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Risk & Capital Analysis

Barclays PLC vs HSBC Holdings PLC

Reporting Period: Barclays: Q3 2025 (30 Sep) | HSBC: FY 2025 (31 Dec)

Analysis Date: 2026-03-24

Executive Summary

Overall: **Stable**

- Both UK G-SIBs maintain robust CET1 ratios well above regulatory requirements -- HSBC at 14.9% and Barclays at 14.1%, with headroom of 9.0% and 6.9% respectively above their MDA triggers.
- HSBC holds a structural liquidity advantage with NSFR of 143% vs Barclays' 135%, reflecting its deposit-rich Asian franchise. However, Barclays leads on LCR at 174.6% vs HSBC's 137%.
- Barclays' capital generation is stronger on a relative basis: +50bps CET1 accretion in 9 months despite GBP 1bn buybacks and dividends, driven by Investment Bank profitability.
- HSBC faces a one-off ~110bps CET1 hit from the Hang Seng Bank privatisation in January 2026 -- temporarily pushing CET1 below its 14-14.5% target range.
- Both banks benefit from the UK Basel 3.1 delay to January 2027. HSBC expects a 'modest benefit'; Barclays' investment banking model faces greater output floor sensitivity.
- Market risk profiles differ materially: Barclays' IB drives 56% of group RWA with GBP 15bn in modelled market risk; HSBC's market risk is proportionally smaller at $22bn IMA RWA on a $889bn total.

Key Metrics Dashboard

Metric	Value	Status	Comment
Barclays CET1 (14.1%)	14.1%	GREEN	6.9% headroom above MDA trigger
HSBC CET1 (14.9%)	14.9%	GREEN	9.0% headroom; post-HSB: ~13.8%
Barclays Leverage (4.9%)	4.9%	GREEN	Above 3.5% G-SIB minimum
HSBC Leverage (5.3%)	5.3%	GREEN	Excl. central bank claims
Barclays LCR (174.6%)	174.6%	GREEN	74.6% buffer above minimum
HSBC LCR (137%)	137%	GREEN	$190bn above requirement
Barclays NSFR (135.3%)	135.3%	GREEN	Stable funding surplus
HSBC NSFR (143%)	143%	GREEN	Stronger structural funding
Barclays MREL (35.8%)	35.8%	GREEN	Above 30.5% requirement
HSBC TLAC (32.9%)	32.9%	GREEN	Above 28.4% SoTP requirement
Hang Seng Privatisation	-110bps	AMBER	HSBC one-off Jan 2026 CET1 impact
Basel 3.1 Output Floor	Delayed	AMBER	UK implementation delayed to Jan 2027

