of the Board, candidates for appointment to the Board and its committees. In addition, the committee endorses the appointment of individuals to certain Board and management positions of the bank's subsidiaries, including proposed fees payable to non-executive Directors on subsidiary boards.

The committee is responsible for overseeing the implementation and operation of the HSBC Group's directors' remuneration policy and the remuneration of the bank's senior executives, including the identification of the Material Risk Taker population in keeping with applicable regulatory requirements.

The Committee also reviews the corporate governance framework on behalf of the Board, considering its appropriateness to the size, complexity and strategy of the bank, and is responsible for overseeing compliance with the Subsidiary Accountability Framework ('SAF').

All the members of the committee are independent non-executive directors.

► Further information in relation to HSBC's approach to remuneration for HSBC Group employees is available in the Director's remuneration report on pages 216 to 227 of HSBC Holdings plc's Annual Report and Accounts 2025 available on <https://www.hsbc.com/investors/results-and-announcements/annual-report>.

Committee activities during 2025

During the year the committee continued to review the Board's composition, succession planning, skills, experience and diversity in keeping with best practice and applicable policies, including the SAF. A Board skills matrix was utilised to support this review.

In overseeing compliance with the SAF, the committee reviewed the Board's composition and succession planning for all the bank's material subsidiaries as well as reviewing their overall compliance with the principles and provisions of the SAF.

Other activities during the year included the review of key remuneration matters for the bank and its subsidiaries in the context of the HSBC Group's remuneration framework, including variable and fixed pay allocations and the alignment of remuneration with the bank's risk appetite, business strategy, culture and values, and long-term interests. The committee reviewed the annual pay review outcomes across the region and received regular updates on relevant subsidiary and regulatory matters.

The Head of People and Head of Performance & Reward attend committee meetings on a regular basis to contribute their subject matter expertise and insight. Other senior executives attend periodically for specific items considered by the committee.

The committee held five scheduled meetings during 2025, and two ad hoc meetings.

Operating Committee

The purpose of the committee is to support the CEO in the day-to-day management of the bank and exercise of their powers, authorities and discretions in relation to the management of the bank and its subsidiaries.

The committee supports the individual accountability of the CEO and decision-making authority in relation to all matters considered by the committee which remains with the CEO, except where decision-making authority is the responsibility of another member of the committee in line with their individual roles and responsibilities.

During 2025, in addition to its day-to-day oversight of the bank's operations, the committee remained focused on the bank's continued

strategic transformation and corporate restructuring across Europe. The committee meets on a regular basis and is chaired by the CEO.

Dividends

Information about dividends paid during the year is provided on page 9 of the Strategic Report and in Note 8 to the financial statements.

Internal control

The Board is responsible for the establishment and operation of effective procedures for the maintenance of a sound system of internal control and risk management, and compliance with statutory and regulatory obligations. The Board determines the aggregate level and types of risks the bank is willing to take in achieving its strategic objectives.

To meet this requirement and to discharge its obligations under the FCA Handbook and the PRA Handbook, procedures have been designed to provide reasonable assurance against material misstatement, errors, losses or fraud. They are designed to provide effective internal control within the group and accord with the Financial Reporting Council's guidance for Directors issued in 2014 (and subsequent relevant publications), internal control and related financial and business reporting. The procedures have been in place throughout the year and up to 25 February 2026, the date of publication of this Annual Report and Accounts.

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

- Risk management framework ('RMF'): The RMF sets out how we manage the risks in our ability to operate, grow, and meet expectations. It translates our strategy, values, and commitments into practical actions and risk-aware decisions.
- Delegation of authority: subject to certain matters reserved for the Board, the CEO has been delegated authority to manage the day-to-day affairs of the group. The HSBC Bank plc OpCo supports the CEO in the performance of these duties.
- A delegation of authorities framework is in place providing a HSBC Group structure for the management of delegated powers. These delegated authorities can be used for the approval, signing and execution of specific written agreements and documents such as procurement contracts. The delegation of authorities framework is adopted via a Board resolution which is reviewed annually. Matters not covered by the delegation of authority framework can be set out in a separate Board resolution, powers of attorney or the relevant HSBC Group policy with clear systems of control that are appropriate to the business or function.
- Authorities to enter into credit and market risk exposures are delegated with limits to line management of group companies. However, credit proposals with specified higher-risk characteristics require the concurrence of the appropriate global function. Credit and market risks are measured and reported at subsidiary company level and aggregated for risk concentration analysis on a group-wide basis.
- Risk identification and monitoring: There are comprehensive systems and procedures to identify, measure, assess, control, and monitor risks. The group's Risk Reporting is continually refined for consistent risk measurement, precise reporting, and clear risk positioning relative to appetite. This ensures that material risks are captured for informed decision-making, accurately assessed, and promptly communicated for effective management and mitigation.
- Changes in market conditions/practices: Considering risk drivers helps identify new risks arising from changes in market conditions/practices or customer behaviours, which could expose the group to heightened risk of loss or reputational damage. The group employs both a top and emerging risks process to provide forward-looking views of issues with the potential to threaten the execution of our strategy or operations over the medium to long term. We remain committed to investing in the reliability and resilience of our IT systems and critical services, including those provided by third parties, that support all parts of our business. We do so to help protect our customers, affiliates and counterparties,

and to help ensure that we minimise any disruption to services that could result in reputational and regulatory consequences. In our approach to defend against these threats, we invest in business and technical controls to help us detect, manage and recover from issues, including data loss, in a timely manner.

- We continue our focus on the quality and timeliness of the data used to inform management decisions, through measures such as early warning indicators, prudent active risk management of our risk appetite, and ensuring regular communication with our Board and other key stakeholders.
- Responsibility for risk management: All employees are responsible for identifying and managing risk within the scope of their role as part of the three lines of defence model, which defines clear accountabilities and responsibilities across risk ownership, oversight and independent assurance. For more details on the three lines of defence, please refer to page 15.
- The Board has delegated responsibility to the Audit Committee to oversee the implementation by management of the Group's policies and procedures for capturing and responding to whistleblower concerns, including the Group's procedures for the protection of staff who raise concerns of detrimental treatment.
- Strategic plans: Strategic plans are prepared for global businesses, global functions and geographical regions within the framework of the HSBC Group's overall strategy. The bank also prepares and adopts a Financial Resource Plan, which is informed by detailed analysis of risk appetite, describing the types and quantum of risk that the bank is prepared to take in executing its strategy and sets out the key business initiatives and the likely financial effects of those initiatives.

The effectiveness of the group's system of risk management and internal control is reviewed regularly by the Board, the Risk Committee and the Audit Committee.

During 2025, the bank continued to focus on operational resilience and material and emerging risks with progress made to enhance the end-to-end risk and control assessment process. The Risk Committee, supported by the TRT, and the Audit Committee ensured that executive management continued to take efforts to effect the necessary actions to remedy any failings or weaknesses identified through the operation of the group's framework of controls.

Internal control over financial reporting

As of 18 September 2025, the bank terminated the listing of its debt securities on the New York Stock Exchange, and as of 18 December 2025, the bank terminated its registration with the US Securities and Exchange Commission. As a result of such delisting and deregistration, the bank is no longer a reporting company for the purpose of the US Securities Exchange Act of 1934 and requirements relating to the US Sarbanes-Oxley Act of 2002 will be now assessed at the HSBC Holdings level.

The primary mechanism through which comfort over risk management and internal control systems is achieved is through annual assessments of the effectiveness of controls to manage risk, and the reporting of issues on a regular basis through the various risk management and risk governance forums.

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

- Entity level controls ('ELC'): ELCs are a defined suite of internal controls that have a pervasive influence over the entity as a whole. They include controls related to the control environment, such as the bank's values and ethics, the promotion of effective risk management and the overarching governance exercised by the Board and its non-executive committees. The design and operational effectiveness of ELCs are assessed on an ongoing basis. If issues are significant to the group, they are notified to the Audit Committee, and to other Committees and forum as appropriate.
- Process level transactional controls: Key process level controls that mitigate risk of financial misstatement are identified, recorded and monitored in accordance with the risk framework. This

includes the identification and assessment of relevant control issues against which action plans are tracked through to remediation. Further details on the group's approach to risk management can be found on page 15. The Audit Committee has continued to receive regular updates on HSBC's ongoing activities for improving the effective oversight of end-to-end business processes and management continues to identify opportunities for enhancing key controls, such as through the use of automation technologies.

- Financial reporting controls: The group's financial reporting process is controlled using documented accounting policies and reporting formats, supported by detailed instructions and guidance on reporting requirements, issued to all reporting entities within the group in advance of each reporting period end. The submission of financial information from each reporting entity is supported by a certification by the responsible financial officer and analytical review procedures at subsidiary and group levels.
- Disclosure Committee: The Disclosure Committee, chaired by the Chief Financial Officer, comprises certain executive management and supports the discharge of the bank's obligations under relevant legislation and regulation including the European Union's Market Abuse Regulation ('EU MAR'), as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended ('UK MAR'), the UK Listing Rules, the Prospectus Rules: Admission to Trading on a Regulated Market sourcebook and the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority, and also any other listing and disclosure rules of the markets and exchanges on which the bank's financial instruments are listed, including any other requirements that shall apply from time to time. In so doing, the Disclosure Committee is empowered to determine whether a new event or circumstance should be disclosed, including the form and timing of such disclosure, and review certain material disclosures made or to be made by the group.
- Subsidiary certifications: Certifications are provided to the Audit Committee and the Risk Committee (full and half yearly) and to the Nomination, Remuneration and Governance Committee (annually) from the audit, risk and remuneration committees of key material subsidiary companies confirming amongst other things that:
 - Audit – the financial statements of the subsidiary have been prepared in accordance with group policies, present fairly the state of affairs of the subsidiary and are prepared on a going concern basis;
 - Risk – the risk committee of the subsidiary has carried out its oversight activities consistent with and in alignment to the RMF; and
 - Remuneration – the remuneration committee of the subsidiary has discharged its obligations in overseeing the implementation and operation of HSBC's Group Remuneration Policy.

Employees

Health and safety

We are dedicated to maintaining a safe and healthy working environment for all. Our global policies, mandatory procedures, and incident reporting systems across the organisation reflect our core values and comply with international standards. Chief Operating Officers are responsible for local implementation and ensuring adherence to all legal requirements. We continuously monitor and assure our health and safety performance to remain compliant with relevant regulations.

In 2025, we advanced our health & safety agenda through several key initiatives:

- We reinforced our advice and risk assessment and control methodology on working from home for employees adopting a hybrid work style, providing more awareness and best practices on good ergonomics and well-being.
- We delivered health and safety training and awareness for HSBC Bank Plc employees and contractors, ensuring roles and responsibilities were clear and understood.

Report of the Directors | Corporate Governance Report

- We completed the annual safety inspection on all of our HSBC Bank Plc buildings, identifying opportunities for improvement and enhancing safety standards.
- We continued to hold health & safety themed awareness campaigns and facilitate CPR and first aid training for our colleagues.
- We implemented robust controls to protect colleagues and operations from natural disasters. In 2025, there were no injuries or business impact resulting from natural disasters.

Employee health and safety

	2025	2024	2023
Number of employee workplace fatalities	—	—	—
Number of major injuries to employees ¹	1	1	3
Number of employee All Other Accidents	10	8	19
All injury rate per 100,000 employees	107	78	148

1 Fractures, dislocation, concussion, loss of consciousness overnight admission to hospital.

Inclusion

We value difference and believe that an inclusive culture makes us stronger. We are dedicated to building a connected workforce where everyone feels a sense of belonging. Our customers, colleagues and communities span many cultures and continents. We aspire to provide a high-performing environment where our colleagues can fulfil their potential by building their skills and capabilities while focusing on the development of a diverse and inclusive culture.

70% (vs 65.8% in 2024) of employees (in markets where it is legally and culturally permissible to do so) have declared their ethnicity in our 'HR Direct' system, as of 31 December 2025. For our senior leaders, this figure is 70.5%.

35.6% of employees (in markets where it is legally and culturally permissible to do so) have declared their disability status as of 31st December 2025. For our senior leaders, this is 37.4%.

We are pleased to report on key progress made in 2025:

Achievements

- In our annual employee engagement Snapshot survey, our 2025 Inclusion Index score was 72% (when using reassigned data following the global reorganisation). As in previous years, the Inclusion Index remains one of the best performing indices for the region.
- HSBC was, for the second consecutive year, recognised as a "Top Employer 2025" in Europe by the independent Top Employers Institute, underscoring our ongoing commitment to excellence in Human Resources practices and our dedication to creating a supportive, inclusive, and high-performing work environment for all colleagues. HSBC was certified for the second time in France, Germany, Italy, Luxembourg, Poland, and Spain. Additionally, the Netherlands, the Channel Islands and the Isle of Man, and Switzerland were certified for the first time.
- Our Employee Resource Groups ('ERGs') are voluntary, employee-led groups. They provide a platform for employees to share experiences and support one another based on shared interests, characteristics or background. They also provide valuable insight directly to senior leadership and enhance our inclusion strategy by leading and delivering a broad scope of initiatives. ERG activity across our European markets in 2025 included:
 - Pride ERG and HSBC Germany participated in the Christopher Street Day Parade in Cologne in June.
 - Balance ERG celebrated their 15-year anniversary and recognised International Women's Day and International Men's Day; they held a series of internal networking sessions showcasing role models. Activities organised by our 50/50 network in France included a panel discussion on the challenges of gender diversity in artificial intelligence; an event to recognise National Day Against Sexism for a More Equal Society; a conference focused on women's health.
 - Nurture ERG hosted a Family Christmas party.

- Embrace ERG held various networking sessions showcasing internal and external role models; they hosted a conference on the topic of 'Dare and Feel You Belong'; and participated in cross-company cultural exchanges; and an exhibition at the Centre Pompidou devoted to the painter Suzanne Valadon.
- HSBC Continental Europe (HBCE) launched the Care Ambassador Network, selecting and training 60 Care ambassadors to support employees and signpost the most appropriate resources.

Gender representation statistics

We undertook a global refresh of the inclusion communication and governance strategy plus full and detailed audits of our Continental Europe activity.

Female representation by management level has increased year on year across all areas:

- All grades – 2024 48.3%; 2025 48.9%
- Clerical grades – 2024 63.4%; 2025 64.8%
- Management – 2024 44%; 2025 44.2%; and
- Senior management – 2024 25.3%; 2025 26.1%

Employment of people with a disability

We strongly believe in providing equal opportunities for our employees. The employment of people with a disability is included in this commitment. We are committed to retaining disabled employees in the workplace and to providing reasonable adjustments to enable this.

We publicise offering reasonable adjustments in job adverts and are able to provide individualised support to make home office adjustments and to provide colleagues with access to software, hardware and support for managers.

Our employee resource group, Ability, has facilitated numerous events intended to raise awareness, reduce stigma and share best practice. These events included: a conference on endometriosis; an information session on arthritis; live theatre session on invisible disabilities; a 'lunch and learn' for the HBCE ExCo on neurodiversity; an employee exchange to recognise Day of People with Visual Impairments including simulation glasses to replicate visual impairments; recognition of World Health Day by encouraging all colleagues to start the day with a mindfulness activity.

Learning and talent development

We continue to build a dynamic environment where our colleagues can develop skills and undertake experiences that help them fulfil their potential. Our approach allows us to support our colleagues' career goals.

We expect all colleagues to complete global mandatory training each year, regardless of their contract type. This training plays a critical role in shaping our culture, ensuring a focus on the issues fundamental to our work – such as financial crime risk, and intolerance of bullying and harassment. New joiners attend our Global Discovery programme to build their knowledge of the organisation and engage with our purpose, values, and strategy.

HSBC University remains our home for skills development, with access to face-to-face training and an extensive digital content catalogue ranging from quick videos, podcasts, and learning pathways. Powered by Degreed, our HSBC University platform provides tailored content aligned to employees' chosen skills and areas, leveraging our many technical academies. In 2025, 50 HSBC Bank plc specific training sessions were delivered to colleagues covering product knowledge, commerciality, and banking expertise: impacting 354 learners.

In addition, My HSBC Career Site, which offers career development information and resources to help colleagues manage the various stages of their careers, from joining to career progression, is also available to all our employees. To support career development, over 1300 colleagues attended our Growing to Success programme which focusses on succeeding in a changing environment.

Report of the Directors | Corporate Governance Report

However, we also recognise that most development happens while our colleagues work, through regular coaching, feedback, and performance management.

To further develop our leaders, we have developed and are delivering How We Lead. How We Lead helps deliver for customers by improving the way we lead, manage, and coach our employees so they can do a great job for customers – and each other. As a single leadership language, How We Lead also helps us to be more consistent in how we better operate for employees and customers.

This programme will be rolled out in a phased approach to all our people leaders. In 2025, 215 HSBC Bank plc MDs attended a three-day in-person programme, with the remaining 28 scheduled for early 2026.

Employee relations

We consult and, where appropriate, negotiate with employee representative bodies where we have them. We also aim to maintain well-developed communications and consultation programmes with all employee representative bodies, and there have been no material disruptions to our operations from labour disputes during the past five years.

Disclosure of information to auditors

The directors are not aware that there is any relevant audit information (as defined in the Companies Act 2006) of which the bank's auditors are unaware and processes are in place to ensure that the bank's auditors are aware of any relevant audit information.

Auditors

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

Branches

HSBC Bank plc provides a wide range of banking and financial services through 18 markets. HSBC Bank plc is simplifying its operating model to one integrated business supporting a wholesale banking hub for the EU in Paris and a wholesale banking hub for western markets in London. Further information on the bank's branches are located in 'HSBC in Europe' on page 3.

Directors' Report Disclosures table

Disclosures required pursuant to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as updated by Companies (Miscellaneous Reporting) Regulations 2018 can be found on the following pages:

Engagement with employees	Page 4
Engagement with suppliers, customers and others in a business relationship with the bank	Pages 4 to 5
Hedge accounting policy	Note 14, Pages 138 to 141
Future developments	Page 3

Articles of Association, conflicts of interest and indemnification of Directors

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

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

Research and Development

In the ordinary course, the businesses develop new products and services.

Events after the Balance Sheet Date

- For details of events after the balance sheet date, see Note 35 on the Financial Statements.

Statement on going concern

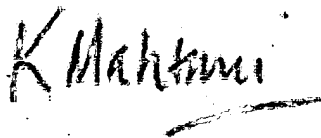
The Directors consider it appropriate to prepare the financial statements on the going concern basis. In making their going concern assessment, the Directors have considered a wide range of detailed information relating to present and potential conditions, including profitability, cash flows, capital requirements and capital resources.

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

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

In addition, the objectives, policies and processes for managing credit, liquidity and market risk are set out in the 'Report of the Directors: Risk'.

The Report of the Directors comprising pages 15 to 80 was approved by the Board on 24 February 2026 and is signed on its behalf:



By order of the Board

Kavita Mahtani

Director

HSBC Bank plc

24 February 2026

Registered number 00014259

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

The group and company have also prepared financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRSs issued by IASB, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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

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

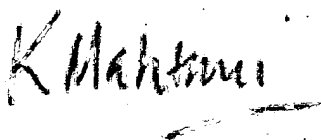
Directors' confirmations

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

- the group and company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRSs issued by IASB, give a true and fair view of the assets, liabilities and financial position of the group and company, and of the loss of the group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

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

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



On behalf of the Board

Kavita Mahtani

Director

HSBC Bank plc

24 February 2026

Registered number 00014259

Independent auditors' report to the members of HSBC Bank plc

Report on the audit of the financial statements

Opinion

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

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

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

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

Certain notes to the financial statements have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as '(Audited)'. The relevant disclosures are included in the Risk review section on pages 15 to 72.

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

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1.1(a) to the financial statements, the group and company, in addition to applying UK-adopted international accounting standards, have also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group and company financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Basis for opinion

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

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by either the FRC's Ethical Standard or Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Other than those disclosed in note 6, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Independent auditors' report to the members of HSBC Bank plc

Our audit approach

Overview

Audit scope

- We performed full scope audits of two significant components, namely the UK non-ring-fenced bank ('UK NRFB') and HSBC Continental Europe ('HBCE'). For three further components, specific audit procedures or an audit were performed over selected significant account balances and financial statement note disclosures.

Key audit matters

- Expected credit losses ('ECL') - Impairment of loans and advances to customers (group and company)
- Impairment of investment in subsidiaries (company)

Materiality

- Overall group materiality: £243m (2024: £258m) based on approximately 1% of Tier 1 capital.
- Overall company materiality: £120m (2024: £136m) based on approximately 1% of Tier 1 capital.
- Performance materiality: £182m (2024: £194m) (group) and £90m (2024: £102m) (company).

The scope of our audit

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

Key audit matters

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

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

The key audit matters below are consistent with last year.

Expected credit losses ('ECL') – Impairment of loans and advances to customers (group and company)

Nature of the key audit matter

Determining ECL involves management judgement and is subject to a high degree of estimation uncertainty. Management makes various assumptions when estimating ECL. We performed a risk assessment to identify those assumptions with significant levels of management judgement and for which variations had the most material impact on ECL.

Judgements were made in selecting applicable recovery strategies which determine the estimated loss for the larger individually assessed wholesale Stage 3 cases, specifically around cash flow assumptions.

The modelling methodologies used to estimate ECL are developed using historical experience. We assess the impact of limitations in these methodologies when forecasting the extent and timing of future customer defaults or when responding to emerging risks, such as climate risk. The focus of our assessment of the impact of climate risk on ECL was to evaluate management's risk assessment process for identifying, quantifying and concluding that the impact of climate risk on ECL for the year end was immaterial.

Matters discussed with the Audit Committee

We reported to the Audit Committee our observations covering governance and controls and the uncertain prevailing macroeconomic conditions. Our observations regarded:

- Significant assumptions used to estimate the discounted cash flow projections for larger individually assessed credit impaired wholesale exposures; and
- The disclosures made in relation to ECL.

How our audit addressed the key audit matter

We assessed the design and effectiveness of governance and controls over the estimation of ECL. We observed management's review and challenge in governance forums for the assessment of ECL for wholesale portfolios.

We also tested controls over the approval of impairments of individually assessed credit-impaired wholesale exposures.

In respect of a sample of larger individually assessed credit-impaired wholesale exposures we:

- Tested the completeness and accuracy of certain input data used by management to determine expected credit losses;
- Evaluated the reasonableness of certain cash flow scenarios and the weighting of those scenarios;
- Assessed the significant assumptions used to estimate the discounted cash flow projections and where appropriate we involved experts to assess the underlying collateral valuation;
- Considered the sensitivity of ECL to variations in the severity and probability weighting of scenarios; and
- Considered whether the judgements made in selecting the significant assumptions would give rise to indicators of possible management bias.

We evaluated management's risk assessment in respect of the impact of climate change on the ECL provision, including involving our modelling specialists to evaluate the stress testing and scenario analysis methodology used and sensitising key assumptions.

Finally, we tested the audited Credit Risk disclosures made in the Annual Report.

Independent auditors' report to the members of HSBC Bank plc

Relevant reference in the Annual report and Accounts 2025

Audited Credit Risk disclosures

Audit Committee Report

Note 1.2(d): Financial instruments measured at amortised cost

Note 1.2(i): Impairment of amortised cost and FVOCI financial assets

Impairment of investment in subsidiaries (company)

Nature of the key audit matter

Management assessed investments in subsidiaries for impairment indicators as at 31 December 2025. Where indicators were identified, recoverable amounts were estimated using a Value in Use ('VIU') model. Strategic initiatives within HBCE were noted as impacting projected cash flows, triggering an impairment test on the company's investment in HBCE. The recoverable amount exceeded the carrying value; therefore, no additional impairment was recognised for the year. The VIU methodology relies on assumptions subject to estimation uncertainty, including management judgement, expert input, and market data. Our audit focused on significant assumptions with the greatest impact on recoverable amount, specifically forecast cash flows for 2026–2030 and discount rates.

Matters discussed with the Audit Committee

We discussed the appropriateness of methodologies used and significant assumptions with the Audit Committee, giving consideration to the macroeconomic outlook and HSBC's strategy. We considered reasonable possible alternatives for significant assumptions.

How our audit addressed the key audit matter

We tested the controls in place over the forecasted cash flow assumptions used to determine the recoverable amounts. We assessed the appropriateness of the methodology used, and the mathematical accuracy of the calculations, to estimate the recoverable amounts. In respect of the significant assumptions, we:

- Challenged the achievability of management's business plan and the prospects for HSBC's businesses, as well as considering the achievement of historic forecasts;
- Obtained and evaluated evidence relating to significant assumptions, from a combination of historic experience and external market and other group financial information;
- Assessed whether the cash flows included in the model were in accordance with the relevant accounting standard;
- Assessed the sensitivity of the VIU to reasonable variations in significant assumptions, both individually and in aggregate; and
- Determined a reasonable range for the discount rate used within the model, with the assistance of our valuation experts, and compared it to the discount rate used by management.

We evaluated and tested the disclosures made in the financial statements in relation to investment in subsidiaries.

Relevant reference in the Annual report and Accounts 2025

Audit Committee Report

Note 1.2(a): consolidation and related policies

Note 18: Investments in subsidiaries

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

A focus on risk factors

The risks that HSBC Bank plc faces are diverse, with the interdependencies between them being numerous and complex. In performing our risk assessment we engaged with a number of stakeholders to ensure we appropriately understood and considered these risks and their interrelationships. This included stakeholders within HSBC and our own experts within PwC. This engagement covered external factors across the geopolitical, macroeconomic, regulatory and accounting landscape, and the impact of climate risk. It also covered the strategy and transformation-driven internal environment at HSBC.

Scoping

HSBC Bank plc operates as one integrated business with two main hubs in London and Paris. The London hub consists of the UK NRFB and the Paris hub comprises HBCE, its EU branches and its subsidiaries.

Through our risk assessment, we tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate. The risks of material misstatement can be reduced to an acceptable level by testing the entities that are significant due to their size and those that drive particular significant risks identified as part of our risk assessment. We continually assessed risks and changed the scope of our audit where necessary. Our risk assessment and scoping identified certain entities (collectively the 'components') for which we obtained audit opinions. This ensures that sufficient coverage has been obtained for each financial statement line item (FSLI).

In establishing the overall approach to the group and company audit, we scoped using the balances relevant to each component and determined the type of work that needed to be performed over the components by us, as the group engagement team, or auditors within PwC UK and from other PwC network firms operating under our instruction ('component auditors').

Significant components audit approach

As a result of our scoping for the group we determined that full scope audits of the significant components were necessary, owing to their financial significance. We instructed component auditors in the UK and France to work to assigned materiality levels reflecting the size of the operations they audited. Certain significant component auditors performed their work to a local statutory audit materiality that was a lower level than our allocated group materiality. We then considered the significance of other components in relation to primary statement account balances and note disclosures.

Independent auditors' report to the members of HSBC Bank plc

In doing this we also considered the presence of any significant audit risks and other qualitative factors (including history of misstatements through fraud or error). For three components, specific audit procedures or an audit were performed over selected significant account balances. For the remainder, the risk of material misstatement was mitigated through group audit procedures including testing of entity level controls and group and company level analytical review procedures.

In June 2025, we held a meeting in London with the engagement partners and senior staff from the group audit team and the PwC teams who undertake audits of the components that are significant due to size or risk. The meeting focused primarily on assessing our approach to auditing the group's businesses, changes at HSBC Bank plc and in our PwC teams, and how we continue to innovate and improve the quality of the audit. We also discussed our significant audit risks.

We were in active dialogue throughout the year with the engagement partners and teams responsible for the UK NRFB and HBCE audits, including directing how they planned and performed their work. Our interactions with component auditors included regular communication throughout the audit, including the issuance of instructions, a review of working papers relating to the key audit matters, in-person site visits and remote virtual sessions to inspect their working papers throughout the different phases of the audit and formal clearance meetings. This enabled us to effectively focus on the direction, supervision and review of the work performed by the component auditors. The group audit engagement partner was also the partner on the audit of the UK NRFB significant component.

Group-wide audit approach

Certain balances were audited by the PwC HSBC Holdings plc Group engagement team where they related to Group level accounts. HSBC has entity level controls that have a pervasive influence across the Group, as well as other global and regional governance and controls over aspects of financial reporting, such as those operated by the Global Risk function for expected credit losses. A significant amount of IT and operational processes and controls relevant to financial reporting are undertaken in operations centres run by Digital Business Services ('DBS'). Whilst these operations centres are not separate components, the IT and operational processes and controls are relevant to the financial information of HSBC Bank plc. Financial reporting processes and controls are also performed centrally in HSBC Bank plc's finance operations centres ('Finance Operations'), including the impairment assessment of investment in subsidiaries and intangible assets, the consolidation of HSBC Bank plc's results, the preparation of financial statements, and certain management oversight controls relevant to financial reporting.

HSBC Holdings plc Group-wide processes or processes in DBS and Finance Operations are subject to specified audit procedures or an audit over specific FSLIs. These procedures primarily relate to testing of IT general controls, forward looking economic scenarios for ECL, operating expenses, intangible assets, valuation of financial instruments, intercompany eliminations, reconciliations, consolidation and payroll. For these areas, we either performed audit work ourselves, or directed and provided oversight of the audit work performed by other PwC teams. This audit work, together with analytical review procedures and assessing the outcome of local external audits, also addressed the risk of material misstatement for balances in entities that were not part of a significant component.

The impact of climate risk on our audit

In considering the impact of climate risk on our audit, we:

- Made enquiries of management to understand the extent of the potential impact of climate risk on the financial statements and we remained alert when performing our audit procedures for any indicators of the impact of climate risk.
- Evaluated and challenged management's assessment of the impact of climate risk, which includes the potential impact on ECL, classification and measurement of financial instruments and going concern assumption.
- Read the disclosures in relation to climate risk made in the other information within the Annual Report to ascertain whether the disclosures are materially consistent with the financial statements and our knowledge from our audit. Our responsibility over other information is further described in the Reporting on other information section of our report.

Our procedures did not identify any material incremental adjustments needed to capture climate impacts on the group and company financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£243m (2024: £258m)	£120m (2024: £136m)
How we determined it	Approximately 1% of Tier 1 capital	Approximately 1% of Tier 1 capital
Rationale for benchmark applied	Tier 1 capital was also used as the benchmark in the prior year. The basis for determining materiality was re-evaluated and we considered other benchmarks, such as profit before tax. Tier 1 capital was determined to be the most appropriate benchmark given the importance of this metric to the HSBC Bank plc decision making process and to principal users of the financial statements, including regulators and the ultimate holding company HSBC Holdings plc.	

For each component in the scope of our group audit, we allocated a materiality that was less than our overall group materiality. The range of materiality allocated across components was £105m to £132m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £182m (2024: £194m) for the group financial statements and £90m (2024: £102m) for the company financial statements.

Independent auditors' report to the members of HSBC Bank plc

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £12m (group audit) (2024: £13m) and £6m (company audit) (2024: £7m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting, including both internal risks (e.g., strategy execution) and external risks (e.g., macroeconomic conditions);
- Understanding and evaluating the group and company's financial forecasts and stress testing of liquidity and regulatory capital, including the severity of the stress scenarios that were used;
- Understanding and evaluating credit rating agency ratings and actions; and
- Reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of HSBC Bank plc

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of financial crime laws and regulations and regulatory compliance, including regulatory reporting requirements and conduct of business, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries in relation to costs and income, and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Review of correspondence with and reports to the regulators, including the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA');
- Review of minutes of meetings held by the Board of Directors and different committees such as the Audit Committee and Risk Committee, which include discussions of management's reporting to these committees in respect of compliance and legal matters;
- Enquiries of management and those charged with governance, and review of internal audit reports in so far as they related to the financial statements;
- Obtaining legal confirmations from legal advisors relating to material litigation and compliance matters;
- Assessment of entity-level controls relating to corporate governance, whistleblowing arrangements, personal conduct and legal investigations; and evaluation of matters reported on the group's whistleblowing programmes and the results of management's investigation of such matters insofar as they related to the financial statements;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of expected credit losses, and impairment assessment of investment in subsidiaries;
- Obtaining confirmations from third parties to confirm the existence of a sample of balances;
- Identifying and testing journal entries meeting specific fraud criteria, including those posted with certain descriptions, posted by unexpected individuals, or posted to certain account combinations; and
- Varying the nature, timing and extent of substantive testing to introduce unpredictability.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements in accordance with ISAs (UK) is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group and company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group and company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditors' report to the members of HSBC Bank plc

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not obtained all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- The company financial statements are not in agreement with the accounting records and returns.

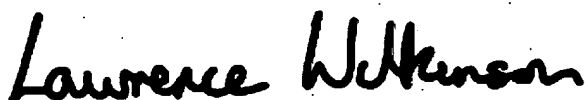
We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the company for the financial year ended 31 December 2015. Our uninterrupted engagement covers eleven financial years.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.



Lawrence Wilkinson (Senior Statutory Auditor)

for and on behalf of **PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

London

24 February 2026

Financial statements

Consolidated income statement for the year ended 31 December

	Notes*	2025 £m	2024 £m
Net interest income		1,274	985
– interest income ^{1,2}		16,081	19,414
– interest expense ³		(14,807)	(18,429)
Net fee income	2	1,227	1,275
– fee income		2,921	2,758
– fee expense		(1,694)	(1,483)
Net income from financial instruments held for trading or managed on a fair value basis	3	4,938	4,726
Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	3	1,017	857
Changes in fair value of long-term debt and related derivatives		(4)	2
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss		288	413
Net (losses)/gains from financial investments ⁴		(1,088)	22
(Losses) recognised on Assets held for sale		(6)	(100)
Insurance finance (expense)	4	(1,090)	(984)
Insurance service result	4	164	171
– Insurance revenue		385	398
– Insurance service expense		(221)	(227)
Other operating income		158	106
Net operating income before change in expected credit losses and other credit impairment charges⁵		6,878	7,473
Change in expected credit losses and other credit impairment charges		(154)	(163)
Net operating income		6,724	7,310
Employee compensation and benefits	5	(1,983)	(1,672)
General and administrative expenses		(4,363)	(3,440)
Depreciation and impairment of property, plant and equipment and right of use assets		(125)	(71)
Total operating expenses excluding amortisation and impairment of intangible assets		(6,471)	(5,183)
Amortisation and impairment of intangible assets		(433)	(77)
Total operating expenses		(6,904)	(5,260)
Operating (loss)/profit		(180)	2,050
Share of profit in associates and joint ventures	17	61	18
(Loss)/profit before tax		(119)	2,068
Tax (charge)	7	(462)	(785)
(Loss)/profit for the year		(581)	1,283
(Loss)/profit attributable to the parent company		(591)	1,253
Profit attributable to non-controlling interests		10	30

* For Notes on the financial statements, see page 100.

1. Interest income includes £14,231m (2024: £17,467m) of interest recognised on financial assets measured at amortised cost, nil (2024: £9m) negative interest recognised on financial liabilities and £1,842m (2024: £1,944m) of interest recognised on financial assets measured at fair value through other comprehensive income. Included within this is £71m (2024: £97m) interest recognised on impaired financial assets.
2. Interest revenue calculated using the effective interest method comprises interest recognised on financial assets measured at either amortised cost or fair value through other comprehensive income.
3. Interest expense includes £13,958m (2024: £17,195m) of interest on financial liabilities, excluding interest on financial liabilities held for trading or designated or otherwise mandatorily measured at fair value.
4. In 2025, the amount includes recycling of cumulative fair value losses of £1.1bn relating to the French retained portfolio of home and certain other loans following the completion of its sale to a consortium comprising Rothesay Life plc and CCF.
5. Net operating income before change in expected credit losses and other credit impairment charges is also referred to as 'revenue'.

Financial statements

Consolidated statement of comprehensive income for the year ended 31 December

	2025 £m	2024 £m
(Loss)/ Profit for the year	(581)	1,283
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	830	144
– fair value (losses)/gains	(760)	197
– fair value losses/(gains) transferred to the income statement on disposal	1,107	(28)
– expected credit (recoveries)/losses recognised in the income statement	(12)	1
– disposal of subsidiary	558	—
– income taxes	(63)	(26)
Cash flow hedges	209	103
– fair value gains/(losses)	187	(396)
– fair value losses reclassified to the income statement	104	538
– income taxes	(82)	(39)
Finance expenses from insurance contracts	(510)	(108)
– disposal of subsidiary	(517)	—
– before income taxes	10	(146)
– income taxes	(3)	38
Exchange differences	754	(491)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit asset/liability	44	(2)
– before income taxes	55	(6)
– income taxes	(11)	4
Equity instruments designated at fair value through other comprehensive income	17	(2)
– fair value gains	18	13
– income taxes	(1)	(15)
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	(127)	(40)
– fair value losses	(175)	(55)
– income taxes	48	15
Other comprehensive income/(expense) for the year, net of tax	1,217	(396)
Total comprehensive income for the year	636	887
Attributable to:		
– shareholders of the parent company	615	863
– non-controlling interests	21	24

Financial statements

Consolidated balance sheet at 31 December

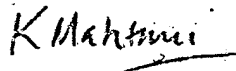
	Notes	At	
		31 Dec 2025	31 Dec 2024
		£m	£m
Assets			
Cash and balances at central banks		101,443	119,184
Trading assets	10	131,359	116,042
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	13	5,752	9,417
Derivatives	14	168,585	198,172
Loans and advances to banks		19,349	14,521
Loans and advances to customers		79,858	82,666
Reverse repurchase agreements – non-trading		68,110	53,612
Financial investments	15	66,614	52,216
Assets held for sale ¹	34	5,558	21,606
Prepayments, accrued income and other assets	21	58,617	56,950
Current tax assets		463	1,043
Interests in associates and joint ventures	17	769	703
Goodwill and intangible assets	20	276	303
Deferred tax assets	7	943	895
Total assets		707,696	727,330
Liabilities and equity			
Liabilities			
Deposits by banks		39,679	26,515
Customer accounts		244,763	242,303
Repurchase agreements – non-trading		46,758	40,384
Trading liabilities	22	41,877	42,633
Financial liabilities designated at fair value	23	41,842	37,443
Derivatives	14	166,666	197,082
Debt securities in issue		12,823	19,461
Liabilities of disposal groups held for sale ¹	34	15,711	23,110
Accruals, deferred income and other liabilities	24	50,458	50,484
Current tax liabilities		266	250
Insurance contract liabilities	4	465	3,424
Provisions	25	1,500	275
Deferred tax liabilities	7	5	5
Subordinated liabilities	26	18,919	16,908
Total liabilities		681,732	700,277
Equity			
Total shareholders' equity		25,801	26,895
– called up share capital	29	797	797
– share premium account	29	3,582	3,582
– other equity instruments	29	4,197	3,921
– retained earnings		22,376	25,040
– other reserves		(5,151)	(6,445)
Non-controlling interests		163	158
Total equity		25,964	27,053
Total liabilities and equity		707,696	727,330

¹ Includes businesses classified as held-for-sale as part of a broader restructuring of our European business. Refer to Note 34 'Assets held for sale and liabilities of disposal groups held for sale' on page 162.

* For Notes on the financial statements, see page 100.

The accompanying notes on pages 100 to 165, and the audited sections of the 'Report of the Directors' on pages 15 to 80 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 24 February 2026 and signed on its behalf by:



Kavita Mahtani
Director

Financial statements

Consolidated statement of changes in equity for the year ended 31 December

	Other reserves										
	Called up share capital & share premium	Other equity instru- ments	Retained earnings	Financial assets at FVOCI reserve	Cash flow hedging reserve	Foreign exchange reserve	Group reorgan- isation reserve ('GRR') ^a	Insurance finance reserve ¹	Total share- holders' equity	Non- control- ling 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
(Loss)/Profit for the period	—	—	(591)	—	—	—	—	—	(591)	10	(581)
Other comprehensive income/(expense) (net of tax)	—	—	(81)	767	210	790	—	(480)	1,206	11	1,217
– debt instruments at fair value through other comprehensive income	—	—	—	271	—	—	—	—	271	1	272
– equity instruments designated at fair value through other comprehensive income	—	—	—	17	—	—	—	—	17	—	17
– cash flow hedges	—	—	—	—	209	—	—	—	209	—	209
– remeasurement of defined benefit asset/liability	—	—	44	—	—	—	—	—	44	—	44
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk ²	—	—	(127)	—	—	—	—	—	(127)	—	(127)
– 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	—	—	—	—	—	—	—	7	7	—	7
– exchange differences	—	—	2	(79)	1	766	—	30	720	10	730
Total comprehensive income/(expense) for the year	—	—	(672)	767	210	790	—	(480)	615	21	636
Capital securities issued during the period	—	276	—	—	—	—	—	—	276	—	276
Redemption of securities	—	—	—	—	—	—	—	—	—	—	—
Dividends paid to the parent company ⁴	—	—	(1,951)	—	—	—	—	—	(1,951)	(16)	(1,967)
Net impact of equity-settled share-based payments	—	—	(24)	—	—	—	—	—	(24)	—	(24)
Change in business combinations and other movements	—	—	(17)	7	—	—	—	—	(10)	—	(10)
At 31 Dec 2025	4,379	4,197	22,376	82	(17)	2,476	(7,692)	—	25,801	163	25,964

Financial statements

Consolidated statement of changes in equity (continued) for the year ended 31 December

	Other reserves										
	Called up share capital & share premium	Other equity instru- ments	Retained earnings	Financial assets at FVOCI reserve	Cash flow hedging reserve	Foreign exchange reserve	Group reorgani- sation reserve ('GRR') ⁶	Insurance finance reserve ¹	Total share- holders' equity	Non- control- ling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2024	1,801	3,930	24,724	(868)	(330)	2,178	(7,692)	616	24,359	146	24,505
Profit for the period	—	—	1,253	—	—	—	—	—	1,253	30	1,283
Other comprehensive (expense)/income (net of tax)	—	—	(40)	176	103	(493)	—	(136)	(390)	(6)	(396)
– debt instruments at fair value through other comprehensive income	—	—	—	143	—	—	—	—	143	1	144
– equity instruments designated at fair value through other comprehensive income	—	—	—	(2)	—	—	—	—	(2)	—	(2)
– cash flow hedges	—	—	—	—	103	—	—	—	103	—	103
– remeasurement of defined benefit asset/ liability	—	—	(2)	—	—	—	—	—	(2)	—	(2)
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk ²	—	—	(40)	—	—	—	—	—	(40)	—	(40)
– Foreign exchange reclassified to income statement on disposal of a foreign operation	—	—	—	—	—	49	—	—	49	—	49
– insurance finance expense recognised in other comprehensive income	—	—	—	—	—	—	—	(108)	(108)	—	(108)
– exchange differences	—	—	2	35	—	(542)	—	(28)	(533)	(7)	(540)
Total comprehensive income/(expense) for the year	—	—	1,213	176	103	(493)	—	(136)	863	24	887
Capital securities issued during the period ⁵	2,578	204	—	—	—	—	—	—	2,782	—	2,782
Redemption of securities	—	(213)	—	—	—	—	—	—	(213)	—	(213)
Dividends paid to the parent company ⁴	—	—	(535)	—	—	—	—	—	(535)	(11)	(546)
Net impact of equity- settled share-based payments	—	—	(6)	—	—	—	—	—	(6)	—	(6)
Change in business combinations and other movements ⁷	—	—	(356)	—	—	1	—	—	(355)	(1)	(356)
At 31 Dec 2024	4,379	3,921	25,040	(692)	(227)	1,686	(7,692)	480	26,895	158	27,053

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 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 loss of £(92)m (2024: gain of £70m).

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 includes dividend on ordinary share capital £1,683m (2024: £312m) and coupon payments on additional tier 1 instrument £268m (2024: £223m).

5 During 2024, CET1 issuance of shares to HSBC Holdings plc equalled £2,578m, including £1,132m in respect of funding the acquisition of HSBC Private Bank (Suisse) SA (‘PBRS’) in February 2024.

6 GRR is an accounting reserve resulting from the ring-fencing implementation.

7 Change in business combinations includes HSBC Bank plc’s acquisition of PBRS.

Consolidated statement of cash flows for the year ended 31 December

	2025 £m	2024 £m
(Loss)/profit before tax	(119)	2,068
Adjustments for non-cash items		
Depreciation, amortisation and impairment	558	148
Net loss from investing activities ¹	1,098	83
Share of profit in associates and joint ventures	(61)	(18)
Change in expected credit losses gross of recoveries and other credit impairment charges	154	165
Provisions including pensions	1,184	78
Share-based payment expense	81	61
Other non-cash items included in (loss)/profit before tax	(155)	(180)
Elimination of exchange differences ²	(3,416)	4,883
Changes in operating assets and liabilities	(8,553)	(1,479)
– change in net trading securities and derivatives	(16,933)	(13,266)
– change in loans and advances to banks and customers	(3,077)	(455)
– change in reverse repurchase agreements – non-trading	(13,896)	9,341
– change in financial assets designated and otherwise mandatorily measured at fair value	(3,139)	(1,954)
– change in other assets	(3,313)	4,734
– change in deposits by banks and customer accounts	23,219	14,113
– change in repurchase agreements – non-trading	6,374	(13,813)
– change in debt securities in issue	(6,638)	6,018
– change in financial liabilities designated at fair value	5,234	4,937
– change in other liabilities	3,534	(10,026)
– dividend received from associates	18	—
– contributions paid to defined benefit plans	(28)	(20)
– tax received/(paid)	92	(1,088)
Net cash from operating activities	(9,229)	5,809
– purchase of financial investments	(45,055)	(32,587)
– proceeds from the sale and maturity of financial investments ³	33,969	23,272
– net cash flows from the purchase and sale of property, plant and equipment	(18)	(16)
– net investment in intangible assets	(393)	(149)
– net cash outflow from investment in associates and acquisition of businesses and subsidiaries ⁴	(25)	(955)
– net cash flow on disposal of subsidiaries, businesses, associates and joint ventures ⁵	39	(8,631)
Net cash from investing activities	(11,483)	(19,066)
– issue of ordinary share capital and other equity instruments	276	2,782
– redemption of other equity instruments	—	(213)
– subordinated loan capital issued ⁶	2,702	2,777
– subordinated loan capital repaid ⁶	(1,277)	(474)
– dividends to the parent company	(1,951)	(535)
– dividends paid to non-controlling interests	(16)	(11)
Net cash from financing activities	(266)	4,326
Net increase in cash and cash equivalents	(20,978)	(8,931)
Cash and cash equivalents at 1 Jan	162,928	177,037
Exchange difference in respect of cash and cash equivalents	4,949	(5,178)
Cash and cash equivalents at 31 Dec⁷	146,899	162,928
Cash and cash equivalents comprise of		
– cash and balances at central banks	101,443	119,184
– loans and advances to banks of one month or less	18,118	13,285
– reverse repurchase agreement with banks of one month or less	16,509	15,908
– treasury bills, other bills and certificates of deposit less than three months	—	143
– cash collateral, net settlement accounts and items in course of collection from/transmission to other banks	10,816	12,783
– cash and cash equivalents held for sale ⁸	13	1,625
Cash and cash equivalents at 31 Dec⁷	146,899	162,928

- Balances include losses on disposal of businesses classified as held-for-sale as part of a broader restructuring of our European business.
- 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.
- This includes £4.4bn from the sale of our retained portfolio of home and certain other loans in France.
- During 2024, HSBC Bank plc acquired PBRs from HSBC Private Banking Holdings (Suisse) SA ('PBSU') for net £941m.
- Includes £(8.6)bn of net cash outflow on sale of our retail banking operations in France in January 2024.
- Subordinated liabilities changes during the year are attributable to cash flows from issuance £2,702m (2024: £2,777m) and repayment of £(1,277)m (2024: £(474)m) of securities as presented in the Consolidated statement of cash flows. Non-cash changes during the year included foreign exchange gains/(losses) £276m (2024: £(445)m) and fair value gains/(losses) £43m (2024: £(45)m).
- At 31 December 2025, £18,206m (2024: £19,884m) was not available for use by the group due to a range of restrictions including currency exchange and other restrictions.
- Includes nil (2024: £1,511m) cash and balances at central banks; £12m (2024: £114m) of loans and advances to banks of one month or less and remaining £1m (2024: nil) relates to other cash and cash equivalents.

Interest received was £19,163m (2024: £22,160m), interest paid was £17,503m (2024: £20,978m) and dividends received were £889m (2024: £887m).

Financial statements

HSBC Bank plc balance sheet at 31 December

	Notes	At	
		31 Dec 2025 £m	31 Dec 2024 £m
Assets			
Cash and balances at central banks		50,285	78,250
Trading assets	10	104,557	97,241
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	13	3,782	3,660
Derivatives	14	147,581	183,658
Loans and advances to banks		15,929	12,730
Loans and advances to customers		32,380	30,916
Reverse repurchase agreements – non-trading		45,432	34,394
Financial investments	15	42,225	34,250
Assets held for sale ¹		315	527
Prepayments, accrued income and other assets	21	48,793	44,036
Current tax assets		345	604
Investments in subsidiary undertakings	18	13,127	13,247
Goodwill and intangible assets	20	46	134
Deferred tax assets	7	173	335
Total assets		504,970	533,982
Liabilities and equity			
Liabilities			
Deposits by banks		30,209	19,355
Customer accounts		138,381	142,122
Repurchase agreements – non-trading		40,441	34,545
Trading liabilities	22	25,938	29,143
Financial liabilities designated at fair value	23	32,319	28,486
Derivatives	14	152,133	183,745
Debt securities in issue		6,355	12,668
Liabilities of disposal groups held for sale		1,552	2,667
Accruals, deferred income and other liabilities	24	33,852	38,427
Current tax liabilities		71	41
Provisions	25	272	110
Deferred tax liabilities	7	2	2
Subordinated liabilities	26	18,919	16,874
Total liabilities		480,444	508,185
Equity			
Total shareholders' equity		24,526	25,797
– called up share capital	29	797	797
– share premium account	29	3,582	3,582
– other equity instruments	29	4,197	3,921
– retained earnings		21,049	23,001
– other reserves		(5,099)	(5,504)
Total equity		24,526	25,797
Total liabilities and equity		504,970	533,982

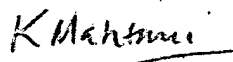
* For Notes on the financial statements, see page 100.

1 Includes planned sale of business in South Africa.

Profit after tax for the year was £76m (2024: £61m).

The accompanying notes on pages 100 to 165, and the audited sections of the 'Report of the Directors' on pages 15 to 80 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 24 February 2026 and signed on its behalf by:



Kavita Mahtani
Director

Financial statements

HSBC Bank plc statement of changes in equity for the year ended 31 December

	Other reserves							Total shareholders' equity
	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') ³	
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2025	4,379	3,921	23,001	(93)	(245)	82	(5,248)	25,797
Profit for the year	—	—	76	—	—	—	—	76
Other comprehensive income/ (expense) (net of tax)	—	—	(54)	88	282	37	—	353
– debt instruments at fair value through other comprehensive income	—	—	—	91	—	—	—	91
– equity instruments designated at fair value through other comprehensive income	—	—	—	1	—	—	—	1
– cash flow hedges	—	—	—	—	282	—	—	282
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk ¹	—	—	(54)	—	—	—	—	(54)
– remeasurement of defined benefit asset/liability	—	—	2	—	—	—	—	2
– exchange differences	—	—	(2)	(4)	—	37	—	31
Total comprehensive income for the period	—	—	22	88	282	37	—	429
Capital securities issued during the period	—	276	—	—	—	—	—	276
Dividends to the parent company ²	—	—	(1,951)	—	—	—	—	(1,951)
Redemption of securities	—	—	—	—	—	—	—	—
Net impact of equity-settled share-based payments	—	—	(22)	—	—	—	—	(22)
Change in business combinations and other movements	—	—	(1)	(2)	—	—	—	(3)
At 31 Dec 2025	4,379	4,197	21,049	(7)	37	119	(5,248)	24,526

Financial statements

HSBC Bank plc statement of changes in equity (continued) for the year ended 31 December

	Other reserves							Total shareholders' equity
	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') ³	
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2024	1,801	3,930	23,499	(86)	(276)	88	(5,248)	23,708
Profit for the year	—	—	61	—	—	—	—	61
Other comprehensive income/ (expense) (net of tax)	—	—	(21)	(6)	31	(6)	—	(2)
– debt instruments at fair value through other comprehensive income	—	—	—	5	—	—	—	5
– equity instruments designated at fair value through other comprehensive income	—	—	—	(12)	—	—	—	(12)
– cash flow hedges	—	—	—	—	31	—	—	31
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk ¹	—	—	(24)	—	—	—	—	(24)
– remeasurement of defined benefit asset/liability	—	—	3	—	—	—	—	3
– exchange differences	—	—	—	1	—	(6)	—	(5)
Total comprehensive income/ (expense) for the period	—	—	40	(6)	31	(6)	—	59
Capital securities issued during the period	2,578	204	—	—	—	—	—	2,782
Dividends to the parent company ²	—	—	(535)	—	—	—	—	(535)
Redemption of securities	—	(213)	—	—	—	—	—	(213)
Net impact of equity-settled share-based payments	—	—	(6)	—	—	—	—	(6)
Change in business combinations and other movements	—	—	3	(1)	—	—	—	2
At 31 Dec 2024	4,379	3,921	23,001	(93)	(245)	82	(5,248)	25,797

1 The cumulative amount of change in fair value attributable to changes in own credit risk of financial liabilities designated at fair value was a loss of £(64)m (2024: gain of £11m).

2 The dividends to the parent company includes dividend on ordinary share capital £1,683m (2024: £312m) and coupon payments on additional tier 1 instrument £268m (2024: £223m).

3 GRR is an accounting reserve resulting from the ring-fencing implementation.

Financial statements

HSBC Bank plc statement of cash flows for the year ended 31 December

	2025 £m	2024 £m
Profit before tax	416	428
Adjustments for non-cash items		
Depreciation, amortisation and impairment	329	37
Net loss from investing activities ¹	956	962
Change in expected credit losses gross of recoveries and other credit impairment charges	19	85
Provisions including pensions	261	54
Share-based payment expense	47	37
Other non-cash items included in profit before tax	(120)	(117)
Elimination of exchange differences ²	(996)	1,776
Changes in operating assets and liabilities	(17,396)	5,547
– change in net trading securities and derivatives	(5,897)	(6,131)
– change in loans and advances to banks and customers	(1,582)	567
– change in reverse repurchase agreements – non-trading	(9,296)	10,182
– change in financial assets designated and otherwise mandatorily measured at fair value	(122)	(477)
– change in other assets	(5,885)	526
– change in deposits by banks and customer accounts	6,019	11,861
– change in repurchase agreements – non-trading	5,896	(14,297)
– change in debt securities in issue	(6,313)	5,315
– change in financial liabilities designated at fair value	3,859	4,997
– change in other liabilities	(4,055)	(6,093)
– contributions paid to defined benefit plans	(15)	(9)
– tax paid	(5)	(894)
Net cash from operating activities	(16,484)	8,809
– purchase of financial investments	(24,015)	(18,618)
– proceeds from the sale and maturity of financial investments	15,696	13,526
– net cash flows from the purchase and sale of property, plant and equipment	(4)	(2)
– net investment in intangible assets	(229)	(77)
– net cash outflow from investment in associates and acquisition of businesses and subsidiaries ^{3,4}	(860)	(2,582)
Net cash from investing activities	(9,412)	(7,753)
– issue of ordinary share capital and other equity instruments	276	2,782
– redemption of other equity instruments	–	(213)
– subordinated loan capital issued ⁵	2,702	2,777
– subordinated loan capital repaid ⁵	(1,242)	(257)
– dividends to the parent company	(1,951)	(535)
Net cash from financing activities	(215)	4,554
Net (decrease)/increase in cash and cash equivalents	(26,111)	5,610
Cash and cash equivalents at 1 Jan	105,877	102,417
Exchange difference in respect of cash and cash equivalents	2,036	(2,150)
Cash and cash equivalents at 31 Dec	81,802	105,877
Cash and cash equivalents comprise of:		
– cash and balances at central banks	50,285	78,250
– loans and advances to banks of one month or less	13,446	10,539
– reverse repurchase agreement with banks of one month or less	9,140	7,398
– cash collateral, net settlement accounts and items in course of collection from/transmission to other banks	8,931	9,690
Cash and cash equivalents at 31 Dec	81,802	105,877

1 Includes impairment booked on investment in subsidiary.

2 Adjusted 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.

3 Included within 2024 is net additional investment in subsidiaries of £1,450m in HBCE.

4 During 2024, HSBC Bank plc acquired PBRS from PBSU for £1,132m.

5 Subordinated liabilities changes during the year are attributable to cash flows from issuance £2,702m (2024: £2,777m) and repayment of £(1,242)m (2024: £(257)m) of securities as presented in the HSBC Bank plc statement of cash flows. Non-cash changes during the year included foreign exchange gains/(losses) £275m (2024: £(434)m) and fair value gains £43m (2024: £144m).

Interest received was £13,516m (2024: £14,994m), interest paid was £13,327m (2024: £15,388m) and dividends received was £1,477m (2024: £1,314m).

Notes on the financial statements

Contents

100	1	Basis of preparation and material accounting policies	147	20	Goodwill and intangible assets
111	2	Net fee income	147	21	Prepayments, accrued income and other assets
111	3	Net income from financial instruments measured at fair value through profit or loss	147	22	Trading liabilities
112	4	Insurance business	148	23	Financial liabilities designated at fair value
118	5	Employee compensation and benefits	148	24	Accruals, deferred income and other liabilities
122	6	Auditors' remuneration	148	25	Provisions
123	7	Tax	150	26	Subordinated liabilities
125	8	Dividends	151	27	Maturity analysis of assets, liabilities and off-balance sheet commitments
125	9	Segmental analysis	153	28	Offsetting of financial assets and financial liabilities
127	10	Trading assets	155	29	Called up share capital and other equity instruments
127	11	Fair values of financial instruments carried at fair value	156	30	Contingent liabilities, contractual commitments, guarantees and contingent assets
135	12	Fair values of financial instruments not carried at fair value	156	31	Finance lease receivables
137	13	Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	157	32	Legal proceedings and regulatory matters
137	14	Derivatives	159	33	Related party transactions
142	15	Financial investments	162	34	Assets held for sale and liabilities of disposal groups held for sale
142	16	Assets pledged, collateral received and assets transferred	163	35	Events after the balance sheet date
143	17	Interests in associates and joint ventures	163	36	HSBC Bank plc's subsidiaries, joint ventures and associates
144	18	Investments in subsidiaries			
145	19	Structured entities			

1 Basis of preparation and material accounting policies

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The consolidated financial statements of the group and the separate financial statements of the bank comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006, and have also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. These financial statements are also prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IFRS Accounting Standards'), including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRS Accounting Standards for the periods presented. There were no unendorsed standards effective for the year ended 31 December 2025 affecting these consolidated and separate financial statements.

IFRS Accounting Standards adopted during the year ended 31 December 2025

There were no new standards, amendments to standards or interpretations that had an effect on these financial statements. Accounting policies have been applied consistently.

(b) Future accounting developments

Minor amendments to IFRS Accounting Standards

The International Accounting Standards Board ('IASB') has published a number of minor amendments to IFRS Accounting Standards that are effective from 1 January 2026. The group expects they will have an insignificant effect, when adopted, on the consolidated financial statements of the group and the separate financial statements of the bank.

Other amendments and new IFRS Accounting Standards

Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'

In May 2024, the IASB issued amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures', effective for annual reporting periods beginning on, or after, 1 January 2026. In addition to guidance as to when certain financial liabilities can be deemed settled when using an electronic payment system, the amendments also provide further clarification regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arising from ESG-related contingencies, and financial assets with certain non-recourse features. The group does not expect any material impact from these amendments.

IFRS 18 'Presentation and Disclosure in Financial Statements'

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

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

Notes on the financial statements

(c) Foreign currencies

The functional currency of the bank is sterling, which is also the presentational currency of the consolidated financial statements of the group.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date, except non-monetary assets and liabilities measured at historical cost, which are translated using the rate of exchange at the initial transaction date. Exchange differences are recognised in the income statement except where otherwise required such as exchange components of gains and losses on non-monetary items which are recognised in the income statement or other comprehensive income depending on where the gain or loss on the underlying item is presented.

In the consolidated financial statements, the assets and liabilities of branches, subsidiaries, joint ventures and associates whose functional currency is not sterling are translated into the group's presentation currency at the rate of exchange at the balance sheet date, while their results are translated into sterling at the average rates of exchange for the reporting period. Exchange differences arising are recognised in other comprehensive income. On disposal of a foreign operation, exchange differences previously recognised in other comprehensive income are reclassified to the income statement.

(d) Presentation of information

Certain disclosures required by IFRS Accounting Standards have been included in the audited sections of this Annual Report and Accounts 2025 as follows:

- disclosures concerning the nature and extent of risks relating to financial instruments and insurance contracts are included in the 'Risk review' on pages 15 to 72;
- the 'Own funds' disclosure is included in the 'Risk review' on page 60; and
- in publishing the parent company financial statements together with the group financial statements, the bank has taken advantage of the exemption in section 408(3) of the Companies Act 2006 not to present its individual income statement and related notes.

(e) Critical estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items, highlighted as the 'critical estimates and judgements' in section 1.2 below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different estimates and judgements from those reached by management for the purposes of these financial statements. Management's selection of the group's accounting policies that contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

Management has considered the impact of climate-related risks on HSBC's financial position and performance. While the effects of climate change are a source of uncertainty, as at 31 December 2025 management did not consider there to be a material impact on our critical judgements and estimates from the physical, transition and other climate-related risks in the short to medium term. In particular management has considered the known and observable potential impacts of climate-related risks of associated judgements and estimates in our value in use calculations.

(f) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the group and the 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, including ongoing supply chain disruptions, uncertain inflation, rapidly changing interest rates, the impact of the Russia-Ukraine war or military action in the Middle East, heightened strategic competition between the US and China, potential trade restrictions and changes to tariff rates, as well as the potential impacts from other top and emerging risks, including climate change, as well as the related impacts on profitability, capital and liquidity.

1.2 Summary of material accounting policies

(a) Consolidation and related policies

Consolidation

HSBC consolidates entities that it controls as demonstrated by power over the investee, exposure to variable returns, and the ability to use its power to affect the amount of its returns. Where an entity is governed by voting rights, the group generally has power leading to control when it holds – directly or indirectly – the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including contractual arrangements.

Business combinations are accounted for using the acquisition method. The amount of non-controlling interest is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. This election is made for each business combination.

Investments in subsidiaries

The bank's investments in subsidiaries are stated at cost less impairment losses. Where the investment in subsidiary is designated in a fair value hedging relationship for foreign currency risk, the carrying value is adjusted for any associated hedge adjustment arising therefrom.

Impairment testing of investments in subsidiaries is performed where there is an indication of impairment. Indicators of impairment include both external and internal sources of information.

Notes on the financial statements

Critical estimates and judgements

Investments in subsidiaries are tested for impairment when there is an indication that the investment may be impaired, which involves estimations of value in use reflecting management's best estimate of the future cash flows of the investment and the rates used to discount these cash flows, both of which are subject to uncertain factors as follows:

Judgements	Estimates
The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions. Where such circumstances are determined to exist, management re-tests for impairment more frequently than once a year when indicators of impairment exist. This ensures that the assumptions on which the cash flow forecasts are based continue to reflect current market conditions and management's best estimate of future business prospects.	- The future cash flows of each investment are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data, but they reflect management's view of future business prospects at the time of the assessment. - The rates used to discount future expected cash flows can have a significant effect on their valuation, and are based on the costs of equity assigned to the investment. The cost of equity percentage is generally derived from a capital asset pricing model and the market implied cost of equity, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and a premium for the risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions beyond management's control. - Key assumptions used in estimating impairment in subsidiaries are described in Note 18.

Interests in associates and joint arrangements

Joint arrangements are investments in which the group, together with one or more parties, has joint control. Depending on the group's rights and obligations, the joint arrangement is classified as either a joint operation or a joint venture.

The group classifies investments in entities over which it has significant influence but not control or joint control as associates and accounts for them using the equity method. Under this method, the attributable share of net assets, results and reserves are included in the consolidated financial statements based on either financial statements made up to 31 December or pro-rated amounts adjusted for any material transactions or events occurring between the date the financial statements are available and 31 December.

Investments in associates and joint ventures are assessed at each reporting date and tested for impairment when there is an indication that the investment may be impaired, by comparing the recoverable amount of the relevant investment to its carrying amount. Goodwill on acquisition of interests in joint ventures and associates is not tested separately for impairment, but is assessed as part of the carrying amount of the investment.

(b) Net operating income

Interest income and expense

Interest income and expense for all financial instruments, excluding those classified as held for trading or designated at fair value, is recognised in 'interest income' and 'interest expense' in the income statement using the effective interest method. However, as an exception to this, interest on debt instruments issued by the group for funding purposes that are designated under the fair value option to reduce an accounting mismatch and on derivatives managed in conjunction with those debt instruments is included in interest expense.

Interest on credit-impaired financial assets is recognised by applying the effective interest rate to the amortised cost (i.e. gross carrying amount of the asset less allowance for ECL).

Non-interest income and expense

The group generates fee income from services provided over time, such as account service and card fees, or when the group delivers a specific transaction at a point in time, such as broking services and import/export services. Where fees are variable, for example certain fund management and performance fees, such fees are recognised when the associated uncertainties are resolved, and to the extent that it is highly probable that a significant reversal will not occur.

The group acts as principal in the majority of contracts with customers, with the exception of broking services. For most brokerage trades, the group acts as agent in the transaction and recognises broking income net of fees payable to other parties in the arrangement.

The group recognises fees earned on transaction-based arrangements at a point in time when it has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

Where the group offers a package of services that contains multiple non-distinct performance obligations, such as those included in account service packages, the promised services are treated as a single performance obligation. If a package of services contains distinct performance obligations, the corresponding transaction price is allocated to each performance obligation based on the estimated stand-alone selling prices.

Dividend income is recognised when the right to receive payment is established.

Gains and losses from financial instruments measured as at fair value through profit or loss includes the following:

- 'Net income from financial instruments held for trading or managed on a fair value basis': This comprises net trading activities, which includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading and other financial instruments managed on a fair value basis, together with the related interest income, interest expense and dividend income, excluding the effect of changes in the credit risk of liabilities managed on a fair value basis. It also includes all gains and losses from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities measured at fair value through profit or loss.
- 'Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss': This includes all gains and losses from changes in the fair value, together with related interest income, interest expense and dividend income in respect of financial assets and liabilities measured at fair value through profit or loss, and those derivatives managed in conjunction with the above that can be separately identifiable from other trading derivatives.
- Other gains and losses from financial instruments measured as at fair value through profit or loss include changes in the fair value of designated debt instruments under the fair value option and related derivatives where such designation reduces an accounting mismatch. Interest on such debt instruments and interest cash flows on related derivatives is presented in interest expense. Also included are the changes in fair value of other financial instruments mandatorily measured as at fair value through profit or loss which includes interest on instruments that fail the solely payments of principal and interest ('SPPI') test, see (d) below.

Notes on the financial statements

Insurance income and expense

Insurance service result

Insurance revenue reflects the consideration to which the group expects to be entitled in exchange for the provision of coverage and other insurance contract services (excluding any investment components). Insurance service expenses comprise the incurred claims and other incurred insurance service expenses (excluding any investment components), and losses on onerous groups of contracts and reversals of such losses.

Insurance finance income and expenses

Insurance finance income and expense comprises the change in the carrying amount of the group of insurance contracts arising from the effects of the time value of money, financial risk and changes therein. For contracts using the variable fee approach ('VFA') measurement model, changes in the fair value of underlying items (excluding additions and withdrawals) are recognised in insurance finance income or expenses.

(c) Valuation of financial instruments

Financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and on initial recognition is generally the transaction price. However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the group recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction until the transaction matures, is closed out, the valuation inputs become observable or the group enters into an offsetting transaction.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the group manages a group of financial assets and liabilities according to its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis but the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the IFRS accounting standard offsetting criteria. Financial instruments are classified into one of three fair value hierarchy levels, described in Note 11, 'Fair values of financial instruments carried at fair value'.

Critical estimates and judgements

The majority of valuation techniques employ only observable market data. However, certain financial instruments are classified on the basis of valuation techniques that feature one or more significant market inputs that are unobservable, and for them, the measurement of fair value is more judgemental:

Judgements	Estimates
- An instrument in its entirety is classified as valued using significant unobservable inputs if, in the opinion of management, greater than 5% of the instrument's valuation is driven by unobservable inputs. - 'Unobservable' in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no data available at all upon which to base a determination of fair value (consensus pricing data may, for example, be used).	- Details on the group's level 3 financial instruments and the sensitivity of their valuation to the effect of applying reasonably possible alternative assumptions in determining their fair value are set out in Note 11.

(d) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets include most loans and advances to banks and customers and some debt securities. In addition, most financial liabilities are measured at amortised cost. The group accounts for regular way amortised cost financial instruments using trade date accounting. The carrying amount of these financial assets at initial recognition includes any directly attributable transactions costs.

The group may commit to underwriting loans on fixed contractual terms for specified periods of time. When the loan arising from the lending commitment is expected to be sold shortly after origination, the commitment to lend is recorded as a derivative. When the group intends to hold the loan, the loan commitment is generally not recognised but is subject to expected credit loss considerations.

Financial assets are reclassified only when the business model for their management changes. Such changes, which are expected to be infrequent, are determined by senior management as a result of external or internal changes and must be significant to operations and demonstrable to external parties. Reclassifications are applied prospectively from the first day of the first reporting period following the change of business model. Where a financial asset is reclassified out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category its fair value is measured at the date of reclassification. Any gain or loss arising from a difference between the previous amortised cost and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

Non-trading reverse repurchase, repurchase and similar agreements

When securities are sold subject to a commitment to repurchase them at a predetermined price ('repos'), they remain on the balance sheet and a liability is recorded in respect of the consideration received. Securities purchased under commitments to resell ('reverse repos') are not recognised on the balance sheet and an asset is recorded in respect of the initial consideration paid. Non-trading repos and reverse repos are measured at amortised cost. The difference between the sale and repurchase price or between the purchase and resale price is treated as interest and recognised in net interest income over the life of the agreement.

Contracts that are economically equivalent to reverse repo or repo agreements (such as sales or purchases of securities entered into together with total return swaps with the same counterparty) are accounted for similarly to, and presented together with, reverse repo or repo agreements.

(e) Financial assets measured at fair value through other comprehensive income

Financial assets managed within a business model that is achieved by both collecting contractual cash flows and selling and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at fair value through other comprehensive income ('FVOCI'). These comprise primarily debt securities. They are generally recognised on trade date when HSBC enters into contractual arrangements to purchase and are generally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value with changes therein (except for those relating to impairment, interest income and foreign currency

Notes on the financial statements

exchange gains and losses) recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement. Financial assets measured at FVOCI are included in impairment calculations and impairment is recognised in profit or loss.

(f) Equity securities measured at fair value with fair value movements presented in other comprehensive income

Equity securities for which fair value movements are shown in other comprehensive income are business facilitation and other similar investments where HSBC holds the investments other than to generate a capital return. Dividends from such investments are recognised in profit or loss. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss. Otherwise, equity securities are measured at fair value through profit or loss.

(g) Financial instruments designated at fair value through profit or loss

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- The use of the designation removes or significantly reduces an accounting mismatch.
- A group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- A financial liability that contains one or more non-closely related embedded derivatives.

Designated financial assets are recognised when HSBC enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred.

Designated financial liabilities are recognised when HSBC enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. Subsequent changes in fair values are recognised in the income statement except for the effect of changes in the liabilities' credit risk, which is presented in 'Other comprehensive income', unless that treatment would create or enlarge an accounting mismatch in profit or loss.

Under the above criteria, the main classes of financial instruments designated by HSBC are:

- Debt instruments for funding purposes that are designated to reduce an accounting mismatch: The interest and/or foreign exchange exposure on certain fixed-rate debt securities issued has been matched with the interest and/or foreign exchange exposure on certain swaps as part of a documented risk management strategy.
- Financial assets and financial liabilities under unit-linked and non-linked investment contracts: A contract under which HSBC does not accept significant insurance risk from another party is not classified as an insurance contract, other than investment contracts with discretionary participation features ('DPF'), but is accounted for as a financial liability. Customer liabilities under linked and certain non-linked investment contracts issued by insurance subsidiaries are determined based on the fair value of the assets held in the linked funds or by a valuation method. The related financial assets and liabilities are managed and reported to management on a fair value basis. Designation at fair value of the financial assets and related liabilities allows changes in fair values to be recorded in the income statement and presented in the same line.
- Financial liabilities that contain both deposit and derivative components: These financial liabilities are managed and their performance evaluated on a fair value basis.

(h) Derivatives

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes embedded derivatives in financial liabilities, which are bifurcated from the host contract when they meet the definition of a derivative on a stand-alone basis.

Where the derivatives are managed with debt securities issued by HSBC that are designated at fair value where doing so reduces an accounting mismatch, the contractual interest is shown in 'Interest expense' together with the interest payable on the issued debt.

Hedge accounting

When derivatives are not part of fair value designated relationships, if held for risk management purposes they are designated in hedge accounting relationships where the required criteria for documentation and hedge effectiveness are met. The group uses these derivatives or, where allowed, other non-derivative hedging instruments in fair value hedges, cash flow hedges or hedges of net investments in foreign operations as appropriate to the risk being hedged.

Fair value hedge

Fair value hedge accounting does not change the recording of gains and losses on derivatives and other hedging instruments, but results in recognising changes in the fair value of the hedged assets or liabilities attributable to the hedged risk that would not otherwise be recognised in the income statement. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued and the cumulative adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to the income statement on a recalculated effective interest rate, unless the hedged item has been derecognised, in which case it is recognised in the income statement immediately.

Cash flow hedge

The effective portion of gains and losses on hedging instruments is recognised in other comprehensive income and the ineffective portion of the change in fair value of derivative hedging instruments that are part of a cash flow hedge relationship is recognised immediately in the income statement. The accumulated gains and losses recognised in other comprehensive income are reclassified to the income statement in the same periods in which the hedged item affects profit or loss. When a hedge relationship is discontinued, or partially discontinued, any cumulative gain or loss recognised in other comprehensive income remains in equity until the forecast transaction is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the income statement.

Notes on the financial statements

(i) Impairment of amortised cost and FVOCI financial assets

Expected credit losses are recognised for loans and advances to banks and customers, non-trading reverse repurchase agreements, other financial assets held at amortised cost, debt instruments measured at FVOCI, and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance (or provision in the case of some loan commitments and financial guarantees) is recognised for ECL resulting from possible default events within the next 12 months, or less, where the remaining life is less than 12 months, ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is recognised for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, and so are considered to be in default or otherwise credit impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ('POCI') are treated differently as set out below.

Unimpaired and without significant increase in credit risk (stage 1)

ECL resulting from default events that are possible within the next 12 months ('12-month ECL') are recognised for financial instruments that remain in stage 1.

Significant increase in credit risk (stage 2)

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

The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower, and the geographical region. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk and these criteria will differ for different types of lending, particularly between retail and wholesale. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, wholesale loans that are individually assessed, which are typically corporate and commercial customers, and included on a watch or worry list, are included in stage 2.

For wholesale portfolios, the quantitative comparison assesses default risk using a lifetime probability of default ('PD'), which encompasses a wide range of information including the obligor's customer risk rating ('CRR'), macro-economic condition forecasts and credit transition probabilities. For origination CRRs up to 3.3, significant increase in credit risk is measured by comparing the average PD for the remaining term estimated at origination with the equivalent estimation at the reporting date.

The quantitative measure of significance varies depending on the credit quality at origination as follows:

Origination CRR	Significance trigger – PD to increase by
0.1-1.2	15bps
2.1-3.3	30bps

For CRRs greater than 3.3 that are not impaired, a significant increase in credit risk is considered to have occurred when the origination PD has doubled. The significance of changes in PD was informed by expert credit risk judgement, referenced to historical credit migrations and to relative changes in external market rates.

For loans originated prior to the implementation of IFRS 9, the origination PD does not include adjustments to reflect expectations of future macroeconomic conditions since these are not available without the use of hindsight. In the absence of this data, origination PD must be approximated assuming through-the-cycle PDs and through-the-cycle migration probabilities, consistent with the instrument's underlying modelling approach and the CRR at origination.

The quantitative comparison is supplemented with additional CRR deterioration-based thresholds, as set out in the table below:

Origination CRR	Additional significance criteria – number of CRR grade notches deterioration required to identify as significant credit deterioration (stage 2) (> or equal to)
0.1	5 notches
1.1-4.2	4 notches
4.3-5.1	3 notches
5.2-7.1	2 notches
7.2-8.2	1 notch
8.3	0 notches

For retail portfolios, default risk is assessed using a reporting date 12-month PD derived from internal models, which incorporate all available information about the customer. This PD is adjusted for the effect of macroeconomic forecasts for periods longer than 12 months and is considered to be a reasonable approximation of a lifetime PD measure. Retail exposures are first segmented into homogenous portfolios, generally by country, product and brand. Within each portfolio, the stage 2 accounts include accounts with an adjusted 12-month PD greater than the average 12-month PD of loans in that portfolio 12 months before they become 30 days past due. The expert credit risk judgement is that no prior increase in credit risk is significant. This portfolio-specific threshold therefore identifies loans with a PD higher than would be expected from loans that are performing as originally expected and higher than that which would have been acceptable at origination. It therefore approximates a comparison of origination to reporting date PDs.

We continue to refine the retail transfer criteria approach to utilise a more relative approach for certain portfolios as additional data becomes available. These enhancements take advantage of the increase in origination-related data in the assessment of significant increases in credit risk by comparing remaining lifetime PD to the comparable remaining term lifetime PD at origination based on portfolio-specific origination segments.

Notes on the financial statements

Credit-impaired (stage 3)

The group determines that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether contractual payments of either principal or interest are past due for more than 90 days, there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition, or the loan is otherwise considered to be in default.

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

Interest income is recognised by applying the effective interest rate to the amortised cost (i.e. gross carrying amount less allowance for ECL).

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security.

In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Forbearance

Loans are identified as forbore and classified as either performing or non-performing when the group modifies the contractual terms due to financial difficulty of the borrower. Non-performing forbore loans are stage 3 and classified as non-performing until they meet the curing criteria, as specified by applicable credit risk policy (for example, when the loan is no longer in default and no other indicators of default have been present for at least 12 months). Any amount written off as a result of any modification of contractual terms upon entering forbearance would not be reversed.

The group applies the EBA Guidelines on the application of definition of default for our retail portfolios, which affect credit risk policies and our reporting in respect of the status of loans as credit impaired principally due to forbearance (or curing thereof). Further details are provided under 'Forborne loans and advances' on page 24.

Performing forbore loans are initially stage 2 and remain classified as forbore until they meet applicable curing criteria (for example, they continue to not be in default and no other indicators of default are present for a period of at least 24 months). At this point, the loan is either stage 1 or stage 2 as determined by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

A forbore loan is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the forbore loan is a substantially different financial instrument. Any new loans that arise following derecognition events in these circumstances would generally be classified as POCI and will continue to be disclosed as forbore.

Loan modifications other than forbore loans

Loan modifications that are not identified as forbore are considered to be commercial restructurings. Where a commercial restructuring results in a modification (whether legalised through an amendment to the existing terms or the issuance of a new loan contract) such that HSBC's rights to the cash flows under the original contract have expired, the old loan is derecognised and the new loan is recognised at fair value. The rights to cash flows are generally considered to have expired if the commercial restructuring is at market rates and no payment-related concession has been provided. Modifications of certain higher credit risk wholesale loans are assessed for derecognition having regard to changes in contractual terms that either individually or in combination are judged to result in a substantially different financial instrument. Mandatory and general offer loan modifications that are not borrower specific, for example market-wide customer relief programmes generally do not result in derecognition, but their stage allocation is determined considering all available and supportable information under our ECL impairment policy.

Purchased or originated credit impaired (POCI)

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. This population includes new financial instruments recognised in most cases following the derecognition of forbore loans. The amount of change in lifetime ECL for a POCI loan is recognised in profit or loss until the POCI loan is derecognised, even if the lifetime ECL are less than the amount of ECL included in the estimated cash flows on initial recognition.

Movement between stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. In the case of non-performing forbore loans such financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment and meet the curing criteria as described above.

Measurement of ECL

The assessment of credit risk and the estimation of ECL are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money and considers other factors such as climate-related risks.

In general, HSBC calculates ECL using three main components, a probability of default ('PD'), a loss given default ('LGD') and the exposure at default ('EAD').

The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

Notes on the financial statements

HSBC makes use of the IRB framework where possible, with recalibration to meet the differing IFRS 9 requirements as set out in the following table:

Model	Regulatory capital	IFRS 9
PD	- Represents long-run average PD throughout a full economic cycle (for mortgage portfolios a hybrid approach, which sits between the extremes of point in time and through the cycle, is used for calculating long-run averages as required by the PRA). - Default backstop of 90+ days past due for all portfolios (includes unlikely to pay ('UTP') criteria in line with internal policy). - May be subject to a sovereign cap.	- Represents current portfolio quality and performance, adjusted for the impact of multiple forward-looking macroeconomic scenarios. - Default backstop of 90+ days past due for all portfolios (includes UTP criteria in line with internal policy).
EAD	Cannot be lower than current balance.	- Amortisation captured for term products. - Future drawdown captured for revolving products.
LGD	- Downturn LGD (consistent with losses we would expect to suffer during a severe but plausible economic downturn). - Regulatory floors may apply to mitigate risk of underestimating downturn LGD due to lack of historical data. - Discounted using appropriate index (minimum 9%). - All collection costs included.	- LGD based on recent portfolio performance data and includes the expected impact of future economic conditions such as change in the value of collateral. - No floors applied, discounted using the original effective interest rate. - Only costs associated with selling collateral and certain third-party costs are included.
Other		Discounted back from point of default to balance sheet date.

While 12-month PDs are recalibrated from IRB models where possible, the lifetime PDs are determined by projecting the 12-month PD using a term structure. For the Wholesale methodology, the lifetime PD also takes into account credit migration, i.e. a customer migrating through the CRR bands over its life.

The ECL for Wholesale stage 3 is determined primarily on an individual basis using a discounted cash flow ('DCF') methodology. The expected future cash flows are based on estimates as of the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest.

Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral.

The cash flows are discounted at the original effective interest rate. For significant cases, cash flows under up to four different scenarios are probability-weighted by reference to the status of the borrower, economic scenarios applied more generally by HSBC and judgement in relation to the likelihood of the workout strategy succeeding or receivership being required. For less significant cases where an individual assessment is undertaken, the effect of different economic scenarios and work-out strategies results in an ECL calculation based on a most likely outcome which is adjusted to capture losses resulting from less likely but possible outcomes. For certain less significant cases, the bank may use an LGD-based modelled approach to ECL assessment, which factors in a range of economic scenarios.

Period over which ECL is measured

Expected credit loss is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which HSBC is exposed to credit risk. However, where the financial instrument includes both a drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit HSBC's exposure to credit risk to the contractual notice period, the contractual period does not determine the maximum period considered. Instead, ECL is measured over the period HSBC remains exposed to credit risk that is not mitigated by credit risk management actions. This applies to retail overdrafts and credit cards, where the period is the average time taken to realise the material losses for an account, determined on a portfolio basis. In addition, for these facilities it is not possible to identify the ECL on the loan commitment component separately from the financial asset component. As a result, the total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision. For wholesale overdraft facilities, credit risk management actions are taken no less frequently than on an annual basis.

Forward-looking economic inputs

HSBC applies multiple forward-looking global economic scenarios determined with reference to external forecast distributions representative of its view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected credit losses in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate. The detailed methodology is disclosed in 'Measurement uncertainty and sensitivity analysis of ECL estimates' on page 32.

Critical estimates and judgements

The calculation of the group's ECL under IFRS 9 requires the group to make a number of judgements, assumptions and estimates. The most significant are set out below:

Judgements	Estimates
- Defining what is considered to be a significant increase in credit risk. - Selecting and calibrating the PD, LGD and EAD models, which support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditions. - Selecting model inputs and economic forecasts, including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected credit loss. - Making management judgemental adjustments to account for late breaking events, model and data limitations and deficiencies, and expert credit judgements. - Selecting applicable recovery strategies for certain wholesale credit-impaired loans.	The section 'Measurement uncertainty and sensitivity analysis of ECL estimates', marked as audited from page 32 sets out the assumptions used in determining ECL, and provides an indication of the sensitivity of the result to the application of different weightings being applied to different economic assumptions.

Notes on the financial statements

(j) Insurance contracts

A contract is classified as an insurance contract where the group accepts significant insurance risk from another party by agreeing to compensate that party if it is adversely affected by a specified uncertain future event. An insurance contract may also transfer financial risk, but is accounted for as an insurance contract if the insurance risk is significant. In addition, the group issues investment contracts with discretionary participation features ('DPF') which are also accounted under IFRS 17 'Insurance Contracts'.

Aggregation of insurance contracts

Individual insurance contracts that are managed together and subject to similar risks are identified as a portfolio. Contracts that are managed together usually belong to the same product group, and have similar characteristics such as being subject to a similar pricing framework or similar product management, and are issued by the same legal entity. If a contract is exposed to more than one risk, the dominant risk of the contract is used to assess whether the contract features similar risks. Each portfolio is further separated by the contract's expected profitability. The portfolios are split by their profitability into: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and (iii) the remaining contracts. These profitability groups are then divided by issue date, with most contracts the group issues after the transition date being grouped into calendar quarter cohorts. For multi-currency groups of contracts, the group considers its groups of contracts as being denominated in a single currency.

The measurement of the insurance contract liability is based on groups of insurance contracts as established at initial recognition, and will include fulfilment cash flows as well as the contractual service margin ('CSM') representing the unearned profit. The group's accounting policy is to update the estimates used in the measurement on a year-to-date basis.

Fulfilment cash flows

The fulfilment cash flows comprise the following:

Best estimates of future cash flows

The cash flows within the contract boundary of each contract in the group include amounts expected to be collected from premiums and payouts for claims, benefits and expenses, and are projected using a range of scenarios and assumptions in an unbiased way based on the group's demographic and operating experience along with external mortality data where the group's own experience data is not sufficiently large in size to be credible.

Adjustment for the time value of money and financial risks associated with the future cash flows

The estimates of future cash flows are adjusted to reflect the time value of money (i.e. discounting) and the financial risks to derive an expected present value. The group generally makes use of stochastic modelling techniques in the estimation for products with options and guarantees.

A bottom-up approach is used to determine the discount rate to be applied to a given set of expected future cash flows. This is derived as the sum of the risk-free yield and an illiquidity premium. The risk-free yield is determined based on observable market data, where such markets are considered to be deep, liquid and transparent. When information is not available, management judgement is applied to determine the appropriate risk-free yield. Illiquidity premiums reflect the liquidity characteristics of the associated insurance contracts.

Risk adjustment for non-financial risk

The risk adjustment reflects the compensation required for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk.

The group does not disaggregate changes in the risk adjustment between insurance service result (comprising insurance revenue and insurance service expense) and insurance finance income or expenses. All changes are included in the insurance service result.

Measurement models

The variable fee approach ('VFA') measurement model is used for most of the contracts issued by the group, which is mandatory upon meeting the following eligibility criteria at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the group expects to pay to the policyholder a substantial share of the fair value returns on the underlying items. The group considers that a substantial share is a majority of returns; and
- the group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items. The group considers that a substantial proportion is a majority proportion of change on a present value probability-weighted average of all scenarios.

For some contracts measured under VFA, the OCI option is used. The OCI option is applied where the underlying items held by the group are not accounted for at fair value through profit or loss. 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 for these insurance contracts, and hence results in the elimination of accounting mismatches. The remaining amount of finance income or expenses for these insurance contracts issued for the period is recognised in OCI. In addition, the risk mitigation option is used for a number of economic offsets against the instruments that meet specific requirements.

The remaining contracts issued and the reinsurance contracts held are accounted for under the general measurement model ('GMM').

CSM and coverage units

The CSM represents the unearned profit and results in no income or expense at initial recognition when the group of contracts is profitable. The CSM is adjusted at each subsequent reporting period for changes in fulfilment cash flows relating to future service (for example changes in non-economic assumptions, including mortality and morbidity rates). For initial recognition of onerous groups of contracts and when groups of contracts become onerous subsequently, losses are recognised in insurance service expense immediately.

For groups of contracts measured using the VFA, changes in the group's share of the underlying items, and economic experience and economic assumption changes adjust the CSM. However, under the risk mitigation option for VFA contracts, the changes in the fulfilment cash flows and the changes in the group's share in the fair value return on underlying items that the instruments mitigate are not adjusted in CSM but recognised in profit or loss. The risk mitigating instruments are primarily reinsurance contracts held.

For groups of contracts measured using the GMM, changes in economic experience and economic assumption do not adjust the CSM, but are recognised in profit or loss as they arise.

Notes on the financial statements

The CSM is systematically recognised in insurance revenue to reflect the insurance contract services provided, based on the coverage units of the group of contracts. Coverage units are determined by the quantity of benefits and the expected coverage period of the contracts.

The group identifies the quantity of the benefits provided as follows:

- Insurance coverage: This is based on the expected net policyholder insurance benefit at each period after allowance for decrements, where net policyholder insurance benefit refers to the amount of sum assured less the fund value or surrender value.
- Investment services (including both investment-return service and investment-related service): This is based on a constant measure basis which reflects the provision of access for the policyholder to the facility.

For contracts that provide both insurance coverage and investment services, coverage units are weighted according to the expected present value of the future cash outflows for each service.

(k) Employee compensation and benefits

Share-based payments

The group enters into both equity-settled and cash-settled share-based payment arrangements with its employees as compensation for the provision of their services.

The vesting period for these schemes may commence before the legal grant date if the employees have started to render services in respect of the award before the legal grant date, where there is a shared understanding of the terms and conditions of the arrangement. Expenses are recognised when the employee starts to render service to which the award relates.

Cancellations result from the failure to meet a non-vesting condition during the vesting period, and are treated as an acceleration of vesting recognised immediately in the income statement. Failure to meet a vesting condition by the employee is not treated as a cancellation, and the amount of expense recognised for the award is adjusted to reflect the number of awards expected to vest.

Post-employment benefit plans

The group operates a number of pension schemes including defined benefit, defined contribution and other post-employment benefit schemes.

Payments to defined contribution schemes are charged as an expense as the employees render service.

Defined benefit pension obligations are calculated using the projected unit credit method. The net charge to the income statement mainly comprises the service cost and the net interest on the net defined benefit asset or liability, and is presented in operating expenses.

Remeasurements of the net defined benefit asset or liability, which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The net defined benefit asset or liability represents the present value of defined benefit obligations reduced by the fair value of plan assets, after applying the asset ceiling test, where the net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan.

The costs of obligations arising from other post-employment plans are accounted for on the same basis as defined benefit pension plans.

(l) Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement as the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and on any adjustment to tax payable in respect of previous years. The group provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet, and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled.

In assessing the probability and sufficiency of future taxable profit, we consider the availability of evidence to support the recognition of deferred tax assets, taking into account the inherent risks in long-term forecasting, including climate change-related, and drivers of recent history of tax losses where applicable. We also consider the future reversal of existing taxable temporary differences and tax planning strategies, including corporate reorganisations. The group has applied the exception available under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Current and deferred tax are calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

Critical estimates and judgements

The recognition of deferred tax assets depends on judgements and estimates.

Judgements	Estimates
– Specific judgements supporting deferred tax assets are described in Note 7.	The recognition of deferred tax assets is sensitive to estimates of future cash flows projected for periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of cash flows thereafter, on which forecasts of future taxable profit are based, and which affect the expected recovery periods and the pattern of utilisation of tax losses and tax credits.

The group does not consider there to be a significant risk of a material adjustment to the carrying amount of deferred tax assets in the next financial year but does consider this to be an area that is inherently judgemental.

Notes on the financial statements

(m) Provisions, contingent liabilities and guarantees

Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

Critical estimates and judgements

The recognition and measurement of provisions requires the group to make a number of judgements, assumptions and estimates. The most significant are set out below:

Judgements	Estimates
- Determining whether a present obligation exists. Professional advice is taken on the assessment of litigation and similar obligations. - Provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised, revising previous estimates as appropriate. At more advanced stages, it is typically easier to make estimates around a better defined set of possible outcomes.	- Provisions for legal proceedings and regulatory matters remain very sensitive to the assumptions used in the estimate. There could be a wider range of possible outcomes for any pending legal proceedings, investigations or inquiries. As a result, it is often not practicable to quantify a range of possible outcomes for individual matters. It is also not practicable to meaningfully quantify ranges of potential outcomes in aggregate for these types of provisions, because of the diverse nature and circumstances of such matters and the wide range of uncertainties involved.

Contingent liabilities, contractual commitments and guarantees

Contingent liabilities

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

Financial guarantee contracts

Liabilities under financial guarantee contracts that are not classified as insurance contracts are recorded initially at their fair value, which is generally the fee received or present value of the fee receivable. Subsequently, they are measured at the higher of the amount determined in accordance with IFRS 9 for ECL and the amount initially recognised less, where appropriate, any cumulative income recognised in accordance with IFRS 15.

(n) Impairment of non-financial assets

Software under development is tested for impairment at least annually. Other non-financial assets are property, plant and equipment, intangible assets (excluding goodwill) and right-of-use assets. They are tested for impairment at the individual asset level when there is indication of impairment at that level, or at the Cash-generating Unit ('CGU') level for assets that do not have a recoverable amount at the individual asset level. In addition, impairment is also tested at the CGU level when there is indication of impairment at that level.

Impairment testing compares the carrying amount of the non-financial asset or CGU with its recoverable amount, which is the higher of the fair value less costs of disposal or the value in use. The carrying amount of a CGU comprises the carrying amount of its assets and liabilities, including non-financial assets that are directly attributable to it and non-financial assets that can be allocated to it on a reasonable and consistent basis. Non-financial assets that cannot be allocated to an individual CGU are tested for impairment at an appropriate grouping of CGUs. The recoverable amount of the CGU is the higher of the fair value less costs of disposal of the CGU, which is determined by independent and qualified valuers where relevant, and the value in use, which is calculated based on appropriate inputs.

When the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognised in the income statement to the extent that the impairment can be allocated on a pro-rata basis to the non-financial assets by reducing their carrying amounts to the higher of their respective individual recoverable amount or nil. Impairment is not allocated to the financial assets in a CGU.

Impairment losses recognised in prior periods for non-financial assets are reversed when there has been a change in the estimate used to determine the recoverable amount. The impairment loss is reversed to the extent that the carrying amount of the non-financial assets would not exceed the amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised in prior periods.

(o) Non-current assets and disposal groups held for sale

HSBC classifies non-current assets or disposal groups (including assets and liabilities) as held for sale when their carrying amounts will be recovered principally through sale rather than through continuing use. To be classified as held for sale, the non-current asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), and the sale must be highly probable. For a sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Held-for-sale assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell except for those assets and liabilities that are not within the scope of the measurement requirements of IFRS 5. If the carrying amount of the non-current asset (or disposal group) is greater than the fair value less costs to sell, an impairment loss for any initial or subsequent write down of the asset or disposal group to fair value less costs to sell is recognised. Any such impairment loss is first allocated against the non-current assets that are in scope of IFRS 5 for measurement. This first reduces the carrying amount of any goodwill allocated to the disposal group, and then to the other non-current assets of the disposal group pro rata on the basis of the carrying amount of each asset in the disposal group. Thereafter, any impairment loss in excess of the carrying amount of the non-current assets in scope of IFRS 5 for measurement is recognised against the total assets of the disposal group.

Notes on the financial statements

Critical judgements

Management judgement is required in determining whether the IFRS 5 held for sale criteria are met, including whether a sale is highly probable and expected to complete within one year of classification. The exercise of judgement will normally consider the likelihood of successfully securing any necessary regulatory or political approvals which are almost always required for sales of banking businesses. For large and complex plans judgement will also include an assessment of the enforceability of any binding sale agreement, the nature and magnitude of any disincentives for non-performance, and the ability of the counterparty to undertake necessary pre-completion preparatory work, comply with conditions precedent, and otherwise be able to comply with contractual undertakings to achieve completion within the expected timescale. Once classified as held for sale, judgement is required to be applied on a continuous basis to ensure that classification remains appropriate in future accounting periods.

2 Net fee income

Net fee income by product type

	2025 £m	2024 £m
Net fee income by product		
Funds under management	516	457
Broking income	358	406
Account services	342	334
Credit facilities	309	301
Underwriting	283	291
Global custody	211	171
Remittances	139	113
Securities others – (including stock lending)	98	95
Corporate Finance	78	80
Loans granted other than prepayment fees	68	68
Other	519	442
Fee income	2,921	2,758
Less: fee expense	(1,694)	(1,483)
Net fee income	1,227	1,275

Net fee income by business segments

	CIB £m	IWPB £m	Corporate Centre £m	Total £m
Year ended 31 Dec 2025				
Fee income/(expense)	2,944	594	(617)	2,921
Less: fee (expense)/income	(2,156)	(153)	615	(1,694)
Net fee income/(expense)	788	441	(2)	1,227
Year ended 31 Dec 2024				
Fee income/(expense)	2,823	568	(633)	2,758
Less: fee (expense)/income	(1,972)	(143)	632	(1,483)
Net fee income/(expense)	851	425	(1)	1,275

Net fee income includes £822m of fees earned on financial assets that are not at fair value through profit or loss (other than amounts included in determining the effective interest rate) (2024: £801m), £271m of fees payable on financial liabilities that are not at fair value through profit or loss (other than amounts included in determining the effective interest rate) (2024: £249m), £771m of fees earned on trust and other fiduciary activities (2024: £675m), and £97m of fees payable relating to trust and other fiduciary activities (2024: £94m).

3 Net income from financial instruments measured at fair value through profit or loss

	2025 £m	2024 £m
Net income/(expense) arising on:		
Net trading activities	6,854	5,107
Other instruments managed on a fair value basis	(1,916)	(381)
Net income from financial instruments held for trading or managed on a fair value basis	4,938	4,726
Financial assets held to meet liabilities under insurance and investment contracts	1,127	956
Liabilities to customers under investment contracts	(110)	(99)
Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	1,017	857

Notes on the financial statements

4 Insurance business

The table below represents an analysis of the total insurance revenue and expenses recognised in the period:

Insurance service result

	Year ended 31 Dec 2025			Year ended 31 Dec 2024		
	Life direct participating and investment DPF contracts ¹	Life other contracts ²	Total	Life direct participating and investment DPF contracts ¹	Life other contracts ²	Total
	£m	£m	£m	£m	£m	£m
Insurance revenue						
Amounts relating to changes in liabilities for remaining coverage	207	162	369	215	171	386
– Contractual service margin recognised for services provided	64	35	99	70	38	108
– Change in risk adjustment for non-financial risk for risk expired	8	5	13	9	6	15
– Expected incurred claims and other insurance service expenses	135	122	257	136	127	263
– Other	—	—	—	—	—	—
Recovery of insurance acquisition cash flows	4	12	16	3	9	12
Total insurance revenue	211	174	385	218	180	398
Insurance service expenses						
Incurred claims and other insurance service expenses	(68)	(119)	(187)	(91)	(131)	(222)
Losses and reversal of losses on onerous contracts	1	(10)	(9)	4	(5)	(1)
Amortisation of insurance acquisition cash flows	(4)	(12)	(16)	(3)	(9)	(12)
Adjustments to liabilities for incurred claims	—	(9)	(9)	—	8	8
Total insurance service expenses	(71)	(150)	(221)	(90)	(137)	(227)
Total insurance service result³	140	24	164	128	43	171

1 'Life direct participating and investment DPF contracts' are substantially measured under the variable fee approach measurement model.

2 'Life other contracts' are measured under the general measurement model.

3 'Total insurance service result' includes £139m (2024: nil) earned by HSBC Life (UK) Limited and HSBC Assurances Vie (France) while they were classified as held for sale. Further details are provided on page 162.

Net investment return

	Year ended 31 Dec 2025			Year ended 31 Dec 2024		
	Life direct participating and investment DPF contracts	Life other contracts	Total	Life direct participating and investment DPF contracts	Life other contracts	Total
	£m	£m	£m	£m	£m	£m
Investment return						
Amounts recognised in profit or loss ¹	1,128	5	1,133	969	2	971
Amounts recognised in OCI	(10)	—	(10)	147	—	147
Total investment return (memorandum)	1,118	5	1,123	1,116	2	1,118
Net finance expense						
Changes in fair value of underlying items of direct participating contracts	(1,092)	—	(1,092)	(1,122)	—	(1,122)
Effect of risk mitigation option	6	—	6	(11)	—	(11)
Interest accreted	—	—	—	—	1	1
Effect of changes in interest rates and other financial assumptions	—	3	3	—	—	—
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	—	3	3	—	2	2
Total net finance expense from insurance contracts²	(1,086)	6	(1,080)	(1,133)	3	(1,130)
Represented by:						
Amounts recognised in profit or loss	(1,096)	6	(1,090)	(987)	3	(984)
Amounts recognised in OCI	10	—	10	(146)	—	(146)
Total net investment return	32	11	43	(17)	5	(12)
Represented by:						
Amounts recognised in profit or loss	32	11	43	(18)	5	(13)
Amounts recognised in OCI	—	—	—	1	—	1

1 Total group 'Net income/(expense) from assets and liabilities of insurance business, including related derivatives, measured at fair value through profit or loss' gain of £1,017m (2024: £857m gain) includes returns on assets and liabilities supporting insurance policies of £977m (2024: \$807m gain) and on shareholder assets of £40m (2024: £50m gain). Investment returns of £1,133m (2024: £971m gain) include gains of £977m (2024: £807m gain) on underlying assets supporting insurance liabilities reported in 'Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss', £156m loss (2024: \$166m gain) reported in 'Net interest income' and nil (2024: £2m loss) reported in 'Other operating income'.

2 'Total net finance expense from insurance contracts' includes £1,033m (2024: nil) incurred by HSBC Life (UK) Limited and HSBC Assurances Vie (France) while they were classified as held for sale. Further details are provided on page 162.

Notes on the financial statements

Reconciliation of amounts included in other comprehensive income for financial assets measured at fair value through other comprehensive income – Contracts measured under the modified retrospective approach

	2025 £m	2024 £m
Balance at 1 Jan	(587)	(526)
Net change in fair value	(10)	(120)
Net amount reclassified to profit or loss	—	2
Related income tax	3	30
Disposal of subsidiary ¹	445	—
Foreign exchange and other	149	27
Balance at 31 Dec	—	(587)

¹ HSBC Assurances Vie (France) was sold on 31 October 2025. Further details are provided on page 162.

Movements in carrying amounts of insurance contracts – analysis by remaining coverage and incurred claims

	2025									
	Life direct participating and investment DPF contracts					Life other contracts				
	Liabilities for remaining coverage:				Total	Liabilities for remaining coverage:				Total
	Excluding loss component	Loss component	Incurred claims			Excluding loss component	Loss component	Incurred claims		
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Opening assets	—	—	—	—	—	(57)	9	10	(38)	(38)
Opening liabilities	3,158	4	3	3,165	139	10	110	259	3,424	3,424
Net opening balance at 1 Jan	3,158	4	3	3,165	82	19	120	221	3,386	3,386
Changes in the consolidated income statement and statement of comprehensive income¹										
Insurance revenue										
Contracts under the fair value approach	(9)	—	—	(9)	(37)	—	—	(37)	(46)	(46)
Contracts under the modified retrospective approach ²	—	—	—	—	—	—	—	—	—	—
Other contracts ³	(9)	—	—	(9)	(40)	—	—	(40)	(49)	(49)
Total insurance revenue	(18)	—	—	(18)	(77)	—	—	(77)	(95)	(95)
Insurance service expenses										
Incurred claims and other insurance service expenses	—	—	5	5	—	(1)	49	48	53	53
Amortisation of insurance acquisition cash flows	—	—	—	—	5	—	—	5	5	5
Losses and reversal of losses on onerous contracts	—	2	—	2	—	2	—	2	4	4
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	8	8	8	8
Total insurance service expenses/ (income)	—	2	5	7	5	1	57	63	70	70
Investment components	(116)	—	116	—	(3)	—	3	—	—	—
Insurance service result	(134)	2	121	(11)	(75)	1	60	(14)	(25)	(25)
Net finance expense/(income) from insurance contracts ⁴	54	—	—	54	(8)	—	1	(7)	47	47
Effect of movements in exchange rates	22	—	—	22	3	—	—	3	25	25
Total changes in the consolidated income statement and statement of comprehensive income	(58)	2	121	65	(80)	1	61	(18)	47	47
Cash flows										
Premiums received	371	—	—	371	84	—	—	84	455	455
Claims and other insurance service expenses paid	3	—	(122)	(119)	—	—	(60)	(60)	(179)	(179)
Insurance acquisition cash flows	(3)	—	—	(3)	(18)	—	—	(18)	(21)	(21)
Total cash flows	371	—	(122)	249	66	—	(60)	6	255	255
Other movements ⁵	(3,051)	(6)	—	(3,057)	(26)	(20)	(120)	(166)	(3,223)	(3,223)
Net closing balance at 31 Dec	420	—	2	422	42	—	1	43	465	465
Closing assets	—	—	—	—	—	—	—	—	—	—
Closing liabilities	420	—	2	422	42	—	1	43	465	465
Net closing balance at 31 Dec	420	—	2	422	42	—	1	43	465	465

Notes on the financial statements

Movements in carrying amounts of insurance contracts – analysis by remaining coverage and incurred claims (continued)

	2024									
	Life direct participating and investment DPF contracts				Life other contracts					
	Liabilities for:			Total	Liabilities for:			Total	Total	
	Excluding loss component	Loss component	Incurred claims		Excluding loss component	Loss component	Incurred claims			
	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Opening assets	—	—	—	—	(54)	4	9	(41)	(41)	
Opening liabilities	20,274	13	2	20,289	152	12	142	306	20,595	
Net opening balance at 1 Jan	20,274	13	2	20,289	98	16	151	265	20,554	
Changes in the consolidated income statement and statement of comprehensive income ¹										
Insurance revenue										
Contracts under the fair value approach	(30)	—	—	(30)	(71)	—	—	(71)	(101)	
Contracts under the modified retrospective approach ²	(110)	—	—	(110)	(14)	—	—	(14)	(124)	
Other contracts ³	(78)	—	—	(78)	(95)	—	—	(95)	(173)	
Total insurance revenue	(218)	—	—	(218)	(180)	—	—	(180)	(398)	
Insurance service expenses										
Incurred claims and other insurance service expenses	—	—	91	91	—	(1)	132	131	222	
Amortisation of insurance acquisition cash flows	3	—	—	3	9	—	—	9	12	
Losses and reversal of losses on onerous contracts	—	(4)	—	(4)	—	5	—	5	1	
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	(8)	(8)	(8)	
Total insurance service expenses	3	(4)	91	90	9	4	124	137	227	
Investment components	(1,817)	—	1,817	—	(4)	—	4	—	—	
Insurance service result	(2,032)	(4)	1,908	(128)	(175)	4	128	(43)	(171)	
Net finance expense from insurance contracts ⁴	1,133	—	—	1,133	(3)	—	—	(3)	1,130	
Effect of movements in exchange rates	(766)	—	—	(766)	(3)	—	(3)	(6)	(772)	
Total changes in the consolidated income statement and statement of comprehensive income	(1,665)	(4)	1,908	239	(181)	4	125	(52)	187	
Cash flows										
Premiums received	2,053	—	—	2,053	196	—	—	196	2,249	
Claims and other insurance service expenses paid	(22)	—	(1,907)	(1,929)	—	—	(131)	(131)	(2,060)	
Insurance acquisition cash flows	(19)	—	—	(19)	(25)	—	—	(25)	(44)	
Total cash flows	2,012	—	(1,907)	105	171	—	(131)	40	145	
Other movements ⁵	(17,463)	(5)	—	(17,468)	(6)	(1)	(25)	(32)	(17,500)	
Net closing balance at 31 Dec	3,158	4	3	3,165	82	19	120	221	3,386	
Closing assets	—	—	—	—	(57)	9	10	(38)	(38)	
Closing liabilities	3,158	4	3	3,165	139	10	110	259	3,424	
Net closing balance at 31 Dec	3,158	4	3	3,165	82	19	120	221	3,386	

1 'Changes in the consolidated income statement and statement of comprehensive income' excludes 'insurance service result' gains of £139m (2024: nil) and 'net insurance finance expense' losses of £1,033m (2024: nil) reported in the consolidated income statement and statement of comprehensive income in respect of businesses classified as held for sale.

2 On transition to IFRS 17 the bank applied the full retrospective approach to new business written from 2019 at the earliest. Where applying the full retrospective approach was impracticable, the Bank primarily applied the modified retrospective approach.

3 'Other contracts' are those contracts measured by applying IFRS 17 from inception of the contracts. This includes contracts measured under the full retrospective approach at transition and contracts inception after transition.

4 'Net finance expense from insurance contracts' of £47m (2024: £1,130m expense) comprises expense of £47m (2024: £984m expense) recognised in the income statement and expense of nil (2024: £146m expense) recognised in other comprehensive income.

5 The 'Other movements' reduction of £3,223m (2024: £17,500m reduction) in insurance contracts includes £3,216m in respect of HSBC Life (UK) Limited, classified as held for sale at 3 July 2025 (2024: £17,387m in respect of HSBC Assurances Vie (France), classified as held for sale at 31 December 2024). Further details are provided on page 162.

Notes on the financial statements

Movements in carrying amounts of insurance contracts – analysis by measurement component

2025

	Life direct participating and investment discretionary participating contracts					Life other contracts						
	Contractual service margin					Contractual service margin						
	Estimates of present value of future cash flows and risk adjustment	Contracts under the fair value approach	Contracts under the modified retrospective approach ¹	Other contracts ²	Total	Estimates of present value of future cash flows and risk adjustment	Contracts under the fair value approach	Contracts under the modified retrospective approach ¹	Other contracts ²	Total	Total	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Opening assets	—	—	—	—	—	(60)	4	—	18	(38)	(38)	
Opening liabilities	3,113	9	—	43	3,165	156	87	—	16	259	3,424	
Net opening balance at 1 Jan	3,113	9	—	43	3,165	96	91	—	34	221	3,386	
Changes in the consolidated income statement and statement of comprehensive income ³												
Changes that relate to current services												
Contractual service margin recognised for services provided	—	(2)	—	(2)	(4)	—	(10)	—	(6)	(16)	(20)	
Change in risk adjustment for non-financial risk expired	(1)	—	—	—	(1)	(2)	—	—	—	(2)	(3)	
Experience adjustments	(8)	—	—	—	(8)	(6)	—	—	—	(6)	(14)	
Changes that relate to future services												
Contracts initially recognised in the year	(8)	—	—	8	—	(11)	—	—	12	1	1	
Changes in estimates that adjust contractual service margin	(8)	6	—	2	—	(2)	2	—	—	—	—	
Changes in estimates that result in losses and reversal of losses on onerous contracts	2	—	—	—	2	1	—	—	—	1	3	
Changes that relate to past services												
Adjustments to liabilities for incurred claims	—	—	—	—	—	8	—	—	—	8	8	
Insurance service result	(23)	4	—	8	(11)	(12)	(8)	—	6	(14)	(25)	
Net finance expense/(income) from insurance contracts ⁴	54	—	—	—	54	(9)	1	—	1	(7)	47	
Effect of movements in exchange rates	22	—	—	—	22	—	2	—	1	3	25	
Total changes in the consolidated income statement and statement of comprehensive income	53	4	—	8	65	(21)	(5)	—	8	(18)	47	
Cash flows												
Premiums received	371	—	—	—	371	84	—	—	—	84	455	
Claims, other insurance service expenses paid and other cash flows	(119)	—	—	—	(119)	(60)	—	—	—	(60)	(179)	
Insurance acquisition cash flows	(3)	—	—	—	(3)	(18)	—	—	—	(18)	(21)	
Total cash flows	249	—	—	—	249	6	—	—	—	6	255	
Other movements ⁵	(3,009)	(3)	—	(45)	(3,057)	(86)	(49)	—	(31)	(166)	(3,223)	
Net closing balance at 31 Dec	406	10	—	6	422	(5)	37	—	11	43	465	
Closing assets	—	—	—	—	—	(2)	—	—	2	—	—	
Closing liabilities	406	10	—	6	422	(3)	37	—	9	43	465	
Net closing balance at 31 Dec	406	10	—	6	422	(5)	37	—	11	43	465	

Notes on the financial statements

Movements in carrying amounts of insurance contracts – analysis by measurement component (continued)

2024

	Life direct participating and investment discretionary participating contracts					Life other contracts						
	Contractual service margin					Contractual service margin						
	Estimates of present value of future cash flows and risk adjustment	Contracts under the fair value approach	Contracts under the modified retrospective approach ¹	Other contracts ²	Total	Estimates of present value of future cash flows and risk adjustment	Contracts under the fair value approach	Contracts under the modified retrospective approach ¹	Other contracts ²	Total	Total	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Opening assets	—	—	—	—	—	(63)	4	—	18	(41)	(41)	
Opening liabilities	19,517	10	561	201	20,289	153	106	15	32	306	20,595	
Net opening balance at 1 Jan	19,517	10	561	201	20,289	90	110	15	50	265	20,554	
Changes in the consolidated income statement and statement of comprehensive income ³												
Changes that relate to current services												
Contractual service margin recognised for services provided	—	(7)	(47)	(16)	(70)	—	(17)	(4)	(17)	(38)	(108)	
Change in risk adjustment for non-financial risk expired	(9)	—	—	—	(9)	(6)	—	—	—	(6)	(15)	
Experience adjustments	(45)	—	—	—	(45)	4	—	—	—	4	(41)	
Changes that relate to future services												
Contracts initially recognised in the year	(44)	—	—	45	1	(23)	—	—	24	1	2	
Changes in estimates that adjust contractual service margin	12	10	(3)	(19)	—	4	1	6	(11)	—	—	
Changes in estimates that result in losses and reversal of losses on onerous contracts	(5)	—	—	—	(5)	4	—	—	—	4	(1)	
Changes that relate to past services												
Adjustments to liabilities for incurred claims	—	—	—	—	—	(8)	—	—	—	(8)	(8)	
Insurance service result	(91)	3	(50)	10	(128)	(25)	(16)	2	(4)	(43)	(171)	
Net finance expense from insurance contracts ⁴	1,133	—	—	—	1,133	(6)	2	—	1	(3)	1,130	
Effect of movements in exchange rates	(736)	—	(23)	(7)	(766)	1	(5)	(1)	(1)	(6)	(772)	
Total changes in the consolidated income statement and statement of comprehensive income	306	3	(73)	3	239	(30)	(19)	1	(4)	(52)	187	
Cash flows												
Premiums received	2,053	—	—	—	2,053	196	—	—	—	196	2,249	
Claims, other insurance service expenses paid and other cash flows	(1,929)	—	—	—	(1,929)	(131)	—	—	—	(131)	(2,060)	
Insurance acquisition cash flows	(19)	—	—	—	(19)	(25)	—	—	—	(25)	(44)	
Total cash flows	105	—	—	—	105	40	—	—	—	40	145	
Other movements ⁵	(16,815)	(4)	(488)	(161)	(17,468)	(4)	—	(16)	(12)	(32)	(17,500)	
Net closing balance at 31 Dec	3,113	9	—	43	3,165	96	91	—	34	221	3,386	
Closing assets	—	—	—	—	—	(60)	4	—	18	(38)	(38)	
Closing liabilities	3,113	9	—	43	3,165	156	87	—	16	259	3,424	
Net closing balance at 31 Dec	3,113	9	—	43	3,165	96	91	—	34	221	3,386	

1. On transition to IFRS 17 the Bank applied the full retrospective approach to new business written from 2019 at the earliest. Where applying the full retrospective approach was impracticable, the Bank primarily applied the modified retrospective approach.

2. 'Other contracts' are those contracts measured by applying IFRS 17 from inception of the contracts. These include contracts measured under the full retrospective approach at transition and contracts inception after transition.

3. 'Changes in the consolidated income statement and statement of comprehensive income' excludes 'insurance service result' gains of £139m (2024: nil) and 'net insurance finance expense' losses of £1,033m (2024: nil) reported in the consolidated income statement and statement of comprehensive income in respect of businesses classified as held for sale.

4. 'Net finance (income)/expense from insurance contracts' expense of £47m (2024: £1,130m expense) comprises expense of £47m (2024: £984m expense) recognised in the income statement and expense of nil (2024: £146m expense) recognised in other comprehensive income.

5. The 'Other movements' reduction of £3,223m (2024: £17,500m reduction) in insurance contracts includes £3,216m in respect of HSBC Life (UK) Limited, classified as held for sale at 3 July 2025 (2024: £17,387m in respect of HSBC Assurances Vie (France), classified as held for sale at 31 December 2024). Further details are provided on page 162.

Notes on the financial statements

Effect of contracts initially recognised in the year

	Year ended 31 Dec 2025			Year ended 31 Dec 2024		
	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
	£m	£m	£m	£m	£m	£m
Life direct participating and investment DPF contracts						
Estimates of present value of cash outflows	318	13	331	1,543	27	1,570
– insurance acquisition cash flows	2	—	2	13	—	13
– claims and other insurance service expenses payable	316	13	329	1,530	27	1,557
Estimates of present value of cash inflows	(327)	(13)	(340)	(1,594)	(26)	(1,620)
Risk adjustment for non-financial risk	1	—	1	6	—	6
Contractual service margin	8	—	8	45	—	45
(Losses) recognised on initial recognition	—	—	—	—	(1)	(1)
Life other contracts						
Estimates of present value of cash outflows	74	9	83	122	4	126
– insurance acquisition cash flows	13	3	16	24	—	24
– claims and other insurance service expenses payable	61	6	67	98	4	102
Estimates of present value of cash inflows	(89)	(8)	(97)	(152)	(3)	(155)
Risk adjustment for non-financial risk	3	—	3	6	—	6
Contractual service margin	12	—	12	24	—	24
(Losses) recognised on initial recognition	—	(1)	(1)	—	(1)	(1)

Present value of expected future cash flows of insurance contract liabilities and contractual service margin

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10-20 years	Over 20 years	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
2025									
Insurance liability future cash flows¹									
Life direct participating and investment DPF contracts	28	16	10	12	8	47	130	152	403
Life other contracts	(4)	(5)	(5)	(4)	(3)	(12)	—	26	(7)
Insurance liability future cash flows at 31 Dec	24	11	5	8	5	35	130	178	396
Remaining contractual service margin									
Life direct participating and investment DPF contracts	2	2	2	1	1	4	3	1	16
Life other contracts	5	5	4	4	4	13	11	2	48
Remaining contractual service margin at 31 Dec	7	7	6	5	5	17	14	3	64
2024									
Insurance liability future cash flows									
Life direct participating and investment DPF contracts	71	65	91	86	91	409	664	1,626	3,103
Life other contracts	64	—	(4)	(6)	(6)	(21)	19	87	133
Insurance liability future cash flows at 31 Dec	135	65	87	80	85	388	683	1,713	3,236
Remaining contractual service margin									
Life direct participating and investment DPF contracts	9	4	4	3	3	12	11	6	52
Life other contracts	18	15	13	12	10	31	22	4	125
Remaining contractual service margin at 31 Dec	27	19	17	15	13	43	33	10	177

1 'Insurance liability future cash flows' and 'Remaining contractual service margin' exclude insurance businesses classified as held for sale (2025: HSBC Life (UK) Limited; 2024: HSBC Assurances Vie (France)). Further details are provided on page 162.

Discount rates

The discount rates applied to expected future cash flows are determined through a bottom-up approach as set out in Note 1.2(j) 'Summary of material accounting policies – Insurance contracts' on page 108. The blended average of discount rates used within our manufacturing entities are as follows:

	HSBC Life (UK) Limited £	HSBC Life Assurance (Malta) Ltd. €
At 31 Dec 2025		
10 year discount rate (%)	4.05	2.86
20 year discount rate (%)	4.54	3.21
At 31 Dec 2024		
10 year discount rate (%)	4.07	2.27
20 year discount rate (%)	4.30	2.26

Risk adjustment for non-financial risk

The risk adjustment reflects the compensation required for bearing the uncertainty about the amount and timing of future cash flows that arise from non-financial risk. It is calculated as a 75th percentile level of stress over a one-year period. The level of the stress is determined with reference to external regulatory stresses and internal economic capital stresses.

For the main insurance manufacturing entity, the one-year 75th percentile level of stress corresponds to the 64th percentile based on an ultimate view of risk over all future years (2024: 60th percentile, for HSBC Assurances Vie (France) that was sold during 2025).

Notes on the financial statements

5 Employee compensation and benefits

	2025 £m	2024 £m
Wages and salaries	1,653	1,345
Social security costs	261	240
Other pension costs ¹	69	87
Year ended 31 Dec	1,983	1,672

1 Includes £54m (2024: £52m) in employer contributions to the defined contribution pension plans.

Average number of persons employed by the group during the year by global business^{1,2}

	2025	2024
Commercial and Institutional Banking	7,200	8,287
International Wealth and Premier Banking	2,975	3,132
Corporate Centre	35	37
Year ended 31 Dec	10,210	11,456

1 Average number of persons employed represents the number of persons with contracts of service with the group.

2 Comparative information for the prior year has been re-presented to reflect the group's revised segment structure, which became effective on 1 January 2025.

Share-based payments

'Wages and salaries' includes the effect of share-based payments arrangements, of which £81m (2024: £61m) was equity settled, as follows:

	2025 £m	2024 £m
Restricted share awards	80	61
Savings-related and other share award option plans	1	1
Year ended 31 Dec	81	62

HSBC share awards

Award	Policy
Deferred share awards (including annual incentive awards, long-term incentive ('LTI') awards delivered in shares)	An assessment of performance over the relevant period ending on 31 December is used to determine the amount of the award to be granted. - Deferred awards generally require employees to remain in employment over the vesting period and are generally not subject to performance conditions after the grant date. An exception to these are the LTI awards, which are subject to performance conditions. - Deferred share awards generally vest over a period of three, four, five or seven years. - Vested shares may be subject to a retention requirement post-vesting. - Awards are subject to malus and clawback provisions.
International Employee Share Purchase Plan ('ShareMatch')	The plan was first introduced in Hong Kong in 2013 and now includes employees based in 30 jurisdictions. - Shares are purchased in the market each quarter up to a maximum value of £750, or the equivalent in local currency. - Matching awards are added at a ratio of one free share for every three purchased. - Matching awards vest subject to continued employment and the retention of the purchased shares for a maximum period of two years and nine months.

Movement on HSBC share awards

	2025 Number (000s)	2024 Number (000s)
Restricted share awards outstanding at 1 Jan	18,414	19,205
Additions during the year ¹	6,108	11,114
Released in the year ¹	(9,494)	(11,646)
Forfeited in the year	(637)	(259)
Restricted share awards outstanding at 31 Dec	14,391	18,414
Weighted average fair value of awards granted (£)	8.24	4.92

1 Includes a number of share option plans transferred from or to other subsidiaries of HSBC Holdings plc.

HSBC share option plans

Main plans	Policy
Savings-related share option plans ('Sharesave')	- From 2014, eligible employees for the UK plan can save up to £500 per month with the option to use the savings to acquire shares. - These are generally exercisable within six months following either the third or fifth anniversary of the commencement of a three years or five years contract, respectively. - The exercise price is set at a 20% (2024: 20%) discount to the market value immediately preceding the date of invitation.

Notes on the financial statements

Calculation of fair values

The fair values of share options are calculated using a Black-Scholes model. The fair value of a share award is based on the share price at the date of the grant.

Movement on HSBC share option plans

	Savings-related share option plans	
	Number (000s)	WAP ¹ £
Outstanding at 1 Jan 2025	3,640	3.97
Granted during the year ²	436	8.30
Exercised during the year	(1,082)	3.09
Expired during the year	(21)	3.81
Forfeited during the year	(292)	4.66
Outstanding at 31 Dec 2025	2,681	4.95
Weighted average remaining contractual life (years)	1.93	
Outstanding at 1 Jan 2024	4,339	3.51
Granted during the year ²	525	5.82
Exercised during the year	(987)	2.92
Expired during the year	(19)	3.78
Forfeited during the year	(218)	4.08
Outstanding at 31 Dec 2024	3,640	3.97
Weighted average remaining contractual life (years)	2.13	

1 Weighted average exercise price.

2 Includes a number of share option plans transferred from or to other subsidiaries of HSBC Holdings plc.

Post-employment benefit plans

We operate a number of pension plans throughout Europe for our employees. Some are defined benefit plans, of which HSBC Switzerland Pension Plan is the most prominent within the group.

The group's balance sheet includes the net surplus or deficit, being the difference between the fair value of plan assets and the discounted value of scheme liabilities at the balance sheet date for each plan. Surpluses are only recognised to the extent that they are recoverable through reduced contributions in the future, or through potential future refunds from the schemes. In assessing whether a surplus is recoverable, the group has considered its current right to obtain a future refund or a reduction in future contributions together with the rights of third parties such as trustees.

HSBC Switzerland Pension Plan (HSBC Private Bank (Suisse) Pension Plan)

HSBC Switzerland Pension Plan is a defined benefit obligation plan under IFRS. Benefits are paid in case of death, disability or retirement. Retirement benefits are paid depending on the choice of the employee between pension payment, lump sum or combination thereof. The plan is overseen by an independent joint pension board, made of elected employees' and designated employer's representatives, which has a fiduciary responsibility of the operation of the plan. Its assets are held separately from the assets of the group.

The strategic aim of the investment is to achieve, as continuously as possible, an increase in value over time, while maintaining the security of the financial situation. For this purpose, the fund invests mainly in bonds and equities (Swiss and foreign), as well as in alternative investments and real estate funds. Overall, emphasis is placed on having a high degree of diversification.

The fund's assets come from regulatory employee and employer contributions, as well as investment returns.

The plan is reviewed at least annually or in accordance with local practice and regulations by qualified actuaries. The actuarial assumptions used to calculate the defined benefit obligations and related net periodic pension cost vary according to the economic conditions of the countries in which they are situated. The latest measurement of the obligation of the plan at 31 December 2025 was carried out by Aon Switzerland Ltd. using the projected unit credit method. The next measurement will have an effective date of 31 December 2026.

Net assets/(liabilities) recognised on the balance sheet in respect of defined benefit plans

	Fair value of plan assets	Present value of defined benefit obligations	Total
	£m	£m	£m
Defined benefit pension plans	976	(951)	25
Defined benefit healthcare plans	—	(38)	(38)
At 31 Dec 2025	976	(989)	(13)
Total employee benefit liabilities (within 'Accruals, deferred income and other liabilities')			(130)
Total employee benefit assets (within 'Prepayments, accrued income and other assets')			117
Defined benefit pension plans	910	(967)	(57)
Defined benefit healthcare plans	—	(41)	(41)
At 31 Dec 2024	910	(1,008)	(98)
Total employee benefit liabilities (within 'Accruals, deferred income and other liabilities')			(172)
Total employee benefit assets (within 'Prepayments, accrued income and other assets')			74

Notes on the financial statements

Defined benefit pension plans

Net asset/(liability) under defined benefit pension plans

	Fair value of plan assets		Present value of defined benefit obligations		Net defined benefit asset/(liability)	
	Principal plan		Principal plan		Principal plan	
	HSBC Switzerland Pension Plan ¹	Other plans	HSBC Switzerland Pension Plan ¹	Other plans	HSBC Switzerland Pension Plan ¹	Other plans
	£m	£m	£m	£m	£m	£m
At 1 Jan 2025	475	435	(530)	(437)	(55)	(2)
Service cost	—	—	(17)	8	(17)	8
– current service cost	—	—	(17)	4	(17)	4
– past service losses	—	—	—	4	—	4
Net interest income/(cost) on the net defined benefit asset/(liability)	4	16	(5)	(16)	(1)	—
Remeasurement effects recognised in other comprehensive income	14	(4)	18	28	32	24
– return on plan assets (excluding interest income)	14	(4)	—	—	14	(4)
– actuarial (losses)/gains financial assumptions	—	—	27	28	27	28
– actuarial losses demographic assumptions	—	—	—	(1)	—	(1)
– actuarial losses experience assumptions	—	—	(9)	1	(9)	1
– other changes	—	—	—	—	—	—
Exchange differences	31	19	(34)	(18)	(3)	1
Benefits paid	(31)	(6)	31	23	—	17
Other movements ²	25	(2)	(13)	11	12	9
At 31 Dec 2025	518	458	(550)	(401)	(32)	57
At 1 Jan 2024	—	459	—	(479)	—	(20)
Service cost	—	(1)	(14)	(12)	(14)	(13)
– current service cost	—	—	(14)	(12)	(14)	(12)
– past service losses	—	(1)	—	—	—	(1)
Net interest income/(cost) on the net defined benefit asset/(liability)	5	12	(6)	(15)	(1)	(3)
Remeasurement effects recognised in other comprehensive income	36	(16)	(43)	15	(7)	(1)
– return on plan assets (excluding interest income)	36	(16)	—	—	36	(16)
– actuarial (losses)/gains financial assumptions	—	—	(27)	18	(27)	18
– actuarial losses demographic assumptions	—	—	—	(2)	—	(2)
– actuarial losses experience assumptions	—	—	(16)	(1)	(16)	(1)
– other changes	—	—	—	—	—	—
Exchange differences	(11)	(17)	12	17	1	—
Benefits paid	(41)	(6)	41	24	—	18
Other movements ^{2,3}	486	4	(520)	13	(34)	17
At 31 Dec 2024	475	435	(530)	(437)	(55)	(2)

1 The HSBC Switzerland Pension Plan has been disclosed as it is considered to be a prominent plan within the group.

2 Other movements include contributions by the group, contributions by employees, administrative costs and tax paid by plan.

3 Other movements for HSBC Switzerland Pension Plan include Fair value of plan assets/defined benefit obligations acquired on 1 February 2024.

HSBC Switzerland expects to pay employer contributions as defined in the regulations. The forecasted employer contributions for 2026 are £15m. Benefits expected to be paid from the plans to leavers and inactive members (retirees, surviving spouses, disabled members, etc.) over each of the next five years, and in aggregate for the five years thereafter, are as follows:

Benefits expected to be paid from plans

	2026	2027	2028	2029	2030	2031 - 2035
	£m	£m	£m	£m	£m	£m
HSBC Switzerland Pension Plan ¹	30	30	29	29	29	148

1 The duration of the defined benefit obligation is 14.6 years for the HSBC Switzerland Pension Plan under the disclosure assumptions adopted (2024: 14.9 years).

Notes on the financial statements

Fair value of plan assets by asset classes

2025				
HSBC Switzerland Pension Plan				
	Value	Quoted market price in active market	No quoted market price in active market	Thereof HSBC
	£m	£m	£m	£m
Fair value of plan assets	518	478	40	—
– equities	149	149	—	—
– bonds fixed income	242	242	—	—
– bonds index linked	—	—	—	—
– bonds other	—	—	—	—
– property	77	77	—	—
– pooled investment vehicle	—	—	—	—
– other	50	10	40	—

2024				
HSBC Switzerland Pension Plan				
	Value	Quoted market price in active market	No quoted market price in active market	Thereof HSBC
	£m	£m	£m	£m
Fair value of plan assets	475	430	45	—
– equities	130	130	—	—
– bonds fixed income	233	233	—	—
– bonds index linked	—	—	—	—
– bonds other	—	—	—	—
– property	58	58	—	—
– pooled investment vehicle	—	—	—	—
– other	54	9	45	—

Post-employment defined benefit plans' principal actuarial financial assumptions

The group determines the discount rates to be applied to its obligations in consultation with the plans' local actuaries, on the basis of current average yields of high quality (AA-rated or equivalent) debt instruments with maturities consistent with those of the defined benefit obligations.

Key actuarial assumptions

HSBC Switzerland Pension Plan				
	Discount rate	Inflation rate	Rate of increase for pensions	Rate of pay increase
	%	%	%	%
At 31 Dec 2025	1.20	1.00	—	1.60
At 31 Dec 2024	0.85	1.00	—	1.60

Mortality tables and average life expectancy at age 60

Mortality tables and average life expectancy at age 60					
HSBC Switzerland Pension Plan					
	Mortality table	Life expectancy at age 60 for a male member currently:		Life expectancy at age 60 for a female member currently:	
		Aged 60	Aged 40	Aged 60	Aged 40
At 31 Dec 2025	LPP2020 ¹	27.0	29.2	29.0	31.0
At 31 Dec 2024	LPP2020 ¹	26.9	29.1	28.9	30.9

¹ LPP2020 are generally accepted and used mortality tables for occupational pension plans in Switzerland, taking into account future mortality improvements and lighter mortality for higher-paid pensioners.

The effect of changes in key assumptions

HSBC Switzerland Pension Plan Obligation ¹				
	Financial impact of increase		Financial impact of decrease	
	2025	2024	2025	2024
	£m	£m	£m	£m
Discount rate – increase/decrease of 0.25%	(21)	(19)	22	21
Inflation rate – increase/decrease of 0.25%	2	2	(2)	(2)
Pension payments and deferred pensions – increase/decrease of 0.25%	14	13	(13)	(12)
Pay – increase/decrease of 0.25%	2	2	(2)	(2)
Change in mortality – increase of 1 Year	16	16	—	N/A

¹ The HSBC Switzerland Pension Plan was acquired on 1 February 2024.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit asset recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the prior period.

Notes on the financial statements

Directors' emoluments

The aggregate emoluments of the Directors of the bank, computed in accordance with the Companies Act 2006 as amended by statutory instrument 2008 No.410, were:

	2025 £000	2024 £000
Fees ¹	1,746	1,425
Salaries and other emoluments ²	4,786	3,182
Annual incentives ³	2,977	1,206
Long-term incentives ⁴	3,988	1,732
Year ended 31 Dec	13,497	7,545

1 Fees paid to non-executive Directors.

2 Salaries and other emoluments include Fixed Pay Allowances.

3 Discretionary annual incentives for executive Directors are based on a combination of individual and corporate performance, and are determined by the Remuneration Committee of the bank's parent company, HSBC Holdings plc. Incentive awards made to executive directors are delivered in the form of cash and HSBC Holdings plc shares. The total amount shown is comprised of £1,488,306 (2024: £602,958) in cash and £1,488,306 (2024: £602,958) in shares, which is the upfront portion of the annual incentive granted in respect of performance year 2025.

4 The amount shown is comprised of £1,387,497 (2024: £566,033) in deferred cash, £2,600,660 (2024: £1,165,574) in deferred shares. These amounts relate to the portion of the awards that will vest following the substantial completion of the vesting condition in 2025 attached to these awards. The cost of any awards subject to service conditions under the HSBC Share Plan 2011 are recognised through an annual charge based on the fair value of the awards, apportioned over the period of service to which the award relates.

No Director exercised share options over HSBC Holdings plc ordinary shares during the year.

No Director is accruing retirement benefits under a money purchase scheme in respect of Directors' qualifying services (2024: None).

Additionally, there are payments of £431,076 during 2025 under unfunded retirement benefit agreements to former Directors (2024: £403,922). The provision at 31 December 2025 in respect of unfunded pension obligations to former Directors amounted to £3,506,353 (2024: £3,506,170).

Of these aggregate figures, the following amounts are attributable to the highest paid Director:

	2025 £000	2024 £000
Salaries and other emoluments	3,238	1,638
Annual incentives ¹	2,416	673
Long-term incentives ²	3,572	1,404
Year ended 31 Dec	9,226	3,715

1 Awards made to the highest paid Director are delivered in the form of cash and HSBC Holdings plc shares. The amount shown comprises £1,207,870 (2024: £336,560) in cash and £1,207,870 (2024: £336,560) in shares.

2 The amount shown comprises £1,267,437 (2024: £437,126) in deferred cash, £2,304,193 (2024: £967,230) in deferred shares. These amounts represent a portion of the total award that will vest following satisfaction of the vesting condition in 2025 attached to the awards.

The highest paid Director received shares in respect of qualifying services under an HSBC Holdings plc long term incentive ('LTI') award.

£15,563 pension contributions were made by the bank in respect of services by the highest paid Director during the year (2024: £0).

6 Auditors' remuneration

Fees payable for the statutory audit

	2025 £m	2024 £m
Audit fees payable to PwC ¹	15.5	15.4
Other audit fees payable	0.9	0.6
Year ended 31 Dec	16.4	16.0

Fees payable by the group to PwC

	2025 £m	2024 £m
Fees for HSBC Bank plc's statutory audit ²	6.1	6.0
Fees for other services provided to the group	17.8	17.8
- audit of the group's subsidiaries ³	9.4	9.4
- audit-related assurance services ⁴	4.5	4.4
- other assurance services ⁵	3.9	4.0
Year ended 31 Dec	23.9	23.8

1 Audit fees payable to PwC in 2025 includes prior year adjustments after finalisation of the 2024 financial statements.

2 Fees payable to PwC for the statutory audit of the consolidated financial statements of the group and the separate financial statements of HSBC Bank plc. They exclude amounts payable for the statutory audit of the bank's subsidiaries which have been included in 'Fees for other services provided to the group'.

3 Including fees payable to PwC for the statutory audit of the bank's subsidiaries.

4 Including services for assurance and other services that relate to statutory and regulatory filings, including interim reviews.

5 Including permitted services relating to attestation reports on internal controls of a service organisation primarily prepared for and used by third-party end user, including comfort letters.

In addition to the above, the estimated fees paid to PwC by third parties associated with HSBC Bank plc amount to £1.9m. In these cases, HSBC Bank plc was connected with the contracting party and may therefore have been involved in appointing PwC. These fees arose from services such as reviewing the financial position of corporate concerns that borrow from HSBC Bank plc. Fees payable for non-audit services for HSBC Bank plc are not disclosed separately because such fees are disclosed on a consolidated basis for the group.

Notes on the financial statements

7 Tax

Tax expense

	2025 £m	2024 £m
Current tax	553	497
– for this year	470	387
– adjustments in respect of prior years	83	110
Deferred tax	(91)	288
– origination and reversal of temporary differences	(93)	272
– effect of changes in tax rates	10	—
– adjustments in respect of prior years	(8)	16
Year ended 31 Dec¹	462	785

1 In addition to amounts recorded in the income statement, a tax charge of £112m (2024: charge of £61m) was recorded directly to equity.

The group's profits are taxed at different rates depending on the country in which they arise. The key applicable corporate tax rates in 2025 included the UK and France. The UK tax rate applying to HSBC Bank plc and its banking subsidiaries in 2025 was 28% (2024: 28%), comprising 25% corporation tax plus 3% surcharge on UK banking profits. The applicable tax rate in France was 26% (2024: 26%). Other overseas subsidiaries and overseas branches provided for taxation at the appropriate rates in the countries in which they operate.

The UK adopted the 'Pillar Two' global minimum tax model rules of the OECD's Inclusive Framework on Base Erosion and Profit-Shifting ('BEPS') with effect from 1 January 2024. Many jurisdictions adopted similar rules, as well as domestic minimum tax regimes, from 1 January 2025 and some jurisdictions, such as Bermuda, Jersey and Guernsey introduced new or amended corporate income tax regimes effective from that date. These changes have the effect of increasing local overseas tax liabilities in 2025 and reducing the UK top-up tax liability compared with 2024.

Tax reconciliation

The tax charged to the income statement differs from the tax expense that would apply if all profits had been taxed at the UK corporation tax rate as follows:

	2025		2024	
	£m	%	£m	%
(Loss)/profit before tax	(119)		2,068	
Tax expense				
– Taxation at UK corporation tax rate	(30)	25.0	516	25.0
– Impact of taxing overseas profits at different rates	(66)	55.5	(116)	(5.6)
– UK banking surcharge	1	(0.8)	5	0.2
Items increasing the tax charge in 2025:				
– non-deductible fines and provisions for legal settlements	221	(185.7)	12	0.6
– movements in unrecognised deferred tax	185	(155.5)	149	7.2
– adjustments in respect of prior periods	75	(63.0)	147	7.1
– impact of business disposals	61	(51.3)	60	2.9
– non-deductible bank levy expense	42	(35.3)	45	2.2
– local taxes and overseas withholding taxes	29	(24.4)	56	2.7
– other	15	(12.6)	4	0.2
– movements in provisions for uncertain tax positions	13	(10.9)	(20)	(1.0)
– impact of changes in tax rates	10	(8.4)	—	—
Items reducing the tax charge in 2025:				
– deductions for AT1 coupon payments	(64)	53.8	(64)	(3.1)
– non-taxable income and gains	(17)	14.3	(2)	(0.1)
– effect of (profits)/losses in associates and joint ventures	(13)	10.9	(7)	(0.3)
Year ended 31 Dec	462	(388.4)	785	38.0

The effective tax rate for the year was (388.4)% (2024: 38.0%). The 2025 effective tax rate of (388.4)% reflects the mix of profits and losses in different jurisdictions and is mainly increased by provisions for fines and legal settlements on which no tax benefit is recorded, movements in unrecognised deferred tax, charges in respect of prior years, in particular in the UK, non-deductible losses on business disposals and charges for withholding taxes.

Accounting for taxes involves some estimation because tax law is uncertain and its application requires a degree of judgement, which authorities may dispute. Liabilities are recognised based on best estimates of the probable outcome, taking into account external advice where appropriate. We do not expect significant liabilities to arise in excess of the amounts provided. The current tax asset includes an estimate of tax recoverable from HMRC with regards to past dividends received from EU resident companies. The ultimate resolution of this matter involves litigation for which the outcome is uncertain.

Notes on the financial statements

Movement of deferred tax assets and liabilities

	Cash flow hedges	Loan impairment provisions	Property, plant and equipment	FVOCI investments	Relief for tax losses ²	Other ¹	Total
	£m	£m	£m	£m	£m	£m	£m
Assets	97	42	148	76	442	131	936
Liabilities	—	—	—	—	—	(46)	(46)
At 1 Jan 2025	97	42	148	76	442	85	890
Income statement	—	19	(23)	28	72	(5)	91
Other comprehensive income	(82)	—	—	(62)	—	34	(110)
Foreign exchange and other adjustments	—	(3)	5	(54)	25	94	67
At 31 Dec 2025	15	58	130	(12)	539	208	938
Assets ³	15	58	130	3	539	227	972
Liabilities ³	—	—	—	(15)	—	(19)	(34)
Assets	138	59	191	329	601	204	1,522
Liabilities	—	—	—	(197)	—	(53)	(250)
At 1 Jan 2024	138	59	191	132	601	151	1,272
Income statement	—	(15)	(44)	(40)	(145)	(44)	(288)
Other comprehensive income	(39)	—	—	(23)	—	4	(58)
Foreign exchange and other adjustments	(2)	(2)	1	7	(14)	(26)	(36)
At 31 Dec 2024	97	42	148	76	442	85	890
Assets ³	97	42	148	76	442	131	936
Liabilities ³	—	—	—	—	—	(46)	(46)

1 Other deferred tax assets and liabilities relate to share-based payments, expense provisions and other temporary differences.

2 The deferred tax asset recognised in respect of tax losses relates to France (£526m) and US State tax losses of the New York branch of HSBC Bank plc (£13m), both of which are supported by future profit forecasts.

3 After netting off balances within countries, the balances as disclosed in the financial statements are as follows: deferred tax assets £943m (2024: £895m); and deferred tax liabilities £5m (2024: £5m).

Management has assessed the likely availability of future taxable profits against which to recover the deferred tax assets of the company and the group, taking into consideration the reversal of existing taxable temporary differences, past business performance and forecasts of future business performance. During 2025, £88m of additional deferred tax asset was recognised in respect of previously unrecognised French losses as management were satisfied that there was sufficient evidence of future taxable profits to support recognition of this amount. However, the significant tax loss arising in France in the year, driven by the loss on the sale of home and other loans, resulted in a net increase in the value of unrecognised tax losses in France for the year.

The group's net deferred tax asset of £938m (2024: £890m) included a net UK deferred tax asset of £144m (2024: £347m) and a net deferred tax asset of £623m (2024: £391m) in France, of which £526m (2024: £414m) related to tax losses which are expected to be substantially recovered within 10 years.

Management is satisfied that although the Group recorded a tax loss in France in the year, the aforementioned evidence is sufficient to support the French deferred tax assets which have been recognised. The UK deferred tax assets are supported by future profit forecasts for the whole of HSBC's UK tax group. This includes a number of companies which are not part of the HSBC Bank plc group, in particular HSBC UK Bank plc and its subsidiaries.

Movement of deferred tax assets and liabilities

	Retirement benefits	Property, plant and equipment	FVOCI	Cash flow hedges	Relief for tax losses ²	Other ¹	Total
	£m	£m	£m	£m	£m	£m	£m
The bank							
Assets ²	10	159	30	103	16	17	335
Liabilities ²	—	—	—	—	—	(2)	(2)
At 1 Jan 2025	10	159	30	103	16	15	333
Income statement	(1)	(27)	—	—	(3)	(13)	(44)
Other comprehensive income	(2)	—	(35)	(108)	—	28	(117)
Foreign exchange and other adjustments	—	—	—	—	—	(1)	(1)
At 31 Dec 2025	7	132	(5)	(5)	13	29	171
Assets ³	7	132	(5)	(5)	13	31	173
Liabilities ³	—	—	—	—	—	(2)	(2)
Assets	9	191	43	117	28	3	391
Liabilities	—	—	—	—	—	(1)	(1)
At 1 Jan 2024	9	191	43	117	28	2	390
Income statement	(4)	(32)	—	—	(12)	(2)	(50)
Other comprehensive income	5	—	(12)	(14)	—	14	(7)
Foreign exchange and other adjustments	—	—	(1)	—	—	1	—
At 31 Dec 2024	10	159	30	103	16	15	333
Assets ³	10	159	30	103	16	17	335
Liabilities ³	—	—	—	—	—	(2)	(2)

1 Other deferred tax assets and liabilities relate to fair value of own debt, loan impairment allowances and share-based payments.

2 The deferred tax asset recognised in respect of losses relates to US State tax losses of the New York branch of HSBC Bank plc, which are supported by future profit forecasts.

3 After netting off balances within countries, the balances as disclosed in the accounts are as follows: deferred tax assets £173m (2024: £335m) and deferred tax liabilities £2m (2024: £2m).

Notes on the financial statements

Unrecognised deferred tax

The group

The amount of temporary differences, unused tax losses and tax credits for which no deferred tax asset is recognised in the balance sheet was £3,550m (2024: £2,117m). These amounts include unused tax losses, tax credits and temporary differences of £1,725m (2024: £1,496m) arising in the New York branch of HSBC Bank plc, as well as unused tax losses of £1,058m (2024: £566m) in France, £642m (2024: nil) in Luxembourg and £117m (2024: £53m) in Switzerland for which there is insufficient evidence of future taxable profits to support recognition. The Swiss unrecognised losses expire in less than 10 years while the others either expire after 10 years or do not expire.

The bank

The amount of temporary differences, unused tax losses and tax credits for which no deferred tax asset is recognised in the balance sheet was £1,725m (2024: £1,496m). These amounts include unused tax losses, tax credits and temporary differences arising in the New York branch of HSBC Bank plc of £1,725m (2024: £1,496m). The unrecognised losses either expire after 10 years or do not expire.

Deferred tax is not recognised in respect of the group's investments in subsidiaries and branches where HSBC Bank plc is able to control the timing of remittance or other realisation and where remittance or realisation is not probable in the foreseeable future. The aggregate temporary differences relating to unrecognised deferred tax liabilities arising on investments in subsidiaries and branches is £3.7bn (2024: £4.0bn) and the corresponding unrecognised deferred tax liability was £32m (2024: £31m).

8 Dividends

Dividends to the parent company

	2025		2024	
	£ per share	£m	£ per share	£m
Dividends paid on ordinary shares				
Current year:				
– first interim dividend	0.102	81	0.124	99
– second interim dividend	0.128	102	0.126	100
– third interim dividend	0.098	78	0.142	113
– first special dividend ¹	1.784	1,422	—	—
Total	2.112	1,683	0.392	312
Dividends on preference shares classified as equity				
Dividend on HSBC Bank plc non-cumulative third dollar preference shares	0.001	—	0.001	—
Total	0.001	—	0.001	—
Total coupons on capital securities classified as equity	—	268	—	223
Dividends to parent	—	1,951	—	535

1 Special dividend declared/paid on CET1 capital in 2025.

Total coupons on capital securities classified as equity

	First call date	2025 £m	2024 £m
Undated Subordinated additional Tier 1 instruments			
Undated Subordinated Resetable Additional Tier 1 instrument issued 2015	Dec 2020	86	82
Undated Subordinated Resetable Additional Tier 1 instrument issued 2016	Jan 2022	11	11
Undated Subordinated Resetable Additional Tier 1 instrument issued 2018	Mar 2023	38	38
Undated Subordinated Resetable Additional Tier 1 instrument issued 2018	Mar 2023	16	16
Undated Subordinated Resetable Additional Tier 1 instrument issued 2019	Nov 2024	41	24
Undated Subordinated Resetable Additional Tier 1 instrument issued 2019	Nov 2024	—	7
Undated Subordinated Resetable Additional Tier 1 instrument issued 2019	Dec 2024	34	20
Undated Subordinated Resetable Additional Tier 1 instrument issued 2019	Jan 2025	8	9
Undated Subordinated Floating Rate Additional Tier 1 instrument issued 2022	Mar 2027	14	16
Undated Subordinated Resetable Additional Tier 1 loan issued 2024	Dec 2029	12	—
Undated Subordinated Resetable Additional Tier 1 loan issued 2025	Apr 2030	8	—
Total		268	223

9 Segmental analysis

The group's Operating Committee is considered 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 functions to the extent that they can be meaningfully attributed to global businesses. While such allocations have been made on a systematic and consistent basis, they necessarily involve a degree of subjectivity. Costs that are not allocated to businesses are included in Corporate Centre.

Where relevant, income and expense amounts presented include the results of inter-segment funding along with inter-company and inter-business line transactions. All such transactions are undertaken on arm's length terms. 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 global businesses 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.

Notes on the financial statements

Business segments

Following the Group's organisational announcement in October 2024, effective from 1 January 2025, the group's reporting segments under IFRS 8 'Operating Segments' comprise two businesses along with Corporate Centre. These replace our previously reported operating segments up to 31 December 2024:

- CIB is formed from the integration of our Commercial Banking business with our Global Banking and Markets business.
- IWPB comprises Premier Banking, our Private Bank, and our wealth manufacturing businesses of Asset Management and Insurance.

By operating segment:

Profit/(loss) before tax

	2025			
	CIB £m	IWPB £m	Corporate Centre £m	Total £m
Net operating income/(expense) before change in ECL and other credit impairment charges¹	6,414	1,477	(1,013)	6,878
– of which: net interest income/(expense)	3,313	880	(2,919)	1,274
Change in ECL and other credit impairment charges	(163)	(3)	12	(154)
Net operating income/(expense)	6,251	1,474	(1,001)	6,724
Total operating expenses	(4,863)	(1,025)	(1,016)	(6,904)
Operating profit/(loss)	1,388	449	(2,017)	(180)
Share of profit in associates and joint ventures	—	—	61	61
Profit/(loss) before tax	1,388	449	(1,956)	(119)
	%	%		%
Cost efficiency ratio	75.8	69.4	—	100.4

	2024 ²			
	CIB £m	IWPB £m	Corporate Centre £m	Total £m
Net operating income/(expense) before change in ECL and other credit impairment charges¹	6,165	1,501	(193)	7,473
– of which: net interest income/(expense)	3,027	956	(2,998)	985
Change in ECL and other credit impairment (charges)/income	(164)	7	(6)	(163)
Net operating income/(expense)	6,001	1,508	(199)	7,310
Total operating expenses	(4,230)	(855)	(175)	(5,260)
Operating profit/(loss)	1,771	653	(374)	2,050
Share of profit in associates and joint ventures	—	—	18	18
Profit/(loss) before tax	1,771	653	(356)	2,068
	%	%		%
Cost efficiency ratio	68.6	57.0	—	70.4

1 Net operating income before change in expected credit losses and other credit impairment charges, also referred to as revenue. It includes inter-segment revenue which is eliminated in Corporate centre, amounting to £70m (2024: £63m).

2 Comparative information for the prior year has been re-presented to reflect the group's revised segment structure, which became effective on 1 January 2025.

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:

	2025 £m	2024 £m
External net operating income/(expense) by country¹	6,878	7,473
– United Kingdom	4,042	3,618
– France	300	1,280
– Germany	947	836
– Bermuda	317	345
– Switzerland	291	267
– Other countries	981	1,127

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 £m	IWPB £m	Corporate Centre £m	Total £m
31 Dec 2025				
Loans and advances to customers	62,922	16,928	8	79,858
Customer accounts	203,131	41,593	39	244,763
31 Dec 2024¹				
Loans and advances to customers	60,788	16,293	5,585	82,666
Customer accounts	201,418	40,852	33	242,303

1 Comparative information for the prior year has been re-presented to reflect the group's revised segment structure, which became effective on 1 January 2025.

Notes on the financial statements

10 Trading assets

	The group		The bank	
	2025	2024	2025	2024
	£m	£m	£m	£m
Treasury and other eligible bills	7,594	5,379	4,701	4,360
Debt securities	38,013	29,805	20,371	17,553
Equity securities	67,396	65,092	61,359	59,884
Trading securities	113,003	100,276	86,431	81,797
Loans and advances to banks ¹	4,551	2,957	4,426	2,902
Loans and advances to customers ¹	13,805	12,809	13,700	12,542
At 31 Dec	131,359	116,042	104,557	97,241

1 Loans and advances to banks and customers include reverse repos, stock borrowing and other accounts.

11 Fair values of financial instruments carried at fair value

Control framework

Fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk taker.

Where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is used. For inactive markets, HSBC sources alternative market information, with greater weight given to information that is considered to be more relevant and reliable. Examples of the factors considered are price observability, instrument comparability, consistency of data sources, underlying data accuracy and timing of prices.

For fair values determined using valuation models, the control framework includes development or validation by independent support functions of the model logic, inputs, model outputs and adjustments. Valuation models are subject to a process of due diligence before becoming operational and are calibrated against external market data on an ongoing basis.

Changes in fair value are generally subject to a profit and loss analysis process and are disaggregated into high-level categories including portfolio changes, market movements and other fair value adjustments. Fair value adjustments take into consideration additional factors not incorporated within the primary product valuation model that would otherwise be considered by a market participant. Adjustments are calculated using model infrastructure including those within primary valuation systems.

The majority of financial instruments measured at fair value are in MSS. MSS's fair value governance structure comprises its Finance function and Valuation Committees. Finance is responsible for establishing procedures governing valuation and ensuring fair values are in compliance with accounting standards. The fair values are reviewed by the Valuation Committees, which consist of independent support functions.

Financial liabilities measured at fair value

In certain circumstances, the group records its own debt in issue at fair value, based on quoted prices in an active market for the specific instrument. When quoted market prices are unavailable, the own debt in issue is valued using valuation techniques, the inputs for which are based either on quoted prices in an inactive market for the instrument or are estimated by comparison with quoted prices in an active market for similar instruments. In both cases, the fair value includes the effect of applying the credit spread that is appropriate to the group's liabilities.

Structured notes issued and certain other hybrid instruments are included within trading liabilities and are measured at fair value. The spread applied to these instruments is derived from the spreads at which the group issues structured notes.

Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

- Level 1 – valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.
- Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Financial instruments carried at fair value and bases of valuation

	2025				2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
The group								
Recurring fair value measurements at 31 Dec								
Assets								
Trading assets	96,697	32,132	2,530	131,359	87,915	24,557	3,570	116,042
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	671	4,093	988	5,752	4,615	3,720	1,082	9,417
Derivatives	1,270	164,687	2,628	168,585	1,219	195,071	1,882	198,172
Financial investments	37,614	6,610	133	44,357	31,769	7,142	1,079	39,990
Liabilities								
Trading liabilities	26,077	15,750	50	41,877	24,713	17,296	624	42,633
Financial liabilities designated at fair value	145	37,568	4,129	41,842	1,078	33,403	2,962	37,443
Derivatives	1,405	162,671	2,590	166,666	745	193,982	2,355	197,082

Notes on the financial statements

The table below provides the fair value levelling of assets held for sale and liabilities of disposal groups that have been classified as held for sale in accordance with IFRS 5. For further details, see Note 34.

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

	2025				2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
The group								
Recurring fair value measurements at 31 Dec								
Assets								
Trading assets	—	—	—	—	—	—	—	—
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	4,717	18	—	4,735	2,365	7,189	2,053	11,607
Derivatives	—	6	—	6	—	29	—	29
Financial investments	—	—	—	—	2,113	4,261	402	6,776
Liabilities								
Trading liabilities	—	—	—	—	—	—	—	—
Financial liabilities designated at fair value	1,003	—	—	1,003	—	104	—	104
Derivatives	—	10	—	10	—	15	—	15

Financial instruments carried at fair value and bases of valuation

	2025				2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
The bank								
Recurring fair value measurements at 31 Dec								
Assets								
Trading assets	72,345	29,710	2,502	104,557	70,108	23,700	3,433	97,241
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	4	3,704	74	3,782	171	3,390	99	3,660
Derivatives	695	144,208	2,678	147,581	687	181,048	1,923	183,658
Financial investments	20,736	2,001	73	22,810	17,812	2,150	71	20,033
Liabilities								
Trading liabilities	11,340	14,548	50	25,938	11,315	17,204	624	29,143
Financial liabilities designated at fair value	—	29,511	2,808	32,319	—	26,754	1,732	28,486
Derivatives	856	148,751	2,526	152,133	155	181,235	2,355	183,745

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 31 Dec 2025							
Transfers from Level 1 to Level 2	—	938	—	—	220	—	—
Transfers from Level 2 to Level 1	—	610	—	—	118	—	—
At 31 Dec 2024							
Transfers from Level 1 to Level 2	10	320	—	—	84	—	—
Transfers from Level 2 to Level 1	30	577	—	—	54	—	—

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.

Notes on the financial statements

Fair value adjustments

Fair value adjustments take into consideration additional factors not incorporated within the primary product valuation model that would otherwise be considered by a market participant. Adjustments are calculated using model infrastructure including those within primary valuation systems. We classify fair value adjustments as either 'risk-related' or 'model-related'. The majority of these adjustments relate to MSS. Movements in the amount of fair value adjustments do not necessarily translate in equivalent movements of profits or losses within the income statement, as these movements can be compensated by other related profits or loss effects. For example, as models are enhanced, fair value adjustments may no longer be required. Similarly, fair value adjustments will decrease when the related positions are unwound, but this may not result in profit or loss.

Fair value adjustments

	2025 £m	2024 £m
Type of adjustment		
Risk-related	260	350
– bid-offer	161	153
– uncertainty	62	58
– credit valuation adjustment	36	74
– debt valuation adjustment ¹	–	(9)
– funding fair value adjustment	1	74
– other	–	–
Model-related	24	29
– model limitation	24	29
– other	–	–
Inception profit (Day 1 P&L reserves)	75	58
At 31 Dec	359	437

¹ Debit Valuation Adjustment (DVA) was fully released in 4Q25. This aligns with evolving market practice, as DVA is increasingly viewed as overlapping with the benefit recognised from Funding Fair Value Adjustment ('FFVA').

Fair value valuation bases

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

	Assets					Liabilities			
	Financial Investments	Held for trading	Designated and otherwise mandatorily measured at fair value through profit or loss	Derivatives	Total	Held for trading	Designated at fair value	Derivatives	Total
The group	£m	£m	£m	£m	£m	£m	£m	£m	£m
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
Private equity including strategic investments	108	1	1,069	–	1,178	–	1	–	1
Structured notes	–	–	–	–	–	–	2,958	–	2,958
Other derivatives	–	–	–	1,882	1,882	–	–	2,355	2,355
Bonds	887	1,032	13	–	1,932	22	–	–	22
Loans	16	967	–	–	983	2	–	–	2
Other portfolios	68	1,570	–	–	1,638	600	3	–	603
At 31 Dec 2024	1,079	3,570	1,082	1,882	7,613	624	2,962	2,355	5,941

Notes on the financial statements

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
The bank									
Private equity including strategic investments	57	—	71	—	128	—	—	—	—
Structured notes	—	—	—	—	—	—	2,808	—	2,808
Other derivatives	—	—	—	2,678	2,678	—	—	2,526	2,526
Bonds	—	1,328	—	—	1,328	31	—	—	31
Loans	16	730	3	—	749	8	—	—	8
Other portfolios	—	444	—	—	444	11	—	—	11
At 31 Dec 2025	73	2,502	74	2,678	5,327	50	2,808	2,526	5,384
Private equity including strategic investments	55	—	99	—	154	—	—	—	—
Structured notes	—	1	—	—	1	—	1,732	—	1,732
Other derivatives	—	—	—	1,923	1,923	—	—	2,352	2,352
Bonds	—	1,032	—	—	1,032	22	—	—	22
Loans	16	820	—	—	836	2	—	—	2
Other portfolios	—	1,580	—	—	1,580	600	—	3	603
At 31 Dec 2024	71	3,433	99	1,923	5,526	624	1,732	2,355	4,711

Private equity including strategic investments

The fair value of a private equity investment (including strategic investments) is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors; by reference to market valuations for similar entities quoted in an active market; the price at which similar companies have changed ownership; or from published net asset values ('NAV') received. If necessary, adjustments are made to the NAV of funds to obtain the best estimate of fair value.

Structured notes

The fair value of Level 3 structured notes is derived from the fair value of the underlying debt security, and the fair value of the embedded derivative is determined as described in the paragraph below on derivatives. These structured notes comprise principally equity-linked notes, issued by HSBC, which provide the counterparty with a return linked to the performance of equity securities and other portfolios. Examples of the unobservable parameters include long-dated equity volatilities and correlations between equity prices, and interest and foreign exchange rates.

Derivatives

OTC derivative valuation models calculate the present value of expected future cash flows, based upon 'no-arbitrage' principles. For many vanilla derivative products, the modelling approaches used are standard across the industry. For more complex derivative products, there may be some differences in market practice. Inputs to valuation models are determined from observable market data, wherever possible, including prices available from exchanges, dealers, brokers or providers of consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices through model calibration procedures or estimated from historical data or other sources.

Bonds and Loans

The fair value input for bonds and secondary market loans is price, determined utilising market standard valuation techniques such as price-based, discounted cash flows, and internal models. Where uncertainty of inputs and assumptions exist in the determination of a fair value price and are significant, the position will be considered Level 3. Examples of such inputs are credit spreads, interest rate spreads, choice of comparables, earning projections and liquidity/observability of the underlying currency.

Notes on the financial statements

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
The group	£m	£m	£m	£m	£m	£m	£m
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	(1)	(3)	(15)	2,128	(3)	645	1,648
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	–	(3)	–	2,128	(3)	645	1,648
– net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	–	–	(3)	–	–	–	–
– other income/ (losses)	(1)	–	(12)	–	–	–	–
Total losses or gains recognised in other comprehensive income ('OCI') ¹	50	(45)	(25)	8	–	67	8
Purchases	84	2,062	141	–	64	–	–
New issuances	–	–	–	–	–	3,895	–
Sales	(88)	(1,663)	(137)	–	(14)	–	–
Settlements	(24)	(913)	(58)	(1,333)	(261)	(2,191)	(1,252)
Transfers out	(968)	(960)	(7)	(654)	(383)	(1,491)	(654)
Transfers in	1	482	7	597	23	242	485
At 31 Dec 2025	133	2,530	988	2,628	50	4,129	2,590
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 31 Dec 2024	–	(11)	(5)	1,892	(14)	(769)	(1,949)
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	–	(11)	–	1,892	(14)	–	(1,949)
– net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	–	–	–	–	–	–	–
– other income/ (losses)	–	–	(5)	–	–	(769)	–
At 1 Jan 2024	907	2,050	2,882	1,823	252	3,958	2,335
Total gains/(losses) on assets and total (gains)/losses on liabilities recognised in profit or loss	–	182	13	767	226	(1,818)	654
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	–	182	–	767	226	(1,818)	654
– net expense from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	–	–	(35)	–	–	–	–
– other income/ (losses)	–	–	48	–	–	–	–
Total gains/(losses) recognised in other comprehensive income ('OCI') ¹	(25)	3	(84)	(4)	–	(64)	(1)
Purchases	1,027	2,488	447	–	723	–	–
New issuances	–	–	–	–	–	2,677	–
Sales	(72)	(1,049)	(409)	–	(234)	–	–
Settlements	(588)	(335)	(1,785)	(610)	(406)	(602)	(330)
Transfers out	(204)	(277)	(17)	(683)	(29)	(2,172)	(1,075)
Transfers in	34	508	35	589	92	983	772
At 31 Dec 2024	1,079	3,570	1,082	1,882	624	2,962	2,355
Unrealised (losses)/gains recognised in profit or loss relating to assets and liabilities held at 31 Dec 2024	–	(39)	23	(1,548)	(5)	(88)	(622)
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	–	(39)	–	(1,548)	(5)	–	(622)
– net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	–	–	–	–	–	–	–
– other income/(losses)	–	–	23	–	–	(88)	–

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.

Notes on the financial statements

Movement in Level 3 financial instruments (continued)

	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
The bank	£m	£m	£m	£m	£m	£m	£m
At 1 Jan 2025	71	3,433	99	1,923	624	1,732	2,355
Total gains/(losses) on assets and total (gains)/losses on liabilities recognised in profit or loss	—	(3)	(3)	2,050	(3)	449	1,899
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	—	(3)	—	2,050	(3)	449	1,899
– net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	—	—	—	—	—	—	—
– other income/(losses)	—	—	(3)	—	—	—	—
Total gains/(losses) recognised in other comprehensive income ('OCI') ¹	2	(50)	(1)	—	—	—	—
Purchases	—	2,039	—	—	64	—	—
New issuances	—	—	—	—	—	3,085	—
Sales	—	(1,642)	(4)	—	(14)	—	—
Settlements	—	(816)	(17)	(1,220)	(261)	(1,957)	(1,533)
Transfers out	—	(941)	—	(666)	(383)	(664)	(669)
Transfers in	—	482	—	591	23	163	474
At 31 Dec 2025	73	2,502	74	2,678	50	2,808	2,526
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 31 Dec 2025	—	(10)	—	1,830	(14)	(596)	(1,829)
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	—	(10)	—	1,830	(14)	—	(1,829)
– net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	—	—	—	—	—	—	—
– other income/(losses)	—	—	—	—	—	(596)	—
At 1 Jan 2024	55	1,842	65	1,952	252	2,635	2,348
Total gains/(losses) on assets and total (gains)/losses on liabilities recognised in profit or loss	—	183	39	757	226	(1,930)	656
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	—	183	—	757	226	(1,930)	656
– net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	—	—	—	—	—	—	—
– other income/(losses)	—	—	22	—	—	13	—
Total gains/(losses) recognised in other comprehensive income ('OCI') ¹	—	11	(1)	—	—	—	4
Purchases	6	2,479	—	—	723	—	—
New issuances	—	—	—	—	—	2,020	—
Sales	—	(1,024)	(73)	—	(234)	—	—
Settlements	—	(325)	69	(627)	(406)	(85)	(298)
Transfers out	—	(240)	—	(716)	(29)	(1,538)	(1,101)
Transfers in	10	507	—	557	92	630	746
At 31 Dec 2024	71	3,433	99	1,923	624	1,732	2,355
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 31 Dec 2024	—	(38)	—	(1,558)	(5)	(77)	(668)
– net income/(losses) from financial instruments held for trading or managed on a fair value basis	—	(38)	—	(1,558)	(5)	—	(668)
– net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	—	—	—	—	—	—	—
– other income/(losses)	—	—	—	—	—	(77)	—

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.

Notes on the financial statements

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

Sensitivity of Level 3 fair values to reasonably possible alternative assumptions

	2025				2024			
	Reflected in profit or loss		Reflected in OCI		Reflected in profit or loss		Reflected in OCI	
	Favourable changes £m	Unfavourable changes £m	Favourable changes £m	Unfavourable changes £m	Favourable changes £m	Unfavourable changes £m	Favourable changes £m	Unfavourable changes £m
The group								
Derivatives, trading assets and trading liabilities ¹	334	(174)	—	—	348	(197)	—	—
Designated and otherwise mandatorily measured at fair value through profit or loss	359	(140)	—	—	319	(115)	—	—
Financial investments	—	—	12	(11)	17	(16)	13	(15)
Year ended 31 Dec	693	(314)	12	(11)	684	(328)	13	(15)
The bank								
Derivatives, trading assets and trading liabilities ¹	333	(177)	—	—	354	(202)	—	—
Designated and otherwise mandatorily measured at fair value through profit or loss	26	(10)	—	—	135	(23)	—	—
Financial investments	—	—	6	(6)	1	—	6	(6)
Year ended 31 Dec	359	(187)	6	(6)	490	(225)	6	(6)

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

	2025				2024			
	Reflected in profit or loss		Reflected in OCI		Reflected in profit or loss		Reflected in OCI	
	Favourable changes £m	Unfavourable changes £m	Favourable changes £m	Unfavourable changes £m	Favourable changes £m	Unfavourable changes £m	Favourable changes £m	Unfavourable changes £m
Private equity including strategic investments	348	(129)	12	(11)	310	(106)	10	(10)
Structured notes	11	(11)	—	—	9	(9)	—	—
Other derivatives	121	(91)	—	—	143	(104)	—	—
Bonds	6	(5)	—	—	9	(7)	1	(4)
Loans	102	(31)	—	—	98	(22)	—	—
Other portfolios	105	(47)	—	—	115	(80)	2	(1)
Total	693	(314)	12	(11)	684	(328)	13	(15)

The sensitivity analysis for certain private equity positions has been enhanced in order to reduce dependency on historical observations and focus on current valuation uncertainty, resulting in some increases in favourable sensitivities.

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.

Notes on the financial statements

Key unobservable inputs to Level 3 financial instruments

Quantitative information about significant unobservable inputs in Level 3 valuations

Fair value				2025		2024		
Assets	Liabilities	Valuation	Key unobservable inputs	Full range of inputs		Full range of inputs		
£m	£m	techniques		Lower	Higher	Lower	Higher	
Private equity including strategic investments ¹	1,103	1	Price – Net asset value	Current Value/Cost	0	6	0	9
Structured notes	–	4,128						
– equity-linked notes	–	3,650	Model – Option model	Equity Volatility	7%	132%	9%	49%
				Equity Correlation	27%	100%	15%	100%
– FX-linked notes	–	21	Model – Option model	FX Volatility	4%	10%	3%	17%
– other structured notes	–	457						
Derivatives	2,628	2,590						
Interest rate derivatives:	564	752						
– securitisation swaps	73	267	Model – Discounted cash flow	Prepayment Rate	5%	10%	5%	10%
– long-dated swaptions	3	2	Model – Option model	IR Volatility	5%	19%	9%	21%
– other interest rate derivatives	488	483						
Foreign exchange derivatives:	460	498						
– Foreign exchange options	203	244	Model – Option model	FX Volatility	0%	57%	1%	26%
– other foreign exchange derivatives	257	254						
Equity derivatives:	1,431	963						
– long-dated single stock options	82	322	Model – Option model	Equity Volatility	5%	100%	7%	66%
– other equity derivatives	1,349	641						
Credit derivatives	88	352						
– total return swaps	42	257	Market proxy	Price	68	102	0	104
– other credit derivatives	46	95						
Other derivatives	85	25						
Bonds	1,328	31	Market proxy	Price	0	107	0	105
Loans	776	8	Market proxy	Price	0	102 ¹	0	103
Other portfolios ²	444	11						
At 31 Dec	6,279	6,769						

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.

Private equity including strategic investments

The 'private equity' holdings include private equity investments and private equity funds held as limited partners. The key unobservable input is the current value of the underlying positions, determined using valuation techniques in line with the International Capital Valuation Guidelines. The inputs represented are an appropriate range of inputs normalised across different exposure types.

Prepayment rates

Prepayment rates are a measure of the anticipated future speed at which a loan portfolio will be repaid in advance of the due date. They vary according to the nature of the loan portfolio and expectations of future market conditions, and may be estimated using a variety of evidence, such as prepayment rates implied from proxy observable security prices, current or historical prepayment rates and macroeconomic modelling.

Market proxy

Market proxy pricing may be used for an instrument when specific market pricing is not available, but there is evidence from instruments with common characteristics. In some cases, it might be possible to identify a specific proxy, but more generally evidence across a wider range of instruments will be used to understand the factors that influence current market pricing and the manner of that influence.

Volatility

Volatility is a measure of the anticipated future variability of a market price. It varies by underlying reference market price, and by strike and maturity of the option.

Certain volatilities, typically those of a longer-dated nature, are unobservable and estimated from observable data. The range of unobservable volatilities reflects the wide variation in volatility inputs by reference market price. The core range is significantly narrower than the full range because these examples with extreme volatilities occur relatively rarely within the HSBC portfolio.

Correlation

Correlation is a measure of the inter-relationship between two market prices, and is expressed as a number between minus one and one. It is used to value more complex instruments where the payout is dependent upon more than one market price. There is a wide range of instruments for which correlation is an input, and consequently a wide range of both same-asset correlations and cross-asset correlations is used. In general, the range of same-asset correlations will be narrower than the range of cross-asset correlations.

Unobservable correlations may be estimated based upon a range of evidence, including consensus pricing services, HSBC trade prices, proxy correlations and examination of historical price relationships. The range of unobservable correlations quoted in the table reflects the wide variation in correlation inputs by market price pair.

Notes on the financial statements

Credit spread

Credit spread is the premium over a benchmark interest rate required by the market to accept lower credit quality. In a discounted cash flow model, the credit spread increases the discount factors applied to future cash flows, thereby reducing the value of an asset. Credit spreads may be implied from market prices and may not be observable in more illiquid markets.

Inter-relationships between key unobservable inputs

Key unobservable inputs to Level 3 financial instruments may not be independent of each other. As described above, market variables may be correlated. This correlation typically reflects the manner in which different markets tend to react to macroeconomic or other events. Furthermore, the effect of changing market variables on the HSBC portfolio will depend on HSBC's net risk position in respect of each variable.

12 Fair values of financial instruments not carried at fair value

Fair values of financial instruments not carried at fair value and bases of valuation

	Carrying amount	Fair value			Total
		Quoted market price Level 1	Observable inputs Level 2	Significant unobservable inputs Level 3	
The group	£m	£m	£m	£m	£m
At 31 Dec 2025					
Assets					
Loans and advances to banks	19,349	—	19,349	—	19,349
Loans and advances to customers	79,858	—	—	79,890	79,890
Reverse repurchase agreements – non-trading	68,110	—	68,117	—	68,117
Financial investments – at amortised cost	22,256	21,119	1,281	—	22,400
Liabilities					
Deposits by banks	39,679	—	39,680	—	39,680
Customer accounts	244,763	—	244,777	—	244,777
Repurchase agreements – non-trading	46,758	—	46,759	—	46,759
Debt securities in issue	12,823	—	12,833	—	12,833
Subordinated liabilities	18,919	—	19,450	—	19,450
At 31 Dec 2024					
Assets					
Loans and advances to banks	14,521	—	14,523	—	14,523
Loans and advances to customers ¹	82,666	—	—	81,752	81,752
Reverse repurchase agreements – non-trading	53,612	—	53,614	—	53,614
Financial investments – at amortised cost	12,226	10,980	1,196	—	12,176
Liabilities					
Deposits by banks	26,515	—	26,518	—	26,518
Customer accounts	242,303	—	242,320	—	242,320
Repurchase agreements – non-trading	40,384	—	40,385	—	40,385
Debt securities in issue	19,461	—	19,330	142	19,472
Subordinated liabilities	16,908	—	17,267	—	17,267

1 Includes retained portfolio of French home and other loans following the sale of retail banking operations in France, with carrying amount of £5.5bn. We reclassified the portfolio to a hold-to-collect-and-sell business model from 1 January 2025 and measured it prospectively from the first quarter of 2025 at fair value through other comprehensive income. We recognised £0.8bn fair value pre-tax loss in other comprehensive income on the remeasurement of these financial instruments. We completed the sale of this portfolio on 31 October 2025 (refer Note 34 for details).

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

	Fair value				Total £m
	Carrying amount £m	Quoted market price Level 1 £m	Observable inputs Level 2 £m	Significant unobservable inputs Level 3 £m	
At 31 Dec 2025					
Assets					
Loans and advances to banks	12	—	12	—	12
Loans and advances to customers	578	—	—	578	578
Liabilities					
Deposits by banks	86	—	86	—	86
Customer accounts	10,718	—	10,718	—	10,718
Debt securities in issue	—	—	—	—	—
At 31 Dec 2024					
Assets					
Loans and advances to banks	115	—	115	—	115
Loans and advances to customers	769	—	—	771	771
Liabilities					
Deposits by banks	—	—	—	—	—
Customer accounts	4,288	—	4,288	—	4,288
Debt securities in issue	—	—	—	—	—

Notes on the financial statements

Fair values of financial instruments not carried at fair value and bases of valuation

The bank	Carrying amount £m	Fair value			Total £m
		Quoted market price Level 1 £m	Observable inputs Level 2 £m	Significant unobservable inputs Level 3 £m	
At 31 Dec 2025					
Assets					
Loans and advances to banks	15,929	—	15,995	—	15,995
Loans and advances to customers	32,380	—	—	32,384	32,384
Reverse repurchase agreements – non-trading	45,432	—	45,432	—	45,432
Financial investments – at amortised cost	19,415	13,012	6,647	—	19,659
Liabilities					
Deposits by banks	30,209	—	30,208	—	30,208
Customer accounts	138,381	—	138,381	—	138,381
Repurchase agreements – non-trading	40,441	—	40,441	—	40,441
Debt securities in issue	6,355	—	6,365	—	6,365
Subordinated liabilities	18,919	—	19,476	—	19,476
At 31 Dec 2024					
Assets					
Loans and advances to banks	12,730	—	12,778	—	12,778
Loans and advances to customers	30,916	—	—	30,897	30,897
Reverse repurchase agreements – non-trading	34,394	—	34,394	—	34,394
Financial investments – at amortised cost	14,217	7,695	6,521	—	14,216
Liabilities					
Deposits by banks	19,355	—	19,355	—	19,355
Customer accounts	142,122	—	142,122	—	142,122
Repurchase agreements – non-trading	34,545	—	34,545	—	34,545
Debt securities in issue	12,668	—	12,683	—	12,683
Subordinated liabilities	16,874	—	17,291	—	17,291

Other financial instruments not carried at fair value are typically short-term in nature and reprice to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. This includes cash and balances at central banks which is measured at amortised cost.

Valuation

Fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This may be different from the theoretical economic value attributed from an instrument's cash flows over its expected future life. Our valuation methodologies and assumptions in determining fair values for which no observable market prices are available may differ from those of other companies.

Loans and advances to banks and customers

To determine the fair value of loans and advances to banks and customers, loans are segregated, into portfolios of similar characteristics. Fair values are based on observable market transactions, when available. When they are unavailable, fair values are estimated using valuation models incorporating a range of input assumptions. These assumptions may include: value estimates from third-party brokers reflecting over-the-counter trading activity; forward-looking discounted cash flow models, taking account of expected customer prepayment rates, using assumptions that HSBC believes are consistent with those that would be used by market participants in valuing such loans; recent origination pricing for similar loans; and trading inputs from other market participants including observed primary and secondary trades. From time to time, we may engage a third-party valuation specialist to measure the fair value of a pool of loans.

The fair value of loans reflects expected credit losses at the balance sheet date and estimates of market participants' expectations of credit losses over the life of the loans, and the fair value effect of repricing between origination and the balance sheet date. For credit impaired loans, fair value is estimated by discounting the future cash flows over the time period they are expected to be recovered.

Financial investments

The fair values of listed financial investments are determined using bid market prices. The fair values of unlisted financial investments are determined using valuation techniques that incorporate the prices and future earnings streams of equivalent quoted securities.

Deposits by banks and customer accounts

The fair values of on-demand deposits are approximated by their carrying amount. For deposits with longer-term maturities, fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities.

Debt securities in issue and subordinated liabilities

Fair values in debt securities in issue and subordinated liabilities are determined using quoted market prices at the balance sheet date where available, or by reference to quoted market prices for similar instruments.

Repurchase and reverse repurchase agreements – non-trading

Carrying amounts of repurchase and reverse repurchase agreements that are held on a non-trading basis provide approximate fair values. This is due to the fact that balances are generally short dated.

13 Financial assets designated and otherwise mandatorily measured at fair value through profit or loss

	The group		The bank	
	2025	2024	2025	2024
	Designated at fair value and otherwise mandatorily measured at fair value £m	Designated at fair value and otherwise mandatorily measured at fair value £m	Designated at fair value and otherwise mandatorily measured at fair value £m	Designated at fair value and otherwise mandatorily measured at fair value £m
Securities	1,951	5,739	353	209
– debt securities, treasury and other eligible bills	521	515	278	106
– equity securities	1,430	5,224	75	103
Loans and advances to banks and customers	2,886	2,874	3,078	3,080
Other	915	804	351	371
At 31 Dec	5,752	9,417	3,782	3,660

14 Derivatives

Notional contract amounts and fair values of derivatives by product contract type

The group	Notional contract amount		Fair value – Assets			Fair value – Liabilities		
	Trading £m	Hedging £m	Trading £m	Hedging £m	Total £m	Trading £m	Hedging £m	Total £m
Foreign exchange	9,290,843	3,424	73,083	194	73,277	74,014	49	74,063
Interest rate	9,524,073	87,349	124,313	1,265	125,578	117,020	1,334	118,354
Equities	691,412	—	12,808	—	12,808	16,319	—	16,319
Credit	106,955	—	1,000	—	1,000	1,531	—	1,531
Commodity and other	141,352	—	8,456	—	8,456	8,933	—	8,933
Offset (Note 28)					(52,534)			(52,534)
At 31 Dec 2025	19,754,635	90,773	219,660	1,459	168,585	217,817	1,383	166,666
Foreign exchange	8,561,853	2,450	97,566	164	97,730	94,941	15	94,956
Interest rate	10,366,996	88,154	147,830	1,223	149,053	147,073	1,254	148,327
Equities	625,520	—	14,002	—	14,002	16,466	—	16,466
Credit	104,660	—	1,408	—	1,408	1,516	—	1,516
Commodity and other	93,617	—	2,457	—	2,457	2,295	—	2,295
Offset (Note 28)					(66,478)			(66,478)
At 31 Dec 2024	19,752,646	90,604	263,263	1,387	198,172	262,291	1,269	197,082

The notional contract amounts of derivatives held for trading purposes and derivatives designated in hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

Notional contract amounts and fair values of derivatives by product contract type (continued)

The bank	Notional contract amount		Fair value – Assets			Fair value – Liabilities		
	Trading £m	Hedging £m	Trading £m	Hedging £m	Total £m	Trading £m	Hedging £m	Total £m
Foreign exchange	9,354,479	3,204	72,387	163	72,550	73,207	49	73,256
Interest rate	7,012,594	48,493	92,834	1,168	94,002	92,650	1,199	93,849
Equities	580,901	—	12,271	—	12,271	15,316	—	15,316
Credit	105,217	—	1,000	—	1,000	1,478	—	1,478
Commodity and other	140,464	—	8,454	—	8,454	8,930	—	8,930
Offset					(40,696)			(40,696)
At 31 Dec 2025	17,193,655	51,697	186,946	1,331	147,581	191,581	1,248	152,133
Foreign exchange	8,585,852	2,234	98,063	157	98,220	95,596	15	95,611
Interest rate	7,519,533	53,013	121,219	1,072	122,291	121,509	1,164	122,673
Equities	526,998	—	13,494	—	13,494	15,894	—	15,894
Credit	102,885	—	1,401	—	1,401	1,477	—	1,477
Commodity and other	92,703	—	2,458	—	2,458	2,296	—	2,296
Offset					(54,206)			(54,206)
At 31 Dec 2024	16,827,971	55,247	236,635	1,229	183,658	236,772	1,179	183,745

Notes on the financial statements

Use of derivatives

We undertake derivatives activity for three primary purposes: to create risk management solutions for clients, to manage the portfolio risks arising from client business, and to manage and hedge our own risks.

Trading derivatives

Most of the group's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities include market-making and risk management. Market-making entails quoting bid and offer prices to other market participants for the purpose of generating revenues based on spread and volume.

Risk management activity is undertaken to manage the risk arising from client transactions, with the principal purpose of retaining client margin. Other derivatives classified as held for trading include non-qualifying hedging derivatives.

Substantially all of the group's derivatives entered into with subsidiaries are managed in conjunction with financial liabilities designated at fair value.

Derivatives valued using models with unobservable inputs

The difference between the fair value at initial recognition (the transaction price) and the value that would have been derived had the valuation techniques used for subsequent measurement been applied at initial recognition, less subsequent releases, is in the following table:

Unamortised balance of derivatives valued using models with unobservable inputs

	The group		The bank	
	2025 £m	2024 £m	2025 £m	2024 £m
Unamortised balance at 1 Jan	58	54	56	50
Deferral on new transactions	137	98	133	98
Recognised in the income statement during the year:	(118)	(93)	(113)	(91)
– amortisation	(64)	(53)	(59)	(51)
– subsequent to unobservable inputs becoming observable	(8)	(15)	(8)	(15)
– maturity, termination or offsetting derivative	(46)	(25)	(46)	(25)
Exchange differences and other	(1)	(1)	(1)	(1)
Unamortised balance at 31 Dec¹	76	58	75	56

¹ This amount is yet to be recognised in the consolidated income statement.

Hedge accounting derivatives

The group applies hedge accounting to manage the following risks: interest rate and foreign exchange. The Report of the Directors – Risk presents more details on how these risks arise and how they are managed by the group.

Hedged risk components

HSBC designates a portion of cash flows of a financial instrument or a group of financial instruments for a specific interest rate or foreign currency risk component in a fair value or cash flow hedge. The designated risks and portions are either contractually specified or otherwise separately identifiable components of the financial instrument that are reliably measurable. Risk-free or benchmark interest rates generally are regarded as being both separately identifiable and reliably measurable, except for the Interest Rate Benchmark Reform Phase 2 transition where HSBC designates Alternative Benchmark Rates as the hedged risk which may not have been separately identifiable upon initial designation, provided HSBC reasonably expects it will meet the requirement within 24 months from the first designation date. The designated risk component accounts for a significant portion of the overall changes in fair value or cash flows of the hedged item(s).

Fair value hedges

The group enters into fixed-for-floating-interest-rate swaps to manage the exposure to changes in fair value due to movements in market interest rates on certain fixed rate financial instruments which are not measured at fair value through profit or loss, including debt securities held and issued.

Hedging instrument by hedged risk

The group Hedged risk	Notional amount ¹ £m	Hedging instrument Carrying amount		Balance sheet presentation	Change in fair value ² £m
		Assets £m	Liabilities £m		
Interest rate ³	41,949	1,259	1,330	Derivatives	(125)
At 31 Dec 2025	41,949	1,259	1,330		(125)
Interest rate ³	34,493	1,196	1,249	Derivatives	208
At 31 Dec 2024	34,493	1,196	1,249		208

¹ The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

² Used in effectiveness testing; comprising the full fair value change of the hedging instrument not excluding any component.

³ The hedged risk 'interest rate' includes inflation risk.

Notes on the financial statements

Hedged item by hedged risk

		Hedged item				Ineffectiveness		
The group Hedged risk	Carrying amount		Accumulated fair value hedge adjustments included in carrying amount ²		Balance sheet presentation	Change in fair value ¹ £m	Recognised in profit and loss £m	Profit and loss presentation
	Assets £m	Liabilities £m	Assets £m	Liabilities £m				
Interest rate ³	31,902	—	152	—	Financial assets at fair value through other comprehensive income	297	2	Net income from financial instruments held for trading or managed on a fair value basis
	220	—	(4)	—	Loans and advances to customers	4		
	—	—	—	—	Reverse Repos	—		
	—	348	—	7	Debt securities in issue	7		
	—	6,598	—	(189)	Subordinated liabilities and deposits by banks ⁴	(181)		
	—	1,668	—	—	Customer Accounts	—		
At 31 Dec 2025	32,122	8,614	148	(182)		127	2	
Interest rate ³	24,848	—	(224)	—	Financial assets at fair value through other comprehensive income	(81)	15	Net income from financial instruments held for trading or managed on a fair value basis
	412	—	(7)	—	Loans and advances to customers	12		
	—	—	—	—	Reverse Repos	—		
	—	333	—	12	Debt securities in issue	2		
	—	7,383	—	(392)	Subordinated liabilities and deposits by banks ⁴	(126)		
	—	—	—	—		—		
At 31 Dec 2024	25,260	7,716	(231)	(380)		(193)	15	

1 Used in effectiveness assessment; comprising amount attributable to the designated hedged risk that can be a risk component.

2 The accumulated amounts of fair value adjustments remaining in the statement of financial position for hedged items that have ceased to be adjusted for hedging gains and losses were £(5)m (2024: £(15)m) for 'Financial assets at fair value through other comprehensive income', is nil (2024: nil) for 'Deposits by banks', £(45)m (2024: £(54)m) for 'Subordinated liabilities' and £8m (2024: £7m) for 'Debt securities in issue'.

3 The hedged risk 'interest rate' includes inflation risk.

4 The notional amount of non-dynamic fair value hedges was £5,584m (2024: £6,574m) of which the weighted-average maturity is June 2026 and the weighted average swap rate is 0.53% (2024: 0.39%). £5,584m (2024: £6,574m) of these hedges are internal to HSBC Group and composed by internal funding between HSBC Holdings and the group.

Hedging instrument by hedged risk

The bank Hedged risk	Hedging instrument				Change in fair value ² £m
	Notional amount ¹ £m	Carrying amount		Balance sheet presentation	
		Assets £m	Liabilities £m		
Interest rate ³	27,467	1,162	1,197	Derivatives	(14)
At 31 Dec 2025	27,467	1,162	1,197		(14)
Interest rate ³	21,400	1,045	1,161	Derivatives	287
At 31 Dec 2024	21,400	1,045	1,161		287

1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

2 Used in effectiveness testing; comprising the full fair value change of the hedging instrument not excluding any component.

3 The hedged risk 'interest rate' includes inflation risk.

Notes on the financial statements

Hedged item by hedged risk

	Hedged item				Ineffectiveness		
	Carrying amount		Accumulated fair value hedge adjustments included in carrying amount ²		Change in fair value ¹ £m	Recognised in profit and loss £m	Profit and loss presentation
The bank	Assets £m	Liabilities £m	Assets £m	Liabilities £m			
Hedged risk					Balance sheet presentation		
Interest rate ³	17,715	—	57	—	Financial assets at fair value through other comprehensive income	209	Net income from financial instruments held for trading or managed on a fair value basis
	38	—	—	—	Loans and advances to customers	1	
	—	—	—	—	HTC (Amortised Cost)	—	
	—	—	—	—	Reverse Repos	—	
	—	319	—	11	Debt securities in issue	7	
	—	6,598	—	(189)	Subordinated liabilities and deposits by banks ⁴	(195)	
	—	1,668	—	—	Customer Accounts	—	
At 31 Dec 2025	17,753	8,585	57	(178)		22	8
Interest rate ³	12,312	—	(172)	—	Financial assets at fair value through other comprehensive income	(149)	Net income from financial instruments held for trading or managed on a fair value basis
	53	—	(1)	—	Loans and advances to customers	1	
	—	—	—	—	HTC (Amortised Cost)	—	
	—	—	—	—	Reverse Repos	—	
	—	305	—	15	Debt securities in issue	2	
	—	7,383	—	(392)	Subordinated liabilities and deposits by banks ⁴	(123)	
	—	1,668	—	—	Customer Accounts	—	
At 31 Dec 2024	12,365	7,688	(173)	(377)		(269)	18

1. Used in effectiveness assessment; comprising amount attributable to the designated hedged risk that can be a risk component.

2. The accumulated amounts of fair value adjustments remaining in the statement of financial position for hedged items that have ceased to be adjusted for hedging gains and losses were £(3)m (2024: £(3)m) for 'Financial assets at fair value through other comprehensive income', nil (2024: nil) for 'Deposits by banks', £(45)m (2024: £(54)m) for 'Subordinated liabilities' and £8m (2024: £10m) for 'Debt securities in issue'.

3. The hedged risk 'interest rate' includes inflation risk.

4. The notional amount of non-dynamic fair value hedges was £5,584m (2024: £6,574m), of which the weighted-average maturity is June 2026 and the weighted average swap rate is 0.53% (2024: 0.39%). Those hedges are internal to HSBC Group and composed by internal funding between HSBC Holdings and the group.

Cash flow hedges

The group's cash flow hedging instruments consist principally of interest rate swaps and cross-currency swaps that are used to manage the variability in future interest cash flows of non-trading financial assets and liabilities, arising due to changes in market interest rates and foreign-currency basis.

The group applies macro cash flow hedging for interest-rate risk exposures on portfolios of replenishing current and forecasted issuances of non-trading assets and liabilities that bear interest at variable rates, including rolling such instruments. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities on the basis of their contractual terms and other relevant factors, including estimates of prepayments and defaults. The aggregate cash flows representing both principal balances and interest cash flows across all portfolios are used to determine the effectiveness and ineffectiveness. Macro cash flow hedges are considered to be dynamic hedges.

The group also hedges the variability in future cash-flows on foreign-denominated financial assets and liabilities arising due to changes in foreign exchange market rates with cross-currency swaps; these are considered dynamic hedges.

Notes on the financial statements

Hedging instrument by hedged risk⁴

The group Hedged risk	Hedging instrument				Hedged item		Ineffectiveness	
	Notional amount ¹ £m	Carrying amount		Balance sheet presentation	Change in fair value ² £m	Change in fair value ³ £m	Recognised in profit and loss £m	Profit and loss presentation
		Assets £m	Liabilities £m					
Foreign exchange	3,424	194	49	Derivatives	109	109	—	Net income from financial instruments held for trading or managed on a fair value basis
Interest rate	45,400	6	4		73	78	(5)	
At 31 Dec 2025	48,824	200	53		182	187	(5)	

Foreign exchange	2,450	164	15	Derivatives	177	177	—	Net income from financial instruments held for trading or managed on a fair value basis
Interest rate	53,661	27	5		(566)	(573)	7	
At 31 Dec 2024	56,111	191	20		(389)	(396)	7	

The bank Hedged risk	Hedging instrument				Hedged item		Ineffectiveness	
	Notional amount ¹ £m	Carrying amount		Balance sheet presentation	Change in fair value ² £m	Change in fair value ³ £m	Recognised in profit and loss £m	Profit and loss presentation
		Assets £m	Liabilities £m					
Foreign exchange	3,204	163	49	Derivatives	104	104	—	Net income from financial instruments held for trading or managed on a fair value basis
Interest rate	21,026	6	2		183	184	(1)	
At 31 Dec 2025	24,230	169	51		287	288	(1)	

Foreign exchange	2,234	157	15	Derivatives	177	177	—	Net income from financial instruments held for trading or managed on a fair value basis
Interest rate	31,613	27	3		(482)	(481)	(1)	
At 31 Dec 2024	33,847	184	18		(305)	(304)	(1)	

- 1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.
- 2 Used in effectiveness testing; comprising the full fair value change of the hedging instrument not excluding any component.
- 3 Used in effectiveness assessment; comprising amount attributable to the designated hedged risk that can be a risk component.
- 4 The amounts in the above table predominantly represent the bank's exposure.

Sources of hedge ineffectiveness may arise from basis risk including, but not limited to timing differences between the hedged items and hedging instruments, and hedges using instruments with a non-zero fair value.

Reconciliation of equity and analysis of other comprehensive income by risk type

	Interest rate £m	Foreign exchange £m
Cash flow hedging reserve at 1 Jan 2025	(220)	(7)
Fair value (losses)/gains	78	109
Fair value losses/(gains) reclassified from cash flow hedge reserve to income statement in respect of:		
– hedged items that have affected profit or loss	205	(101)
Income taxes	(82)	—
Other	2	(1)
Cash flow hedging reserve at 31 Dec 2025	(17)	—
Cash flow hedging reserve at 1 Jan 2024	(305)	(25)
Fair value (losses)/gains	(573)	177
Fair value losses/(gains) reclassified from cash flow hedge reserve to income statement in respect of:		
– hedged items that have affected profit or loss	695	(159)
Income taxes	(39)	—
Other	2	—
Cash flow hedging reserve at 31 Dec 2024	(220)	(7)

Notes on the financial statements

15 Financial investments

Carrying amount of financial investments

	The group		The bank	
	2025	2024	2025	2024
	£m	£m	£m	£m
Financial investments measured at fair value through other comprehensive income	44,358	39,990	22,810	20,033
– treasury and other eligible bills	2,909	3,826	627	2,496
– debt securities	40,989	35,709	22,126	17,482
– equity securities	143	118	57	55
– other instruments ¹	317	337	–	–
Debt instruments measured at amortised cost	22,256	12,226	19,415	14,217
– debt securities ²	22,256	12,226	19,415	14,217
At 31 Dec	66,614	52,216	42,225	34,250

1 'Other instruments' are comprised of loans and advances.

2 The £6.4bn(2024: £6.5bn) of debt securities in the bank relates to Senior Non-Preferred debt issued by HSBC Continental Europe to comply with Single Resolution Board requirements on Minimum Required Eligible Liabilities.

Equity instruments measured at fair value through other comprehensive income

Type of equity instruments	Instruments held at year end	
	Fair value	Dividends recognised
	£m	£m
Business facilitation	83	–
Investments required by central institutions	16	–
Others	44	1
At 31 Dec 2025	143	1
Business facilitation	64	1
Investments required by central institutions	13	–
Others	41	1
At 31 Dec 2024	118	2

16 Assets pledged, collateral received and assets transferred

Assets pledged¹

Financial assets pledged as collateral

	The group		The bank	
	2025	2024	2025	2024
	£m	£m	£m	£m
Treasury bills and other eligible securities	2,030	1,269	66	108
Loans and advances to banks	6,210	5,500	6,210	5,500
Loans and advances to customers	2,013	1,753	–	–
Debt securities	24,474	17,723	14,479	10,983
Equity securities	40,218	42,189	41,164	42,004
Cash collateral ¹	35,057	41,179	28,594	31,662
Other	915	805	351	371
Assets pledged at 31 Dec	110,917	110,418	90,864	90,628

Financial assets pledged as collateral which the counterparty has the right to sell or repledge

	The group		The bank	
	2025	2024	2025	2024
	£m	£m	£m	£m
Trading assets	59,567	56,664	48,712	49,093
Financial investments	3,693	2,120	3,370	1,587
At 31 Dec	63,260	58,784	52,082	50,680

The value of assets pledged to secure liabilities may be greater than the book value of assets utilised as collateral. For example, in the case of securitisations and covered bonds, the amount of liabilities issued, plus mandatory over-collateralisation, is less than the book value of the pool of assets available for use as collateral. This is also the case where assets are placed with a custodian or a settlement agent that has a floating charge over all the assets placed to secure any liabilities under settlement accounts.

These transactions are conducted under terms that are usual and customary to collateralised transactions including, where relevant, standard securities lending and borrowing, repurchase agreements and derivative margining. The group places both cash and non-cash collateral in relation to derivative transactions.

Collateral received¹

The fair value of assets accepted as collateral, relating primarily to standard securities lending, reverse repurchase agreements and derivative margining, that the group is permitted to sell or repledge in the absence of default was £293.0bn (2024: £229.2bn) (the bank: 2025: £254.8bn; 2024: £195.6bn). The fair value of any such collateral sold or repledged was £228.2bn (2024: £172.6bn) (the bank: 2025: £205.7bn; 2024: £153.0bn).

The group is obliged to return equivalent securities. These transactions are conducted under terms that are usual and customary to standard securities lending, reverse repurchase agreements and derivative margining.

Assets transferred¹

The assets pledged include transfers to third parties that do not qualify for derecognition, including secured borrowings such as debt securities held by counterparties as collateral under repurchase agreements and equity securities lent under securities lending agreements, as well as swaps of equity and debt securities. For secured borrowings, the transferred asset collateral continues to be recognised in full and a related liability, reflecting the group's obligation to repurchase the assets for a fixed price at a future date, is also recognised on the balance sheet.

Where securities are swapped, the transferred asset continues to be recognised in full. There is no associated liability as the non-cash collateral received is not recognised on the balance sheet. The group is unable to use, sell or pledge the transferred assets for the duration of these transactions, and remains exposed to interest rate risk and credit risk on these pledged assets.

Transferred financial assets not qualifying for full derecognition and associated financial liabilities

	Carrying amount of:	
	Transferred assets	Associated liabilities
	£m	£m
The group		
At 31 Dec 2025		
Repurchase agreements	18,700	18,555
Securities lending agreements	44,561	1,466
At 31 Dec 2024		
Repurchase agreements	14,206	13,992
Securities lending agreements	44,578	5,150
The bank		
At 31 Dec 2025		
Repurchase agreements	8,155	8,155
Securities lending agreements	43,927	1,577
At 31 Dec 2024		
Repurchase agreements	6,174	6,174
Securities lending agreements	44,506	5,236

¹ Exclude assets classified as held for sale.

17 Interests in associates and joint ventures

Principal associates of the group

Business Growth Fund Group plc ('BGF') is a principal associate of the group. BGF is an independent company, established in 2011 to provide investment to growing small to medium-sized British businesses. BGF is backed by five of the UK's main banking groups: Barclays, HSBC, Lloyds, RBS and Standard Chartered. At 31 Dec 2025, the group had a 24.62% interest in the equity capital of BGF. Share of profit in BGF is £68m (2024: £27m) and carrying amount of interest in BGF is £728m (2024: £678m).

Interests in joint ventures

A list of all associates and joint ventures is set out on page 165.

18 Investments in subsidiaries

Main subsidiaries of HSBC Bank plc¹

At 31 Dec 2025			
	Country of incorporation or registration	HSBC Bank plc's interest in equity capital %	Share class
HSBC Investment Bank Holdings Limited	England and Wales	100.00	£1 Ordinary
HSBC Private Bank (Suisse) SA	Switzerland	100.00	CHF1000 Ordinary
HSBC Bank Bermuda Limited	Bermuda	100.00	BM\$1 Ordinary
HSBC Continental Europe	France	99.99	€5 Actions
HSBC Bank Malta p.l.c	Malta	70.03	€0.30 Ordinary

¹ Main subsidiaries are either held directly or indirectly via intermediate holding companies. There have been no material changes in the group's shareholding for its main existing subsidiaries since 2024.

All the above prepare their financial statements up to 31 December. Details of all group subsidiaries, as required under Section 409 of the Companies Act 2006, are set out in Note 36. The principal countries of operation are the same as the countries of incorporation.

Impairment testing of investments in subsidiaries

At each reporting period end, HSBC Bank plc reviews investments in subsidiaries for indicators of impairment. An impairment is recognised when the carrying amount exceeds the recoverable amount for that investment. The recoverable amount is the higher of the investment's fair value less costs of disposal and its value-in-use ('VIU'), in accordance with the requirements of IAS 36. The VIU is calculated by discounting management's cash flow projections for the investment. The cash flows represent the Free Cash Flows ('FCF') based on the subsidiary's binding capital requirements.

We used a number of assumptions in our VIU calculation, in accordance with the requirements of IAS 36:

- Management's judgement in estimating future cash flows: The cash flow projections for each investment are based on the latest approved plans, which include forecast capital available for distribution based on the capital requirements of the subsidiary, taking into account minimum and core capital requirements and factoring in reasonably possible uncertainties. For the impairment test at 31 December 2025, cash flow projections until the end of 2030 were considered in line with our internal planning horizon. Our cash flow projections include known and observable climate-related opportunities and costs associated with our sustainable products and operating model.
- Long-term growth rates: The long-term growth rate is used to extrapolate the free cash flows in perpetuity because of the long-term perspective of the legal entity. The growth rate reflects long-term inflation for the country or territory within which the investment operates.
- Discount rates: The rate used to discount the cash flows is based on the cost of capital assigned to each investment, which is derived using a capital asset pricing model ('CAPM') and market implied cost of equity. CAPM depends on a number of inputs reflecting financial and economic variables, including the risk-free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement. The discount rates for each investment are refined to reflect the rates of inflation for the countries or territories within which the investment operates. In addition, for the purposes of testing investments for impairment, management supplements this process by comparing the discount rates derived using the internally generated CAPM, with cost of capital rates produced by external sources for businesses operating in similar markets. The impacts from climate risk are included to the extent that they are observable in discount rates and asset prices.

During 2025, no additional investment (2024: £1.5bn) was made in HSBC Continental Europe. In 2025, HSBC Bank plc, Paris Branch recognised an additional impairment of £0.2bn on its investment in HSBC Continental Europe (2024: £0.9bn). This followed an impairment charge of £1bn in June 2025, which was reversed by £0.8bn in December 2025, to reflect improved updated forecasts.

Impairment test results

Investment	Carrying amount	Value in use	Discount rate	Long-term growth rate	(Impairment)/Headroom
	£m	£m	%	%	£m
HSBC Continental Europe					
At 31 Dec 2025	10,318	11,679	9.31	2.12	1,361
At 31 Dec 2024 ¹	11,558	10,886	9.53	1.87	(672)

¹ 2024 carrying amount does not include impairment of £0.9bn which was recognised in the fourth quarter of 2024.

Sensitivities of key assumptions in calculating VIU

At 31 December 2025, the investments in HSBC Continental Europe and HSBC Private Bank (Suisse) SA were sensitive to reasonably possible changes in the key assumptions supporting the recoverable amount.

In making an estimate of reasonably possible changes to assumptions, management considers the available evidence in respect of each input to the model. These include the external range of observable discount rates, historical performance against forecast, and risks attached to the key assumptions underlying cash flow.

The following table presents a summary of the key assumptions underlying the most sensitive inputs to the model for HSBC Continental Europe and HSBC Private Bank (Suisse) SA, the key risks attaching to each, and details of a reasonably possible change to assumptions where, in the opinion of management, could result in a change in VIU.

Notes on the financial statements

Reasonably possible changes in key assumptions

	Input	Key assumptions	Associated risks	Reasonably possible change
Investment				
HSBC Continental Europe	Free Cash Flows projections	– Level of interest rates and yield curves. – Competitors' positions within the market.	– Strategic actions relating to revenue and costs are not achieved.	– FCF projections decrease by 10%.
	Discount rate	– Discount rate used is a reasonable estimate of a suitable market rate for the profile of the business.	– External evidence arises to suggest that the rate used is not appropriate to the business.	– Discount rate increases by 1%.
HSBC Private Bank (Suisse) SA	Free Cash Flows projections	– Revenue Growth: Projected based on market conditions and business strategy. – Cost Management: Includes assumptions about operating expenses and efficiency initiatives.	– Strategic actions relating to revenue and costs are not achieved.	– FCF projections decrease by 10%.
	Discount rate	– Discount rate used is the in-country Cost of Equity rate recommended by HSBC Group Treasury supported by third party independent review and approved by HSBC Group Risk Committee.	– Changes in macro economic factors and specific risk that adversely affect the appropriateness of the rate.	– Discount rate increases by 1%.

Sensitivity of VIU to reasonably possible changes in key assumptions

In £m	At 31 Dec 2025	At 31 Dec 2024
HSBC Continental Europe		
VIU	11,679	10,886
Impact on VIU		
100bps decrease in the discount rate – single variable ¹	1,431	1,103
100bps increase in the discount rate – single variable ¹	(1,085)	(858)
10% decrease in forecast profitability – single variable ¹	(1,142)	(1,015)
HSBC Private Bank (Suisse) SA		
VIU	911	2,117
Impact on VIU		
100bps decrease in the discount rate – single variable ¹	152	267
100bps increase in the discount rate – single variable ¹	(111)	(211)
10% decrease in forecast profitability – single variable ¹	(62)	(173)

¹ The recoverable amount of HSBC Bank plc represents the aggregate of recoverable amounts of the underlying subsidiaries. Single variable sensitivity analysis on a single subsidiary may therefore not be representative of the aggregate impact of the change in the variable.

19 Structured entities

The group is mainly involved with both consolidated and unconsolidated structured entities through the securitisation of financial assets, conduits and investment funds, established either by the group or a third party.

Consolidated structured entities

Total assets of the group's consolidated structured entities, split by entity type

	Conduits £m	Securitisations £m	HSBC managed funds ¹ £m	Other £m	Total £m
At 31 Dec 2025	1,350	—	117	233	1,700
At 31 Dec 2024	1,882	168	4,159	248	6,457

¹ 2024 includes French insurance business.

Conduits

The group has established and manages two types of conduits: securities investment conduits ('SICs') and multi-seller conduits.

Securities investment conduits

The SICs purchase highly rated asset-backed securities ('ABSs') to facilitate tailored investment opportunities.

At 31 December 2025, Solitaire, the group's principal SIC, did not hold any ABSs (2024: £0.6bn), and was previously funded entirely by commercial paper ('CP') issued to the group. At 31 December 2025, no CP was held by the group (2024: £0.8bn).

Multi-seller conduits

The group's multi-seller conduit was established to provide access to flexible market-based sources of finance for its clients. Currently, the group bears risk equal to transaction-specific facility offered to the multi-seller conduits, amounting to £3.2bn at 31 December 2025 (2024: £3.0bn). First loss protection is provided by the originator of the assets, and not by the group, through transaction-specific credit enhancements. A layer of loss protection is provided by the group in the form of programme-wide enhancement facilities.

Securitisations

The group uses structured entities to securitise customer loans and advances it originates in order to diversify its sources of funding for asset origination and capital efficiency purposes. The loans and advances are transferred by HSBC to the structured entities for cash or synthetically, and the structured entities issue debt securities to investors. Where synthetic securitisations are used, the credit risk associated with the loan portfolio of assets is transferred to the structured entities through loan portfolio financial guarantees.

Notes on the financial statements

HSBC managed funds

The group together with other HSBC entities has established a number of money market and non-money market funds. Where it is deemed to be acting as principal rather than agent in its role as investment manager, the group controls these funds.

Other

The group has entered into a number of transactions in the normal course of business, which include asset and structured finance transactions where it has control of the structured entity. In addition, the group is deemed to control a number of third-party managed funds through its involvement as a principal in the funds.

Unconsolidated structured entities

The term 'unconsolidated structured entities' refers to all structured entities not controlled by the group. The group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities.

Nature and risks associated with the group's interests in unconsolidated structured entities

	Securitisations	HSBC managed funds	Non-HSBC managed funds	Other	Total
Total asset values of the entities (£m)					
0 – 400	—	63	802	14	879
400 – 1,500	—	25	691	1	717
1,500 – 4,000	—	16	298	—	314
4,000 – 20,000	—	11	157	—	168
20,000+	—	3	17	—	20
Number of entities at 31 Dec 2025	—	118	1,965	15	2,098

	£m	£m	£m	£m	£m
Total assets in relation to the group's interests in the unconsolidated structured entities	—	3,513	2,049	724	6,286
– trading assets	—	1	33	—	34
– financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	286	611	—	897
– loans and advances to customers	—	—	—	344	344
– financial investments	—	10	—	—	10
– assets held for sale	—	3,216	1,405	—	4,621
– other assets	—	—	—	380	380
Total liabilities in relation to the group's interests in the unconsolidated structured entities	—	3	—	—	3
Other off-balance sheet commitments	—	—	439	—	439
The group's maximum exposure at 31 Dec 2025	—	3,510	2,488	724	6,722

	Securitisations	HSBC managed funds	Non-HSBC managed funds	Other	Total
Total asset values of the entities (£m)					
0 – 400	1	128	934	11	1,074
400 – 1,500	—	39	711	1	751
1,500 – 4,000	—	17	264	—	281
4,000 – 20,000	—	17	119	—	136
20,000+	—	1	14	—	15
Number of entities at 31 Dec 2024	1	202	2,042	12	2,257

	£m	£m	£m	£m	£m
Total assets in relation to the group's interests in the unconsolidated structured entities	43	6,159	3,810	721	10,733
– trading assets	—	1	38	—	39
– financial assets designated and otherwise mandatorily measured at fair value through profit or loss	—	2,942	1,514	—	4,456
– loans and advances to banks	—	—	—	—	—
– loans and advances to customers	43	—	547	311	901
– financial investments	—	5	—	—	5
– assets held for sale	—	3,211	1,711	—	4,922
– other assets	—	—	—	410	410
Total liabilities in relation to the group's interests in the unconsolidated structured entities	—	6	—	—	6
Other off-balance sheet commitments	13	—	556	—	569
The group's maximum exposure at 31 Dec 2024	56	6,153	4,366	721	11,296

The maximum exposure to loss from the group's interests in unconsolidated structured entities represents the maximum loss it could incur as a result of its involvement with these entities regardless of the probability of the loss being incurred.

- For commitments, guarantees and written credit default swaps, the maximum exposure to loss is the notional amount of potential future losses.
- For retained and purchased investments and loans to unconsolidated structured entities, the maximum exposure to loss is the carrying amount of these interests at the balance sheet reporting date.

Notes on the financial statements

The maximum exposure to loss is stated gross of the effects of hedging and collateral arrangements that HSBC has entered into in order to mitigate the group's exposure to loss.

Securitisations

The group has interests in unconsolidated securitisation vehicles through holding notes issued by these entities. In addition, the group has investments in ABSs issued by third-party structured entities.

HSBC managed funds

The group together with other HSBC entities establishes and manages money market funds and non-money market investment funds to provide customers with investment opportunities. The group, as fund manager, may be entitled to receive management and performance fees based on the assets under management. The group may also retain units in these funds.

Non-HSBC managed funds

The group purchases and holds units of third-party managed funds in order to facilitate business and meet customer needs.

Other

The group has established structured entities in the normal course of business, such as structured credit transactions for customers, to provide finance to public and private sector infrastructure projects, and for asset and structured finance transactions.

In addition to the interests disclosed above, the group enters into derivative contracts, reverse repos and stock borrowing transactions with structured entities. These interests arise in the normal course of business for the facilitation of third-party transactions and risk management solutions.

Group sponsored structured entities

The amount of assets transferred to and income received from such sponsored entities during 2025 and 2024 was not significant.

20 Goodwill and intangible assets

	The group		The bank	
	2025 £m	2024 £m	2025 £m	2024 £m
Goodwill	—	—	2	2
Other intangible assets ¹	276	303	44	132
At 31 Dec	276	303	46	134

¹ Included within the group's other intangible assets is internally generated software with a net carrying amount of £269m (2024: £296m). During 2025, capitalisation of internally generated software was £386m (2024: £145m), impairment was £238m (2024: £4m) and amortisation was £189m (2024: £71m).

21 Prepayments, accrued income and other assets

	The group		The bank	
	2025 £m	2024 £m	2025 £m	2024 £m
Cash collateral and margin receivables	34,812	41,027	28,595	31,662
Settlement accounts and items in the course of collection from other banks	4,416	4,680	3,829	4,196
Bullion	14,051	5,612	13,641	5,428
Prepayments and accrued income	2,613	2,426	1,573	1,485
Property, plant and equipment	152	176	9	10
Right-of-use assets	158	146	21	25
Employee benefit assets (Note 5)	117	74	21	20
Other accounts	2,298	2,809	1,104	1,210
At 31 Dec	58,617	56,950	48,793	44,036

Prepayments, accrued income and other assets include £43.3bn (2024: £50.0bn) of financial assets, the majority of which are measured at amortised cost.

22 Trading liabilities

	The group		The bank	
	2025 £m	2024 £m	2025 £m	2024 £m
Deposits by banks ¹	6,514	8,529	6,638	8,669
Customer accounts ¹	5,995	6,531	5,995	6,530
Other debt securities in issue	29	59	29	59
Other liabilities – net short positions in securities	29,339	27,514	13,276	13,885
At 31 Dec	41,877	42,633	25,938	29,143

¹ 'Deposits by banks' and 'Customer accounts' include repos, stock lending and other amounts.

Notes on the financial statements

23 Financial liabilities designated at fair value

	The group		The bank	
	2025	2024	2025	2024
	£m	£m	£m	£m
Deposits by banks and customer accounts	6,668	5,127	6,555	5,079
Liabilities to customers under investment contracts	145	1,078	—	—
Debt securities in issue	34,307	30,432	25,042	22,601
Subordinated liabilities (Note 26)	722	806	722	806
At 31 Dec	41,842	37,443	32,319	28,486

The group

The carrying amount of financial liabilities designated at fair value was £2,898m less than the contractual amount at maturity (2024: £3,111m lower). The cumulative amount of change in fair value attributable to changes in credit risk was a loss of £(92)m (2024: gain of £70m).

The bank

The carrying amount of financial liabilities designated at fair value was £2,785m less than the contractual amount at maturity (2024: £2,817m lower). The cumulative amount of change in fair value attributable to changes in credit risk was a loss of £(64)m (2024: gain of £11m).

24 Accruals, deferred income and other liabilities

	The group		The bank	
	2025	2024	2025	2024
	£m	£m	£m	£m
Cash collateral and margin payables	40,578	39,676	27,154	30,922
Settlement accounts and items in the course of transmission to other banks	4,274	4,893	3,767	4,480
Accruals and deferred income	2,524	2,662	1,440	1,628
Amount due to investors in funds consolidated by the group	—	—	—	—
Lease liabilities	229	196	28	30
Employee benefit liabilities (Note 5)	130	172	37	51
Reinsurance contract liabilities	3	39	—	—
Share-based payment liability to HSBC Holdings	159	118	104	80
Endorsements and acceptances	65	69	65	68
Other liabilities	2,496	2,659	1,257	1,168
At 31 Dec	50,458	50,484	33,852	38,427

For the group, accruals, deferred income and other liabilities include £49.8bn (2024: £49.8bn), and for the bank £33.6bn (2024: £38.2bn) of financial liabilities, the majority of which are measured at amortised cost.

25 Provisions

	Restructuring costs	Legal proceedings and regulatory matters	Customer remediation	Other provisions	Total
	£m	£m	£m	£m	£m
The group					
Provisions (excluding contractual commitments)					
At 01 Jan 2025	27	50	7	107	191
Additions	287	1,075	2	21	1,385
Amounts utilised	(50)	(40)	(2)	(20)	(112)
Unused amounts reversed	(10)	(15)	(4)	(6)	(35)
Exchange and other movements	5	9	—	(17)	(3)
At 31 Dec 2025	259	1,079	3	85	1,426
Contractual commitments¹					
At 01 Jan 2025					84
Net change in expected credit loss provision and other movements					(10)
At 31 Dec 2025					74
Total Provisions					
At 31 Dec 2024					275
At 31 Dec 2025					1,500
Provisions (excluding contractual commitments)					
At 01 Jan 2024	76	104	9	118	307
Additions	8	46	3	37	94
Amounts utilised	(41)	(94)	(3)	(46)	(184)
Unused amounts reversed	(19)	(7)	(2)	(26)	(54)
Exchange and other movements	3	1	—	24	28
At 31 Dec 2024	27	50	7	107	191
Contractual commitments¹					
At 1 Jan 2024					83
Net change in expected credit loss provision and other movements					1
At 31 Dec 2024					84
Total Provisions					
At 31 Dec 2023					390
At 31 Dec 2024					275

Notes on the financial statements

The bank	Restructuring costs £m	Legal proceedings and regulatory matters £m	Customer remediation £m	Other provisions £m	Total £m
Provisions (excluding contractual commitments)					
At 01 Jan 2025	7	43	3	32	85
Additions	37	242	1	2	282
Amounts utilised	(26)	(37)	—	(7)	(70)
Unused amounts reversed	(8)	(14)	(2)	(3)	(27)
Exchange and other movements	—	7	—	(16)	(9)
At 31 Dec 2025	10	241	2	8	261
Contractual commitments¹					
At 1 Jan 2025					25
Net change in expected credit loss provision and other movements					(14)
At 31 Dec 2025					11
Total provisions					
At 31 Dec 2024					110
At 31 Dec 2025					272
Provisions (excluding contractual commitments)					
At 1 Jan 2024	9	95	5	35	144
Additions	5	43	2	17	67
Amounts utilised	(3)	(91)	(2)	(7)	(103)
Unused amounts reversed	(4)	(3)	(2)	(13)	(22)
Exchange and other movements	—	(1)	—	(7)	(8)
At 31 Dec 2024	7	43	3	32	85
Contractual commitments¹					
At 1 Jan 2024					32
Net change in expected credit loss provision and other movements					(7)
At 31 Dec 2024					25
Total Provisions					
At 31 Dec 2023					176
At 31 Dec 2024					110

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 42.

Customer remediation

Customer remediation refers to HSBC's activities to compensate customers for losses or damages associated with a failure to comply with regulations or to treat customers fairly. Customer remediation is often initiated by HSBC in response to customer complaints and/or industry developments in sales practices, and is not necessarily initiated by regulatory action.

Restructuring costs

These provisions comprise the estimated cost of restructuring, including redundancy costs where an obligation exists. Additions made during the year relate to formal restructuring plans made within the group.

Legal proceedings and regulatory matters

Further details of legal proceedings and regulatory matters are set out in Note 32. 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 refer to investigations, reviews and other actions carried out by, or in response to the actions of, regulatory or law enforcement agencies in connection with alleged wrongdoing.

Bernard L. Madoff Investment Securities LLC

In a 2009 lawsuit in Luxembourg relating to the Bernard L. Madoff Investment Securities LLC fraud, HSBC Securities Services Luxembourg ('HSSL') is defending a claim brought by Herald Fund SPC ('Herald') for restitution of securities and £388m in cash (plus interest) or, alternatively damages in the amount of £4.2bn (plus interest). On 24 October 2025, the Luxembourg Court of Cassation denied HSSL's appeal in respect of Herald's securities restitution claim, but accepted HSSL's appeal in respect of Herald's cash restitution claim. HSSL will now pursue a second appeal before the Luxembourg Court of Appeal. If HSSL is unsuccessful in that second appeal, it will contest the amount HSSL is required to pay in subsequent proceedings before the Court of Appeal. Following this development, we recognised a £0.8bn provision. Given the pendency of the second appeal and the complexities and uncertainties associated with determining the quantum of restitution, the eventual financial impact could be significantly different.

Tax-related investigations

Since 2023 the French National Financial Prosecutor ('PNF') had been investigating HSBC Continental Europe and the Paris branch of HSBC Bank plc in connection with the dividend withholding tax treatment of certain historical trading activities. During the year a provision of £0.2bn was recognised, and in January 2026 HSBC Bank plc reached an agreement with the PNF to resolve its investigation. HSBC Bank plc paid a total of £264m and the matter is now closed.

26 Subordinated liabilities

Subordinated liabilities

	The group		The bank	
	2025	2024	2025	2024
	£m	£m	£m	£m
At amortised cost	18,919	16,908	18,919	16,874
– subordinated liabilities	18,219	16,208	18,919	16,874
– preferred securities	700	700	—	—
Designated at fair value (Note 23)	722	806	722	806
– subordinated liabilities	722	806	722	806
At 31 Dec	19,641	17,714	19,641	17,680

Subordinated liabilities rank behind senior obligations and generally count towards the capital base of the bank. Capital securities may be called and redeemed by the bank subject to prior notification to the PRA and, where relevant, the consent of the local banking regulator. If not redeemed at the first call date, coupons payable may reset or become floating rate based on relevant market rates. On subordinated liabilities other than floating rate notes, interest is payable at fixed rates of up to 6.79%.

The balance sheet amounts disclosed below are presented on an IFRS basis and do not reflect the amount that the instruments contribute to regulatory capital due to the inclusion of issuance costs, regulatory amortisation and regulatory eligibility limits.

Subordinated liabilities of the group

		Carrying amount	
		2025	2024
		£m	£m
Additional Tier 1 instruments			
Additional Tier 1 instruments guaranteed by the bank			
£700m	5.844% Non-cumulative Step-up Perpetual Preferred Securities ^{1,2,3}	610	583
Tier 2 instruments			
€1,500m	HSBC Bank plc floating rate Subordinated Loan due 2032	1,310	1,239
\$300m	HSBC Bank plc 7.65% Subordinated Notes due 2025 ⁴	—	142
\$750m	HSBC Bank plc 4.186% Subordinated Loan due 2027	560	589
£200m	HSBC Bank plc floating rate Subordinated Loan due 2028	200	200
\$2,000m	HSBC Bank plc 1.625% Subordinated Loan due 2031	1,484	1,532
€2,000m	HSBC Bank plc 0.375% Subordinated Loan due 2031	1,741	1,605
€2,000m	HSBC Bank plc 0.375% Subordinated Loan due 2031	1,741	1,605
€1,250m	HSBC Bank plc 0.25% Subordinated Loan due 2031 ⁴	—	1,003
£500m	HSBC Bank plc 5.375% Subordinated Notes due 2033	162	156
£600m	HSBC Bank plc 4.75% Subordinated Notes due 2046	160	165
\$1,250m	HSBC Bank plc floating rate Subordinated Loan due 2028	931	995
\$1,100m	HSBC Bank plc floating rate Subordinated Loan due 2033	819	875
€400m	HSBC Bank plc floating rate Subordinated Loan due 2028	352	335
€400m	HSBC Bank plc floating rate Subordinated Loan due 2029	353	335
€500m	HSBC Bank plc floating rate Subordinated Loan due 2028	437	413
€500m	HSBC Bank plc floating rate Subordinated Loan due 2029	437	413
€500m	HSBC Bank plc floating rate Subordinated Loan due 2029	436	413
€85m	HSBC Bank plc 5.15% Subordinated Loan due 2043	74	70
€800m	HSBC Bank plc floating rate Subordinated Loan due 2030	698	660
€65m	HSBC Bank plc 5.24% Subordinated Loan due 2043	57	54
\$800m	HSBC Bank plc 6.79% Subordinated Loan due 2029	615	647
€200m	HSBC Bank plc floating rate Subordinated Loan due 2034	174	165
€800m	HSBC Bank plc floating rate Subordinated Loan due 2030	698	660
€300m	HSBC Bank plc floating rate Subordinated Loan due 2035	262	247
€400m	HSBC Bank plc floating rate Subordinated Loan due 2035	349	330
€500m	HSBC Bank plc floating rate Subordinated Loan due 2031	436	412
€800m	HSBC Bank plc floating rate Subordinated Loan due 2031	698	660
€500m	HSBC Bank plc floating rate Subordinated Loan due 2036	436	412
€400m	HSBC Bank plc floating rate Subordinated Loan due 2033	349	330
€500m	HSBC Bank plc floating rate Subordinated Loan due 2036	436	—
\$500m	HSBC Bank plc floating rate Subordinated Loan due 2031	372	—
\$2,250m	HSBC Bank plc 4.619% Subordinated Loan due 2031	1,673	—
\$250m	HSBC Bank plc 5.133% Subordinated Loan due 2036	185	—
€400m	HSBC Bank plc floating rate Subordinated Loan due 2032	347	330
€225m	HSBC Bank plc 6.25% Subordinated Notes due 2041	49	46
€350m	HSBC Bank plc 5.375% Callable Subordinated Step-up Notes due 2030 ^{3,4}	—	61
Other Tier 2 instruments each less than £100m⁴		—	32
At 31 Dec		19,641	17,714

1 The value of the security partially decreased as a result of a fair value hedge gain. Also, the interest rate payable after November 2031 is the sum of the Compounded Daily SONIA rate plus 2.0366%.

2 See paragraph below, 'Guaranteed by HSBC Bank plc'.

3 These instruments are ineligible for inclusion in the capital base of the group.

4 Redeemed in 2025.

Guaranteed by HSBC Bank plc

Capital securities guaranteed by the bank were issued by a Jersey limited partnership. The proceeds of these were lent to the bank by the limited partnership in the form of a subordinated note. These securities qualified as additional tier 1 capital for the bank (on a solo and consolidated basis) under CRR II until 31 December 2021 by virtue of the application of grandfathering provisions. Since 31 December 2021, these securities have no longer qualified as regulatory capital for the group.

As at 31 December 2025, the preferred securities guaranteed by HSBC Bank plc are intended to provide investors with rights to income and capital distributions, as well as distributions upon liquidation of the issuer that are equivalent to the rights that they would have had if they had purchased non-cumulative perpetual preference shares of the issuer. There are limitations on the payment of distributions if such payments are prohibited under UK banking regulations or other requirements, if a payment would cause a breach of the bank's capital adequacy requirements, or if the bank has insufficient distributable reserves (as defined).

The bank has covenanted that, if prevented under certain circumstances from paying distributions on the preferred securities in full, it will not pay dividends or other distributions in respect of its ordinary shares, or repurchase or redeem its ordinary shares, until the distribution on the preferred securities have been paid in full.

If the preferred securities guaranteed by the bank are outstanding in November 2048, or if the total capital ratio of the bank (on a solo or consolidated basis) falls below the regulatory minimum required, or if the Directors expect it to do so in the near term, provided that proceedings have not been commenced for the liquidation, dissolution or winding up of the bank, the holders' interests in the preferred securities will be exchanged for interests in preference shares issued by the bank that have economic terms which are in all material respects equivalent to the preferred securities and the guarantee.

Tier 2 securities

Tier 2 capital instruments are dated subordinated instruments on which there is an obligation to pay coupons. These capital instruments are included within the group's regulatory capital base as tier 2 capital under CRR II. CRR II grandfathering provisions expired on 26 June 2025 and previously grandfathered instruments are now ineligible as regulatory capital for the group. In accordance with CRR II, the capital contribution of all tier 2 instruments is amortised for regulatory purposes in their final five years before maturity.

27 Maturity analysis of assets, liabilities and off-balance sheet commitments

Contractual maturity of financial liabilities

The balances in the table below do not agree directly with those in our consolidated balance sheet as the table incorporates, on an undiscounted basis, all cash flows relating to principal and future coupon payments (except for trading liabilities and derivatives not treated as hedging derivatives).

Undiscounted cash flows payable in relation to hedging derivative liabilities are classified according to their contractual maturities. Trading liabilities and derivatives not treated as hedging derivatives are included in the 'Due not more than 1 month' time bucket and not by contractual maturity.

In addition, loans and other credit-related commitments, and financial guarantees are generally not recognised on our balance sheet. The undiscounted cash flows potentially payable under loan and other credit-related commitments and financial guarantees are classified on the basis of the earliest date they can be called.

Cash flows payable under financial liabilities by remaining contractual maturities

	Due not more than 1 month	Due over 1 month but not more than 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
The group	£m	£m	£m	£m	£m	£m
Deposits by banks	35,902	1,275	216	2,207	325	39,925
Customer accounts	215,335	18,622	10,690	279	99	245,025
Repurchase agreements – non-trading	41,077	3,707	1,829	658	—	47,271
Trading liabilities	41,877	—	—	—	—	41,877
Financial liabilities designated at fair value	10,499	4,449	6,963	16,082	8,215	46,208
Derivatives	165,293	73	79	458	1,178	167,081
Debt securities in issue	2,914	1,561	7,359	1,251	525	13,610
Subordinated liabilities	26	156	542	8,049	15,918	24,691
Other financial liabilities ¹	47,394	448	293	174	46	48,355
	560,317	30,291	27,971	29,158	26,306	674,043
Loan and other credit-related commitments	146,640	—	—	—	—	146,640
Financial guarantees ²	2,809	—	—	—	—	2,809
At 31 Dec 2025	709,766	30,291	27,971	29,158	26,306	823,492

Notes on the financial statements

Cash flows payable under financial liabilities by remaining contractual maturities (continued)

	Due not more than 1 month	Due over 1 month but not more than 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
	£m	£m	£m	£m	£m	£m
Deposits by banks	22,218	1,144	2,510	537	316	26,725
Customer accounts	212,491	19,021	10,965	654	89	243,220
Repurchase agreements – non-trading	36,469	2,542	1,001	859	—	40,871
Trading liabilities	42,633	—	—	—	—	42,633
Financial liabilities designated at fair value	10,719	2,074	4,977	15,915	8,266	41,951
Derivatives	195,839	83	140	509	1,309	197,880
Debt securities in issue	3,630	3,662	10,563	2,040	886	20,781
Subordinated liabilities	28	160	622	7,839	13,916	22,565
Other financial liabilities ¹	47,159	277	563	140	35	48,174
	571,186	28,963	31,341	28,493	24,817	684,800
Loan and other credit-related commitments	128,007	—	—	—	—	128,007
Financial guarantees ²	2,876	—	—	—	—	2,876
At 31 Dec 2024	702,069	28,963	31,341	28,493	24,817	815,683

Cash flows payable under financial liabilities by remaining contractual maturities

	Due not more than 1 month	Due over 1 month but not more than 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
	£m	£m	£m	£m	£m	£m
The bank						
Deposits by banks	27,199	1,232	94	1,841	—	30,366
Customer accounts	121,137	11,893	5,254	188	—	138,472
Repurchase agreements – non-trading	34,379	2,811	2,105	1,890	—	41,185
Trading liabilities	25,938	—	—	—	—	25,938
Financial liabilities designated at fair value	10,015	3,957	4,825	12,341	4,911	36,049
Derivatives	150,894	73	77	360	1,143	152,547
Debt securities in issue	635	263	5,324	214	86	6,522
Subordinated liabilities	26	156	542	8,049	16,229	25,002
Other financial liabilities ¹	32,340	317	20	15	11	32,703
	402,563	20,702	18,241	24,898	22,380	488,784
Loan and other credit-related commitments	40,270	—	—	—	—	40,270
Financial guarantees ²	1,081	—	—	—	—	1,081
At 31 Dec 2025	443,914	20,702	18,241	24,898	22,380	530,135
Deposits by banks	16,038	1,097	2,306	22	—	19,463
Customer accounts	122,014	12,645	7,537	195	—	142,391
Repurchase agreements – non-trading	29,939	1,904	1,236	2,159	—	35,238
Trading liabilities	29,143	—	—	—	—	29,143
Financial liabilities designated at fair value	10,468	1,720	3,838	11,546	4,805	32,377
Derivatives	182,584	83	137	454	1,281	184,539
Debt securities in issue	2,513	2,459	7,608	256	83	12,919
Subordinated liabilities	28	160	609	7,829	14,370	22,996
Other financial liabilities ¹	36,663	127	342	14	13	37,159
	429,390	20,195	23,613	22,475	20,552	516,225
Loan and other credit-related commitments	35,552	—	—	—	—	35,552
Financial guarantees ²	1,143	—	—	—	—	1,143
At 31 Dec 2024	466,085	20,195	23,613	22,475	20,552	552,920

1 Excludes financial liabilities of disposal groups.

2 Excludes performance guarantee contracts to which the impairment requirements in IFRS 9 are not applied.

Maturity analysis of financial assets and financial liabilities

The following table provides an analysis of financial assets and liabilities by residual contractual maturity at the balance sheet date. These balances are included in the maturity analysis as follows:

- Financial assets and liabilities with no contractual maturity (such as equity securities) are included in the 'Due after more than 1 year' time bucket. Undated or perpetual instruments are classified based on the contractual notice period, which the counterparty of the instrument is entitled to give. Where there is no contractual notice period, undated or perpetual contracts are included in the 'Due after more than 1 year' time bucket.
- Financial instruments included within assets and liabilities of disposal groups held for sale are classified on the basis of the contractual maturity of the underlying instruments and not on the basis of the disposal transaction.
- Liabilities under investment contracts are classified in accordance with their contractual maturity. Undated investment contracts are included in the 'Due after more than 1 year' time bucket, however, such contracts are subject to surrender and transfer options by the policyholders.

Notes on the financial statements

Maturity analysis of financial assets and financial liabilities

The group	2025			2024		
	Due within 1 year £m	Due after more than 1 year £m	Total £m	Due within 1 year £m	Due after more than 1 year £m	Total £m
Assets						
Financial assets designated or otherwise mandatorily measured at fair value	3,731	2,021	5,752	3,695	5,722	9,417
Loans and advances to banks	18,527	822	19,349	13,859	662	14,521
Loans and advances to customers	44,198	35,660	79,858	41,064	41,602	82,666
Reverse repurchase agreement – non-trading	64,815	3,295	68,110	52,190	1,422	53,612
Financial investments	10,675	55,939	66,614	10,549	41,667	52,216
Other financial assets	42,674	687	43,361	49,500	503	50,003
Assets held for sale	549	5,009	5,558	3,356	18,250	21,606
At 31 Dec	185,169	103,433	288,602	174,213	109,828	284,041
Liabilities						
Deposits by banks	37,294	2,385	39,679	25,750	765	26,515
Customer accounts	244,385	378	244,763	241,587	716	242,303
Repurchase agreements – non-trading	46,165	593	46,758	39,627	757	40,384
Financial liabilities designated at fair value	21,673	20,169	41,842	17,563	19,880	37,443
Debt securities in issue	11,692	1,131	12,823	17,628	1,833	19,461
Other financial liabilities	49,472	353	49,825	49,482	285	49,767
Subordinated liabilities	—	18,919	18,919	155	16,753	16,908
Liabilities of disposal groups held for sale	10,888	4,823	15,711	4,552	18,558	23,110
At 31 Dec	421,569	48,751	470,320	396,344	59,547	455,891

The bank	2025			2024		
	Due within 1 year £m	Due after more than 1 year £m	Total £m	Due within 1 year £m	Due after more than 1 year £m	Total £m
Assets						
Financial assets designated or otherwise mandatorily measured at fair value	3,153	629	3,782	3,231	429	3,660
Loans and advances to banks	13,536	2,393	15,929	11,141	1,589	12,730
Loans and advances to customers	18,510	13,870	32,380	17,802	13,114	30,916
Reverse repurchase agreement – non-trading	43,034	2,398	45,432	33,069	1,325	34,394
Financial investments	3,812	38,413	42,225	5,668	28,582	34,250
Other financial assets	34,613	10	34,623	38,061	—	38,061
Assets held for sale ¹	239	76	315	390	137	527
At 31 Dec	116,897	57,789	174,686	109,362	45,176	154,538
Liabilities						
Deposits by banks	28,434	1,775	30,209	19,334	21	19,355
Customer accounts	138,193	188	138,381	141,930	192	142,122
Repurchase agreements – non-trading	38,730	1,711	40,441	32,592	1,953	34,545
Financial liabilities designated at fair value	18,591	13,728	32,319	15,926	12,560	28,486
Debt securities in issue	6,087	268	6,355	12,370	298	12,668
Other financial liabilities	33,591	22	33,613	38,148	25	38,173
Subordinated liabilities	—	18,919	18,919	142	16,732	16,874
Liabilities of disposal groups held for sale	1,552	—	1,552	2,667	—	2,667
At 31 Dec	265,178	36,611	301,789	263,109	31,781	294,890

¹ Assets held for sale include planned sale of business in South Africa.

28 Offsetting of financial assets and financial liabilities

In the offsetting of financial assets and financial liabilities, the net amount is reported in the balance sheet when the offset criteria are met. This is achieved when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

In the following table, the 'Amounts not set off in the balance sheet' include transactions where:

- the counterparty has an offsetting exposure with the group and a master netting or similar arrangement is in place with a right of set off only in the event of default, insolvency or bankruptcy, or the offset criteria are not otherwise satisfied; and
- in the case of derivatives and reverse repurchase/repurchase, stock borrowing/lending and similar agreements, cash and non-cash collateral (debt securities and equities) has been received/pledged to cover net exposure in the event of a default or other predetermined events.

The effect of over-collateralisation is excluded.

'Amounts not subject to enforceable master netting agreements' include contracts executed in jurisdictions where the rights of set off may not be upheld under the local bankruptcy laws, and transactions where a legal opinion evidencing enforceability of the right of offset may not have been sought, or may have been unable to obtain.

For risk management purposes, the net amounts of loans and advances to customers are subject to limits, which are monitored and the relevant customer agreements are subject to review and updated, as necessary, to ensure that the legal right of offset remains appropriate.

Notes on the financial statements

	Amounts subject to enforceable netting arrangements							Total
	Gross amounts £m	Amounts offset £m	Net amounts in the balance sheet £m	Amounts not set off in the balance sheet		Net amount £m	Amounts not subject to enforceable netting arrangements ⁵ £m	
				Financial instruments, including non- cash collateral £m	Cash collateral £m			
Financial assets								
Derivatives (Note 14) ¹	220,231	(52,534)	167,697	(150,054)	(17,414)	229	888	168,585
Reverse repos, stock borrowing and similar agreements classified as ² :								
– trading assets	16,897	(456)	16,441	(16,441)	—	—	43	16,484
– non-trading assets	166,428	(98,448)	67,980	(67,902)	(73)	5	130	68,110
Loans and advances to customers ³	22,726	(12,314)	10,412	(8,465)	—	1,947	1	10,413
At 31 Dec 2025	426,282	(163,752)	262,530	(242,862)	(17,487)	2,181	1,062	263,592
Derivatives (Note 14) ¹	260,807	(66,478)	194,329	(177,527)	(16,137)	665	3,843	198,172
Reverse repos, stock borrowing and similar agreements classified as ² :								
– trading assets	13,994	(635)	13,359	(13,360)	—	(1)	390	13,749
– non-trading assets	117,236	(67,320)	49,916	(49,019)	(178)	719	3,696	53,612
Loans and advances to customers ³	21,359	(11,119)	10,240	(8,897)	—	1,343	3	10,243
At 31 Dec 2024	413,396	(145,552)	267,844	(248,803)	(16,315)	2,726	7,932	275,776
Financial liabilities								
Derivatives (Note 14) ¹	218,166	(52,534)	165,632	(147,761)	(17,610)	261	1,034	166,666
Repos, stock lending and similar agreements classified as ² :								
– trading liabilities	12,715	(246)	12,469	(12,469)	—	—	1	12,470
– non-trading liabilities	145,416	(98,658)	46,758	(46,597)	(161)	—	—	46,758
Customer accounts ⁴	26,463	(12,314)	14,149	(8,465)	—	5,684	3	14,152
At 31 Dec 2025	402,760	(163,752)	239,008	(215,292)	(17,771)	5,945	1,038	240,046
Derivatives (Note 14) ¹	260,721	(66,478)	194,243	(172,425)	(21,461)	357	2,839	197,082
Repos, stock lending and similar agreements classified as ² :								
– trading liabilities	15,283	(252)	15,031	(15,032)	—	(1)	5	15,036
– non-trading liabilities	108,006	(67,702)	40,304	(40,015)	(124)	165	80	40,384
Customer accounts ⁴	25,259	(11,119)	14,140	(8,897)	—	5,243	8	14,148
At 31 Dec 2024	409,269	(145,551)	263,718	(236,369)	(21,585)	5,764	2,932	266,650

- At 31 Dec 2025, the amount of cash margin received that had been offset against the gross derivatives assets was £1,430m (2024: £2,279m). The amount of cash margin paid that had been offset against the gross derivatives liabilities was £7,524m (2024: £1,663m).
- For the amount of repos, reverse repos, stock lending, stock borrowing and similar agreements recognised on the balance sheet within 'Trading assets' and 'Trading liabilities', see the 'Funding sources and uses' table on page 61.
- At 31 Dec 2025, the total amount of 'Loans and advances to customers' recognised on the balance sheet was £79,858m (2024: £82,666m) of which £10,412m (2024: £10,240m) was subject to offsetting.
- At 31 Dec 2025, the total amount of 'Customer accounts' recognised on the balance sheet was £244,763m (2024: £242,303m) of which £14,149m (2024: £14,140m) was subject to offsetting.
- These exposures continue to be secured by financial collateral, but we may not have sought or been able to obtain a legal opinion evidencing enforceability of the right of offset.

Notes on the financial statements

29 Called up share capital and other equity instruments

Issued and fully paid

HSBC Bank plc £1.00 ordinary shares

	2025		2024	
	Number	£m	Number	£m
At 1 Jan	796,969,115	797	796,969,113	797
At 31 Dec	796,969,115	797	796,969,115	797

HSBC Bank plc share premium

	2025	2024
	£m	£m
At 31 Dec	3,582	3,582

Total called up share capital and share premium

	2025	2024
	£m	£m
At 31 Dec	4,379	4,379

HSBC Bank plc US\$0.01 non-cumulative third dollar preference shares preferred ordinary shares

	2025		2024	
	Number	£000	Number	£000
At 31 Dec	35,000,000	172	35,000,000	172

The bank has no obligation to redeem the preference shares but may redeem them in part or in whole at any time, subject to prior notification to the PRA. Dividends on the preference shares in issue are paid annually at the sole and absolute discretion of the Board of Directors. The Board of Directors will not declare a dividend on the preference shares in issue if (i) payment of the dividend would cause a breach of the capital adequacy requirements of the bank (or its subsidiary undertakings) under applicable laws or regulations or (ii) the distributable profits of the bank are insufficient to enable the payment in full or in part (as applicable) of the dividends on the preference shares in issue. If either the solo or consolidated Common equity tier 1 capital ratio of the bank as of any date falls below 7.00% (a so-called 'right conversion event'), the rights attaching to the preference shares shall be altered irrevocably and permanently such that they have the same rights attaching to them as ordinary shares. Holders of the preference shares in issue will be able to attend any general meetings of shareholders of the bank and to vote on any resolution proposed to vary or abrogate any of the rights attaching to the preference shares or any resolution proposed to reduce the paid up capital of the preference shares. If the dividend payable on the preference shares in issue has not been paid in full for the most recent dividend period, if a rights conversion event has occurred or if any resolution is proposed for the winding-up of the bank or the sale of its entire business then, in such circumstances, holders of preference shares will be entitled to vote on all matters put to general meetings. In the case of unpaid dividends, the holders of preference shares in issue will be entitled to attend and vote at any general meetings until such time as dividends on the preference shares for the most recent dividend period have been paid in full, or a sum set aside for such payment in full, in respect of one dividend period. All shares in issue are fully paid.

Other equity instruments

HSBC Bank plc additional tier 1 instruments

				First call date	2025	2024
					£m	£m
£1,900m	8.236%	Undated Subordinated Resettable Additional Tier 1 Instruments issued 2015 ¹		Dec 2020	1,388	1,388
£235m	5.650%	Undated Subordinated Resettable Additional Tier 1 Instruments issued 2016 ¹		Jan 2022	197	197
£300m	3.813%	Undated Subordinated Resettable Additional Tier 1 Instruments issued 2018 ¹		Mar 2023	263	263
£555m	5.063%	Undated Subordinated Resettable Additional Tier 1 Instruments issued 2018 ¹		Mar 2023	555	555
£500m	8.194%	Undated Subordinated Resettable Additional Tier 1 Instruments issued 2019 ¹		Nov 2024	500	500
£431m	7.790%	Undated Subordinated Resettable Additional Tier 1 Instruments issued 2019 ¹		Dec 2024	431	431
£200m	6.907%	Undated Subordinated Resettable Additional Tier 1 Instruments issued 2019 ¹		Jan 2025	175	175
£250m	Floating Rate	Undated Subordinated Additional Tier 1 Instruments issued 2022 ²		Mar 2027	208	208
£250m	5.625%	Undated Subordinated Resettable Additional Tier 1 Loan issued 2024 ¹		Dec 2029	204	204
£250m	8.200%	Undated Subordinated Resettable Additional Tier 1 Loan issued 2025 ¹		Apr 2030	187	—
£120m	Floating Rate	Undated Subordinated Additional Tier 1 Loan issued 2025 ³		Oct 2030	89	—
At 31 Dec					4,197	3,921

¹ Interest rates reset every five years if not called.

² Interest is floating, based on 3 month EURIBOR + 4.060%.

³ Interest is floating, based on SOFR + 3.390%.

These instruments are held by HSBC Holdings plc. The bank continues to issue capital instruments that are included in the group's capital base as fully CRR II-compliant additional tier 1 capital.

Interest on these instruments will be due and payable only at the sole discretion of the bank, and the bank has sole and absolute discretion at all times and to cancel for any reason (in whole or in part) any interest payment that would otherwise be payable on any date. There are limitations on the payment of principal, interest or other amounts if such payments are prohibited under UK banking regulations, or if the bank has insufficient distributable items reserves or fails to satisfy the solvency condition defined in the instruments' terms. The instruments are undated and are repayable, at the option of the bank, in whole at the first call date, or (as applicable) on any interest payment date after the first call date or on any interest rate reset date thereafter. In addition, the instruments are repayable at the option of the bank in whole for certain regulatory or tax reasons. Any repayments require the prior consent of the PRA. These instruments rank pari passu with the bank's most senior class or classes of issued preference shares and therefore ahead of ordinary shares. These instruments will be written down in whole, together with any accrued but unpaid interest if either the group's solo or consolidated Common Equity Tier 1 capital ratio falls below 7.00%.

Notes on the financial statements

30 Contingent liabilities, contractual commitments, guarantees and contingent assets

	The group		The bank	
	2025 £m	2024 £m	2025 £m	2024 £m
Guarantees and other contingent liabilities:				
– financial guarantees	2,809	2,876	1,081	1,143
– performance and other guarantees	22,173	19,464	7,513	6,774
– other contingent liabilities	15	18	—	5
At 31 Dec	24,997	22,358	8,594	7,922
Commitments: ¹				
– documentary credits and short-term trade-related transactions	1,450	1,588	807	688
– forward asset purchases and forward deposits placed	47,313	32,672	8,202	3,791
– standby facilities, credit lines and other commitments to lend	97,877	93,746	31,261	31,073
At 31 Dec	146,640	128,006	40,270	35,552

1 Includes £140.7bn of commitments (2024: £121.8bn), 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 of off-balance sheet liabilities and commitments, 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.

Contingent liabilities arising from legal proceedings, regulatory and other matters against group companies are disclosed in Note 32.

Financial Services Compensation Scheme

The Financial Services Compensation Scheme ('FSCS') provides compensation, up to certain limits, to eligible customers of financial services firms that are unable, or likely to be unable, to pay claims against them. The FSCS may impose a further levy on the Group to the extent the industry levies imposed to date are not sufficient to cover the compensation due to customers in any future possible collapse. The ultimate FSCS levy to the industry as a result of a collapse cannot be estimated reliably. It is dependent on various uncertain factors including the potential recovery of assets by the FSCS, changes in the level of protected products (including deposits and investments) and the population of FSCS members at the time.

Guarantees

	The group				The bank			
	2025	2024	2025	2024	2025	2024	2025	2024
	In favour of third parties	By the group in favour of other HSBC Group entities	In favour of third parties	By the group in favour of other HSBC Group entities	In favour of third parties	By the bank in favour of other HSBC Group entities	In favour of third parties	By the bank in favour of other HSBC Group entities
	£m	£m	£m	£m	£m	£m	£m	£m
Financial guarantees ¹	2,327	482	2,413	463	902	179	969	174
Performance and other guarantees	20,124	2,049	17,675	1,789	5,612	1,901	4,814	1,960
Total	22,451	2,531	20,088	2,252	6,514	2,080	5,783	2,134

1 Financial guarantees contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due, in accordance with the original or modified terms of a debt instrument. The amounts in the above table are nominal principal amounts. 'Financial guarantees' to which the impairment requirements in IFRS 9 are applied have been presented separately from other guarantees to align with credit risk disclosures.

The group provides guarantees and similar undertakings on behalf of both third-party customers and other entities within HSBC Group. These guarantees are generally provided in the normal course of the group's banking businesses. Guarantees with terms of more than one year are subject to the group's annual credit review process.

31 Finance lease receivables

The group leases a variety of assets to third parties under finance leases, including transport assets (such as aircraft), property and general plant and machinery. At the end of lease terms, assets may be sold to third parties or leased for further terms. Rentals are calculated to recover the cost of assets less their residual value, and earn finance income.

	2025			2024		
	Total future minimum payments £m	Unearned finance income £m	Present value £m	Total future minimum payments £m	Unearned finance income £m	Present Value £m
Lease receivables:						
No later than one year	89	(11)	78	132	(22)	110
One to two years	83	(10)	73	113	(15)	98
Two to three years	68	(9)	59	97	(13)	84
Three to four years	55	(7)	48	80	(11)	69
Four to five years	45	(6)	39	57	(10)	47
Later than one year and no later than five years	251	(32)	219	347	(49)	298
Later than five years	221	(15)	206	241	(18)	223
At 31 Dec	561	(58)	503	720	(89)	631

32 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. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 December 2025 (see Note 25: '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. The Trustee has appealed. The Trustee's remaining claims, which amount to \$184m, 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 \$382m (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 may appeal.

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). Herald's damages claim against HSSL and HSBC Bank plc has been stayed. In December 2024, the Luxembourg Court of Appeal determined that Herald's claims for restitution of securities and cash against HSSL were founded in principle. HSSL appealed this decision and, in October 2025, the Luxembourg Court of Cassation denied HSSL's appeal in respect of Herald's securities restitution claim, but accepted HSSL's appeal in respect of Herald's cash restitution claim, which has been returned to the Luxembourg District Court for determination. HSSL is pursuing a second appeal on the securities restitution claim before the Luxembourg Court of Appeal. Following the Court of Cassation's decision, HSSL has recognised a \$1.1bn provision in connection with this matter. Given the pendency of the second appeal and 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. One of these actions has been dismissed but may be appealed. The other five 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 January 2024, the South African Competition Appeal Court dismissed HSBC Bank USA from the revised complaint but denied HSBC Bank plc's application to dismiss. Both the Competition Commission and HSBC Bank plc have appealed to the Constitutional Court of South Africa.

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 court approval.

Tax-related investigations

Since 2023, the French National Financial Prosecutor ('PNF') had been investigating HBCE and the Paris branch of HSBC Bank plc, in connection with alleged tax fraud related to the dividend withholding tax treatment of certain trading activities. In January 2026, HSBC Bank plc reached an agreement with the PNF to resolve its investigation. HSBC Bank plc paid a total of €302m and this matter is now closed. The investigation into HBCE was closed with no further action.

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. These investigations 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.

Notes on the financial statements

33 Related party transactions

The immediate and ultimate parent company of the group is HSBC Holdings plc, which is incorporated in England and Wales.

Copies of the group financial statements may be obtained from the below address.

HSBC Holdings plc

8 Canada Square

London E14 5HQ

The group's related parties include the parent, fellow subsidiaries, associates, joint ventures, post-employment benefit plans for HSBC employees, Key Management Personnel ('KMP') of the bank and its ultimate parent company, HSBC Holdings plc, close family members of the KMP and entities which are controlled, jointly controlled or significantly influenced by the KMP or their close family members.

Particulars of transactions between the group and the related parties are tabulated below in accordance with IAS 24 'Related party disclosures'. The disclosure of the year-end balance and the highest amounts outstanding during the year are considered to be the most meaningful information to represent the amount of the transactions and outstanding balances during the year.

Key Management Personnel

The KMP of the bank are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the bank and the group. They include the Directors of the bank, certain senior executives of the bank, directors of HSBC Holdings plc and certain senior executives of HSBC Holdings plc.

The emoluments of those KMP who are not Directors or senior executives of the bank are paid by other Group companies who make no recharge to the bank. Accordingly, no emoluments in respect of these KMP are included in the following disclosure.

The table below represents the compensation for KMP (directors and certain senior executives) of the bank in exchange for services rendered to the bank for the period they served during the year.

Compensation of Key Management Personnel

	2025 £000	2024 £000
Short-term employee benefits ¹	20,399	12,764
Post-employment benefits	137	71
Other long-term employee benefits	3,093	1,229
Share-based payments	11,075	4,195
Year ended 31 Dec	34,704	18,259

1 Includes fees paid to non-executive Directors.

Advances and credits, guarantees and deposit balances during the year with Key Management Personnel

	2025		2024	
	Balance at 31 Dec £m	Highest amounts outstanding during year ² £m	Balance at 31 Dec £m	Highest amounts outstanding during year £m
Key Management Personnel¹				
Advances and credits	—	—	—	—
Deposits	22	60	32	79

1 Includes close family members and entities which are controlled or jointly controlled by KMP of the bank or their close family members.

2 Exchange rate applied for non-GBP amounts is the average for the year.

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

In addition to the requirements of IAS 24, particulars of advances (loans and quasi-loans), credits and guarantees entered into by the group with Directors of HSBC Bank plc are required to be disclosed pursuant to section 413 of the Companies Act 2006. Under the Companies Act, there is no requirement to disclose transactions with other KMP. During the course of 2025, there were no advances, credits and guarantees entered into by the group with Directors of HSBC Bank plc.

Other related parties

Transactions and balances during the year with KMP of the bank's ultimate parent company

During the course of 2025, there were no transactions and balances between KMP of the bank's ultimate parent company, who were not considered KMP of the bank, in respect of advances and credits, guarantees and deposits.

Transactions and balances during the year with associates and joint ventures

The group provides certain banking and financial services to associates and joint ventures, including loans, overdrafts, interest and non-interest bearing deposits and current accounts. Details of the interests in associates and joint ventures are given in Notes 17 and 36.

Notes on the financial statements

Transactions and balances during the year with associates and joint ventures

	2025		2024	
	Highest balance during the year	Balance at 31 Dec	Highest balance during the year	Balance at 31 Dec
	£m	£m	£m	£m
Amounts due from joint ventures	43	43	—	—
Amounts due from associates	225	176	87	46
Amounts due to associates	115	111	77	36
Amounts due to joint ventures	13	12	4	4
Fair value of derivative assets with associates	9	4	14	14
Fair value of derivative liabilities with associates	18	15	25	20
Guarantees and commitments	217	212	144	180

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

The group's transactions and balances during the year with HSBC Holdings plc and subsidiaries of HSBC Holdings plc

	2025				2024			
	Due to/from HSBC Holdings plc		Due to/from subsidiaries of HSBC Holdings plc		Due to/from HSBC Holdings plc		Due to/from subsidiaries of HSBC Holdings plc	
	Highest balance during the year	Balance at 31 Dec	Highest balance during the year	Balance at 31 Dec	Highest balance during the year	Balance at 31 Dec	Highest balance during the year	Balance at 31 Dec
	£m	£m	£m	£m	£m	£m	£m	£m
Assets								
Trading assets	82	59	150	19	77	26	190	55
Derivatives	4,335	2,556	24,501	20,033	6,314	4,220	23,365	23,365
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	1	1	—	—	5	1	26	—
Loans and advances to banks	—	—	6,626	6,626	—	—	6,384	3,723
Loans and advances to customers	5	—	935	520	15	—	565	444
Financial investments	82	—	—	—	194	79	—	—
Reverse repurchase agreements – non-trading	—	—	7,941	5,459	—	—	13,538	5,139
Prepayments, accrued income and other assets	78	1	10,643	6,731	109	51	11,134	7,028
Total related party assets at 31 Dec	4,583	2,617	50,796	39,388	6,714	4,377	55,202	39,754
Liabilities								
Trading liabilities	160	89	2,854	196	96	83	2,795	2,795
Financial liabilities designated at fair value	596	560	114	15	589	589	608	12
Deposits by banks	—	—	6,619	4,409	—	—	5,352	4,141
Customer accounts	5,602	3,712	2,938	1,859	7,441	1,982	11,113	2,938
Derivatives	2,306	1,381	24,270	17,723	2,320	2,236	24,744	24,270
Subordinated liabilities	18,212	18,100	—	—	15,938	15,938	—	—
Repurchase agreements – non-trading	—	—	4,785	2,200	—	—	8,187	3,181
Provisions, accruals, deferred income and other liabilities	2,687	1,581	11,953	6,461	4,153	2,382	11,174	4,115
Total related party liabilities at 31 Dec	29,563	25,423	53,533	32,863	30,537	23,210	63,973	41,452
Guarantees and commitments	—	—	4,980	3,103	—	—	5,046	4,317

HSBC Bank plc routinely enters into related party transactions with other entities in the HSBC Group. These include transactions to facilitate third-party transactions with customers, transactions for internal risk management, and other transactions relevant to HSBC Group processes. These transactions and the above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

Notes on the financial statements

The bank's transactions and balances during the year with HSBC Bank plc subsidiaries, HSBC Holdings plc and subsidiaries of HSBC Holdings plc

	2025						2024					
	Due to/from subsidiaries of HSBC Bank plc subsidiaries		Due to/from HSBC Holdings plc		Due to/from subsidiaries of HSBC Holdings plc		Due to/from subsidiaries of HSBC Bank plc subsidiaries		Due to/from HSBC Holdings plc		Due to/from subsidiaries of HSBC Holdings plc	
	Highest balance during the year	Balance at 31 Dec	Highest balance during the year	Balance at 31 Dec	Highest balance during the year	Balance at 31 Dec	Highest balance during the year	Balance at 31 Dec	Highest balance during the year	Balance at 31 Dec	Highest balance during the year	Balance at 31 Dec
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets												
Trading assets	4	—	56	36	150	19	135	3	76	26	190	55
Derivatives	11,959	6,955	4,335	2,556	22,174	18,703	11,959	11,959	6,314	4,220	21,999	21,999
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	209	192	—	—	—	—	207	206	—	—	—	—
Loans and advances to banks	3,360	2,345	—	—	4,350	4,350	3,059	2,161	—	—	5,015	2,443
Loans and advances to customers	2,839	2,425	5	—	554	137	4,111	2,839	15	—	202	198
Financial investments	6,854	6,377	—	—	—	—	6,658	6,481	—	—	—	—
Reverse repurchase agreements – non-trading	2,589	2,515	—	—	3,695	1,987	4,102	973	—	—	12,768	1,857
Prepayments, accrued income and other assets	5,807	1,754	77	1	9,624	6,146	5,293	492	109	51	9,566	5,742
Investments in subsidiary undertakings	13,377	13,127	—	—	—	—	13,247	13,247	—	—	—	—
Total related party assets at 31 Dec	46,998	35,690	4,473	2,593	40,547	31,342	48,771	38,361	6,514	4,297	49,740	32,294
Liabilities												
Trading liabilities	165	126	115	78	2,854	196	357	140	95	82	2,795	2,795
Financial liabilities designated at fair value	—	—	596	560	114	15	—	—	589	589	608	12
Deposits by banks	2,452	1,309	—	—	5,239	3,713	1,698	1,172	—	—	3,839	2,640
Customer accounts	654	482	5,602	3,712	2,698	1,560	661	563	7,441	1,982	10,954	2,698
Derivatives	11,258	7,752	2,306	1,381	21,934	16,438	10,388	10,022	2,320	2,236	22,993	21,934
Subordinated liabilities	700	700	18,212	18,100	—	—	700	700	15,938	15,938	—	—
Repurchase agreements – non-trading	4,714	3,103	—	—	3,390	1,452	4,071	3,178	—	—	8,142	3,045
Provisions, accruals, deferred income and other liabilities	5,194	851	2,686	1,580	10,626	5,888	7,045	2,679	4,148	2,379	10,298	3,684
Total related party liabilities at 31 Dec	25,137	14,323	29,517	25,411	46,855	29,262	24,920	18,454	30,531	23,206	59,629	36,808
Guarantees and commitments	12,025	4,734	—	—	3,085	1,515	5,322	2,115	—	—	3,674	2,302

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

Post-employment benefit plans

The HSBC Bank (UK) Pension Scheme (the 'Scheme') entered into swap transactions with the bank to manage the inflation and interest rate sensitivity of the liabilities. At 31 December 2025, the gross notional value of the swaps was £4,900m (2024: £5,109m), the swaps had a positive fair value of £261m to the bank (2024: £336m) and the bank had delivered collateral of £248m (2024: £322m) to the Scheme in respect of these swaps. All swaps were executed at prevailing market rates and within standard market bid/offer spreads.

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

Held for sale at 31 December

	2025 £m	2024 £m
Held for sale at 31 Dec		
Disposal groups	5,566	21,620
Unallocated impairment losses ¹	(59)	(25)
Non-current assets held for sale	51	11
Assets held for sale	5,558	21,606
Liabilities of disposal groups held for sale	15,711	23,110

1 This represents impairment losses in excess of the carrying value of the non-current assets in scope of IFRS 5 for measurement, recognised against the total assets of the disposal group.

Disposal groups

Retained portfolio of home and certain other loans in France

Following the sale of our French retail banking operations on 1 January 2024, HSBC Continental Europe retained a portfolio of home and certain other loans, with a carrying value of €7.1bn (£5.9bn) at the time of sale. On 31 October 2025, HSBC Continental Europe completed the sale of its retained portfolio to a consortium comprising Rothesay Life plc and CCF. Prior to their derecognition at completion, as at 30 September 2025, related balances stood at £4.4bn in loans. The completion of the transaction resulted in the recycling of cumulative fair value losses of £1.1bn to the income statement that were previously recognised through other comprehensive income. For the year ended 31 December 2025, we additionally recognised a £0.1bn mark-to-market gain in 'net income from financial instruments held for trading or managed on a fair value basis' arising on certain non-qualifying economic hedges that were used to hedge interest rate risk on the portfolio. These non-qualifying economic hedges were derecognised following completion of the transaction.

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 completion, as at 31 December 2025, the balances that remained classified as held for sale were £5bn in assets and £4.9bn in liabilities. For the year ended 31 December 2025, we recognised a loss on disposal of £0.1bn.

French Life Insurance Business

On 31 October 2025, HSBC Continental Europe completed the sale of its French life insurance business, HSBC Assurances Vie (France), to Matmut Société d'Assurance Mutuelle. Prior to their derecognition at completion, as at 30 September 2025, related balances stood at £21bn in assets and £20.3bn in liabilities. For the year ended 31 December 2025, we recognised a £0.1bn pre-tax loss inclusive of migration costs and the recycling of related reserves.

Private Banking business in Germany

On 3 October 2025, HSBC Continental Europe completed the sale of its private banking business in Germany to BNP Paribas at which point we recognised a pre-tax gain on disposal of £0.1bn. Prior to their derecognition at completion, as at 30 September 2025, related balances stood at £1.1bn in assets and £1.1bn in liabilities.

Business in Malta

On 16 September 2025, HSBC Continental Europe signed a put option agreement with CrediaBank S.A. regarding the potential sale of its majority shareholding of 70.03% in HSBC Bank Malta plc. On 22 December 2025, pursuant to the terms of the put option agreement and following completion of HSBC Continental Europe's employee information and consultation process in France, a Sale and Purchase Agreement for the transaction was signed. The transaction, which remains subject to regulatory approvals, did not meet the criteria for held for sale in the fourth quarter of 2025, given completion is now expected in the first half of 2027. The sale is expected to generate an estimated pre-tax loss of £0.2bn, inclusive of migration costs, which we expect to recognise largely in the first half of 2026 upon classification of the disposal group as held for sale.

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 31 December 2025. This transaction, which remains subject to 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 is anticipated to be completed in a phased manner, starting in the first quarter 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 31 December 2025 of £0.3bn in assets and £9.3bn in liabilities. The sale is expected to generate an estimated pre-tax gain on disposal of £0.1bn, which will be recognised in line with completion of client transfers.

Business in South Africa

On 25 September 2024, HSBC Bank plc reached an agreement to transfer its business in South Africa to local lender FirstRand Bank Ltd. The disposal group met held for sale criteria in the fourth quarter of 2024, with balances remaining classified as held for sale at 31 December 2025 of £0.3bn in assets and £1.6bn in liabilities. The transaction is expected to complete in the first quarter of 2026. 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 31 December 2025, foreign currency translation reserve and other reserve losses stood at £0.1bn.

At 31 December 2025, the major classes of assets and associated liabilities of disposal groups held for sale, excluding allocated impairment losses, were as follows:

Notes on the financial statements

	HSBC Life (UK)	South Africa ¹	German Custody Business ²	Others	Total
	£m	£m	£m	£m	£m
Operating segment	IWPB	CIB and Corporate Centre	CIB		
Assets of disposal groups held for sale					
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 ³	—	—	—	—	—
Prepayments, accrued income and other assets	215	8	11	7	241
Total Assets at 31 Dec 2025	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 at 31 Dec 2025	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		

- Under the financial terms of the sale of our South Africa business, HSBC Bank plc will transfer the business with a net nil asset value at book value less any provisions. The purchase price for the asset value of £0.3bn will be satisfied by the transfer of agreed liabilities of £1.6bn. Any required increase to the net asset value of the business to achieve this will be satisfied by the inclusion of additional cash. Based upon the net liabilities of the disposal group at 31 December 2025, HSBC Bank plc would be expected to include a cash contribution of £1.3bn.
- Under the financial terms of the sale of our German custody business, HSBC Continental Europe will transfer a nil net asset value for each client transferred, by way of inclusion of additional cash.
- Represents financial investments measured at fair value through other comprehensive income.

	French Life Insurance Business	South Africa	Germany Private Banking Business	Total
	£m	£m	£m	£m
Operating segment	IWPB	CIB and Corporate Centre	IWPB	
Assets of disposal groups held for sale				
Cash and balances at central banks	—	—	1,511	1,511
Financial assets designated and otherwise mandatorily measured at fair value through profit and loss	11,607	—	—	11,607
Loans and advances to banks	115	—	—	115
Loans and advances to customers	—	523	246	769
Financial investments ¹	6,776	—	—	6,776
Insurance contract assets	18	—	—	18
Prepayments, accrued income and other assets	793	13	18	824
Total Assets at 31 Dec 2024	19,309	536	1,775	21,620
Liabilities of disposal groups held for sale				
Customer accounts	—	2,626	1,662	4,288
Financial liabilities designated at fair value	9	—	95	104
Insurance contract liabilities	17,387	—	—	17,387
Accruals, deferred income and other liabilities	1,272	41	18	1,331
Total Liabilities at 31 Dec 2024	18,668	2,667	1,775	23,110
Date of completion	Second half of 2025	First half of 2026	Second half of 2025	

- Represents financial investments measured at fair value through other comprehensive income.

35 Events after the balance sheet date

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 completion, as at 31 December 2025, the balances that were classified as held for sale were £5bn in assets and £4.9bn in liabilities. For the year ended 31 December 2025, we recognised a loss on disposal of £0.1bn.

36 HSBC Bank plc's subsidiaries, joint ventures and associates

In accordance with section 409 of the Companies Act 2006 a list of HSBC Bank plc subsidiaries, joint ventures and associates, the registered office address and the effective percentage of equity owned at 31 December 2025 is disclosed below.

Unless otherwise stated, the share capital comprises ordinary or common shares which are held by HSBC Bank plc or its subsidiaries. The ownership percentage is provided for each undertaking. The undertakings below are consolidated by HSBC Bank plc unless otherwise indicated.

HSBC Bank plc's registered office address is:

HSBC Bank plc
8 Canada Square
London E14 5HQ

Notes on the financial statements

Subsidiaries

The undertakings below are consolidated by the group.

Subsidiaries	% of share class held by immediate parent company (or by HSBC Bank plc where this varies)	Footnotes
AI Nominees (UK) One Limited	100.00	3, 8
AI Nominees (UK) Two Limited	100.00	3, 8
Assetfinance December (H) Limited (In Liquidation)	100.00	9
Assetfinance December (P) Limited	100.00	3, 8
Assetfinance December (R) Limited (In Liquidation)	100.00	9
Assetfinance June (A) Limited	100.00	8
Assetfinance March (B) Limited	100.00	10
Assetfinance March (F) Limited (In Liquidation)	100.00	9
Assetfinance September (F) Limited	100.00	8
Banco Nominees (Guernsey) Limited	100.00	11
Banco Nominees 2 (Guernsey) Limited	100.00	11
Banco Nominees Limited	100.00	12
Beau-Soleil Limited Partnership	N/A	1, 13
BentallGreenOak China Real Estate Investments, L.P.	N/A	1, 14
CCF & Partners Asset Management Limited (In Liquidation)	100.00 (99.99)	9
CCF Holding (Liban) S.A.L. (In Liquidation)	74.99	2, 15
Charterhouse Administrators (D.T.) Limited	100.00 (99.99)	8
Charterhouse Management Services Limited	100.00 (99.99)	8
Charterhouse Pensions Limited	100.00	3, 8
COIF Nominees (UK) Two Limited	100.00	3, 8
COIF Nominees Limited	N/A	1, 3, 8
Corsair IV Financial Services Capital Partners - B L.P.	N/A	1, 16
Eton Corporate Services Limited	100.00	11
Flandres Contentieux S.A.	100.00 (99.99)	5, 17
Foncière Elysées	100.00 (99.99)	5, 17
Griffin International Limited (In Liquidation)	100.00	9
HLF	100.00 (99.99)	5, 17
HSBC (BGF) Investments Limited	100.00	3, 8
HSBC Asset Finance (UK) Limited	100.00	3, 8
HSBC Asset Finance M.O.G. Holdings (UK) Limited	100.00	3, 8
HSBC Bank (General Partner) Limited	100.00	3, 18
HSBC Bank Bermuda Limited	100.00	3, 12
HSBC Bank Capital Funding (Sterling 1) LP	N/A	1, 18
HSBC Bank Malta p.l.c.	70.03	19
HSBC Cayman Limited (In Liquidation)	100.00	20
HSBC Cayman Services Limited	100.00	20
HSBC Client Holdings Nominee (UK) Limited	100.00	3, 8
HSBC Client Nominee (Jersey) Limited	100.00	2, 3, 21
HSBC Continental Europe	99.99	3, 5, 17
HSBC Corporate Trustee Company (UK) Limited	100.00	3, 8
HSBC Custody Services (Guernsey) Limited	100.00	11
HSBC Equity (UK) Limited (In Liquidation)	100.00	3, 9
HSBC Europe B.V.	100.00	3, 8
HSBC Factoring (France)	100.00 (99.99)	5, 17
HSBC Financial Services (Lebanon) S.A.L (In Liquidation)	99.83	22
HSBC Global Asset Management (Bermuda) Limited	100.00	4, 12
HSBC Global Asset Management (Deutschland) GmbH	100.00 (99.99)	6, 23
HSBC Global Asset Management (France)	100.00 (99.99)	5, 24
HSBC Global Asset Management (Malta) Limited	100.00 (70.03)	25
HSBC Global Custody Nominee (UK) Limited	100.00	3, 8
HSBC Global Custody Proprietary Nominee (UK) Limited	100.00	3, 8
HSBC Institutional Trust Services (Bermuda) Limited	100.00	12
HSBC Investment Bank Holdings Limited	100.00	3, 8

Subsidiaries	% of share class held by immediate parent company (or by HSBC Bank plc where this varies)	Footnotes
HSBC Issuer Services Common Depositary Nominee (UK) Limited	100.00	3, 8
HSBC Life (UK) Limited	100.00	3, 8
HSBC Life Assurance (Malta) Ltd.	100.00 (70.03)	25
HSBC LU Nominees Limited	100.00	3, 8
HSBC Marking Name Nominee (UK) Limited	100.00	3, 8
HSBC Middle East Leasing Partnership	N/A	1, 26
HSBC Overseas Nominee (UK) Limited	100.00	3, 8
HSBC PB Corporate Services 1 Limited	100.00	27
HSBC Pension Trust (Ireland) DAC (In Liquidation)	100.00	3, 28
HSBC PI Holdings (Mauritius) Limited	100.00	29
HSBC Preferential LP (UK)	100.00	3, 8
HSBC Private Bank (Luxembourg) S.A.	100.00 (99.99)	30
HSBC Private Bank (Suisse) SA	100.00	3, 31
HSBC Private Banking Nominee 3 (Jersey) Limited	100.00	27
HSBC Private Equity Investments (UK) Limited	100.00	3, 8
HSBC Private Markets Management SARL	N/A	1, 2, 32
HSBC Property Funds (Holding) Limited	100.00	8
HSBC Real Estate Leasing (France)	100.00 (99.99)	5, 17
HSBC REIM (France)	100.00 (99.99)	5, 24
HSBC Securities (South Africa) (Pty) Limited	100.00	3, 33
HSBC Securities Services (Bermuda) Limited	100.00	12
HSBC Securities Services (Guernsey) Limited	100.00	11
HSBC Securities Services (Ireland) DAC	100.00	28
HSBC Securities Services (Luxembourg) S.A.	100.00	3, 30
HSBC Securities Services Holdings (Ireland) DAC	100.00	28
HSBC Service Company Germany GmbH	100.00 (99.99)	6, 23
HSBC Services (France)	100.00 (99.99)	5, 17
HSBC SFT (C.I.) Limited	100.00	3, 11
HSBC Specialist Investments Limited	100.00	8
HSBC Transaction Services GmbH	100.00 (99.99)	6, 23
HSBC Trinkaus & Burkhardt (International) S.A.	100.00 (99.99)	30
HSBC Trinkaus & Burkhardt Gesellschaft für Bankbeteiligungen mbH	100.00 (99.99)	6, 23
HSBC Trinkaus & Burkhardt GmbH	100.00 (99.99)	6, 23
HSBC Trinkaus Real Estate GmbH	100.00 (99.99)	6, 23
HSBC Trustee (C.I.) Limited	100.00	3, 27
HSBC Trustee (Guernsey) Limited	100.00	3, 11
HSIL Investments Limited	100.00	8
Internationale Kapitalanlagegesellschaft mit beschränkter Haftung	100.00 (99.99)	6, 23
James Capel (Nominees) Limited	100.00	3, 8
James Capel (Taiwan) Nominees Limited	100.00	3, 8
Keyser Ullmann Limited	100.00 (99.99)	8
Midcorp Limited (In Liquidation)	100.00	3, 9
Prudential Client HSBC GIS Nominee (UK) Limited	100.00	3, 8
Republic Nominees Limited	100.00	11
RLUKREF Nominees (UK) One Limited	100.00	3, 8
RLUKREF Nominees (UK) Two Limited	100.00	3, 8
S.A.P.C. - Ufipro Recouvrement	99.99	7, 17
Saf Baiyun	100.00 (99.99)	5, 17
Saf Guangzhou	100.00 (99.99)	5, 17
SFM	100.00 (99.99)	5, 17
SFSS Nominees (Pty) Limited	100.00	33
Sico Limited	100.00	34
SNC Les Oliviers D'Antibes	60.00 (59.99)	7, 24
SNCB/M6-2007 A	100.00 (99.99)	2, 5, 17
SNCB/M6-2007 B	100.00 (99.99)	2, 5, 17
SNCB/M6-2008 A	100.00 (99.99)	2, 5, 17
Société Française et Suisse	100.00 (99.99)	5, 17
Somers Dublin DAC	100.00 (99.99)	28
Somers Nominees (Far East) Limited	100.00	12
Sopingest	100.00 (99.99)	2, 5, 17

Notes on the financial statements

Subsidiaries	% of share class held by immediate parent company (or by HSBC Bank plc where this varies)	Footnotes
Trinkaus Europa Immobilien-Fonds Nr.3 Objekt Utrecht Verwaltungs-GmbH	100.00 (99.99)	6, 23
Trinkaus Immobilien-Fonds Geschaeftsfuehrungs-GmbH	100.00 (99.99)	6, 23
Trinkaus Immobilien-Fonds Verwaltungs-GmbH	100.00 (99.99)	6, 23
Trinkaus Private Equity Management GmbH	100.00 (99.99)	6, 23
Trinkaus Private Equity Verwaltungs GmbH	100.00 (99.99)	6, 23
Valeurs Mobilières Elysées	100.00 (99.99)	5, 17
Woodex Limited	100.00	12

Joint ventures

The undertakings below are joint ventures and equity accounted.

Joint Ventures	% of share class held by immediate parent company (or by HSBC Bank plc where this varies)	Footnotes
MK HoldCo Limited	50.32	2, 35
Pentagreen Capital Pte. Ltd	50.00	36
ProServe Bermuda Limited	50.00	37
The London Silver Market Fixing Limited	N/A	1, 2, 3, 38

Associates

The undertakings below are associates and equity accounted.

Associates	% of share class held by immediate parent company (or by HSBC Bank plc where this varies)	Footnotes
Aiera, Inc.	2.90	4, 39
BGF Group plc	24.62	40
Bud Financial Limited	6.20	4, 41
Episode Six Inc.	5.68	4, 42
Future Forward Holdings LLC	N/A	1, 43
HQLAX S.à r.l.	6.09	4, 44
Intelligent Processing Solution Limited	10.00	2, 3, 45
Lightico Ltd	3.19	4, 46
LiquidityMatch LLC	N/A	1, 47
London Precious Metals Clearing Limited	30.00	2, 3, 48
Marketnode PTE. Ltd.	12.64	4, 49
Quantexa Limited	8.92	4, 50
Threadneedle Software Holdings Limited	7.80	4, 51
Topaz Consultation LLC	N/A	1, 43
Trade Information Network Limited (In Liquidation)	12.76	52
Trinkaus Europa Immobilien-Fonds Nr. 7 Frankfurt Mertonviertel KG	N/A	1, 23
We Trade Innovation Designated Activity Company (In Liquidation)	9.88	2, 53

Footnotes

- Where an entity is governed by voting rights, HSBC consolidates when it holds – directly or indirectly – the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities, and whether power is held as an agent or principal. HSBC's consolidation policy is described in Note 1.2(a).
- Management has determined that these undertakings are excluded from consolidation in the group accounts as these entities do not meet the definition of subsidiaries in accordance with IFRS. HSBC's consolidation policy is described in Note 1.2(a).
- Directly held by HSBC Bank plc
- Preference Shares
- Actions

6	GmbH Anteil
7	Parts

Registered offices

8	8 Canada Square, London, United Kingdom, E14 5HQ
9	c/o Teneo Financial Advisory Limited, The Colmore Building, 20 Colmore Circus, Queensway, Birmingham, United Kingdom, B4 6AT
10	5 Donegal Square South, Northern Ireland, Belfast, United Kingdom, BT1 5JP
11	Arnold House, St Julian's Avenue, St Peter Port, Guernsey, GY1 3NF
12	37 Front Street, Harbourview Centre, Ground Floor, Hamilton, Pembroke, Bermuda, HM 11
13	1 Queen's Road Central, Hong Kong
14	Oak House Hirzel Street, St Peter Port, Guernsey, GY1 2NP
15	Solidere - Rue Saad Zaghloul Immeuble - 170 Marfaa, P.O. Box 17 5476 Mar Michael, Beyrouth, Lebanon, 11042040
16	c/o Walkers Corporate Services Limited, Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands, KY1-9005
17	38 avenue Kléber, Paris, France, 75116
18	HSBC House, Esplanade, St. Helier, Jersey, JE4 8UB
19	116 Archbishop Street, Valletta, Malta, VLT1444
20	P.O. Box 309 Ugland House, Grand Cayman, Cayman Islands, KY1-1104
21	HSBC House, Esplanade, St. Helier, Jersey, JE1 1HS
22	Centre Ville 1341 Building - 4th Floor Patriarche Howayek Street, PO Box Riad El Solh, Lebanon, 9597
23	Hansaallee 3, Düsseldorf, Germany, 40549
24	Immeuble Cœur Défense 110 esplanade du Général de Gaulle, Courbevoie, France, 92400
25	80 Mill Street, Qormi, Malta, QRM 3101
26	Unit 401, Level 4, Gate Precinct Building 2, Dubai International Financial Centre, P. O. Box 506553, Dubai, United Arab Emirates
27	HSBC House, Esplanade, St. Helier, Jersey, JE1 1GT
28	1 Grand Canal Square Grand Canal Harbour, Dublin 2, Ireland, D02 P820
29	5th Floor, IconEbene 1 Building, Lot 441, Rue de L'Institut, Ebene, Mauritius, 1704-01
30	18 Boulevard de Kockelscheuer, Luxembourg, Luxembourg, 1821
31	9-17 Quai des Bergues, Geneva, Switzerland, 1201
32	5 rue Heienhaff, Senningerberg, Luxembourg, L-1736
33	1 Mutual Place, 107 Rivonia Road, Sandton, Gauteng, South Africa, 2196
34	Woodbourne Hall, Road Town, Tortola, British Virgin Islands, P.O. Box 3162
35	35 Ballards Lane, London, United Kingdom, N3 1XW
36	38 Beach Road #19-11 South Beach Tower, Singapore, Singapore, 189767
37	c/o Mayfair Corporate Services Ltd., 26 Burnaby Street, Hamilton, Bermuda, HM11
38	27 Old Gloucester Street, London, United Kingdom, WC1N 3AX
39	800 North State Street, Suite 304, Dover, Delaware, United States of America, DE 19901
40	13-15 York Buildings, London, United Kingdom, WC2N 6JU
41	167-169 Great Portland Street, 5th Floor, London, United Kingdom, W1W 5PF
42	251 Little Falls Drive, New Castle, Wilmington, United States of America, 19808
43	c/o The Corporation Trust Company 1209 Orange Street, Wilmington, Delaware, United States of America, 19801
44	9 rue du Laboratoire, Grand Duchy of Luxembourg, Luxembourg, L-1911
45	Enigma, Wavendon Business Park, England, United Kingdom, MK17 8LX
46	121 HaHashmonaim St., Tel Aviv, Israel, 6713328
47	111 Town Square Place, Suite 840, Jersey City, New Jersey, United States of America, 07310
48	7th Floor, 62 Threadneedle Street, London, United Kingdom, EC2R 8HP
49	1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore, 098632
50	c/o Company Secretarial Department, 280 Bishopsgate, London, United Kingdom, EC2M 4AG
51	2nd Floor, Regis House, 45 King William Street, London, United Kingdom, EC4R 9AN
52	45 Gresham Street, C/O Restructuring & Recovery Services (RRS) S&W Partners LLP, London, United Kingdom, EC2V 7BG
53	10 Earlsfort Terrace, Dublin, Ireland, D02 T380

HSBC Bank plc

8 Canada Square

London E14 5HQ

United Kingdom

Telephone: 44 020 7991 8888

www.hsbc.co.uk

Registered number 00014259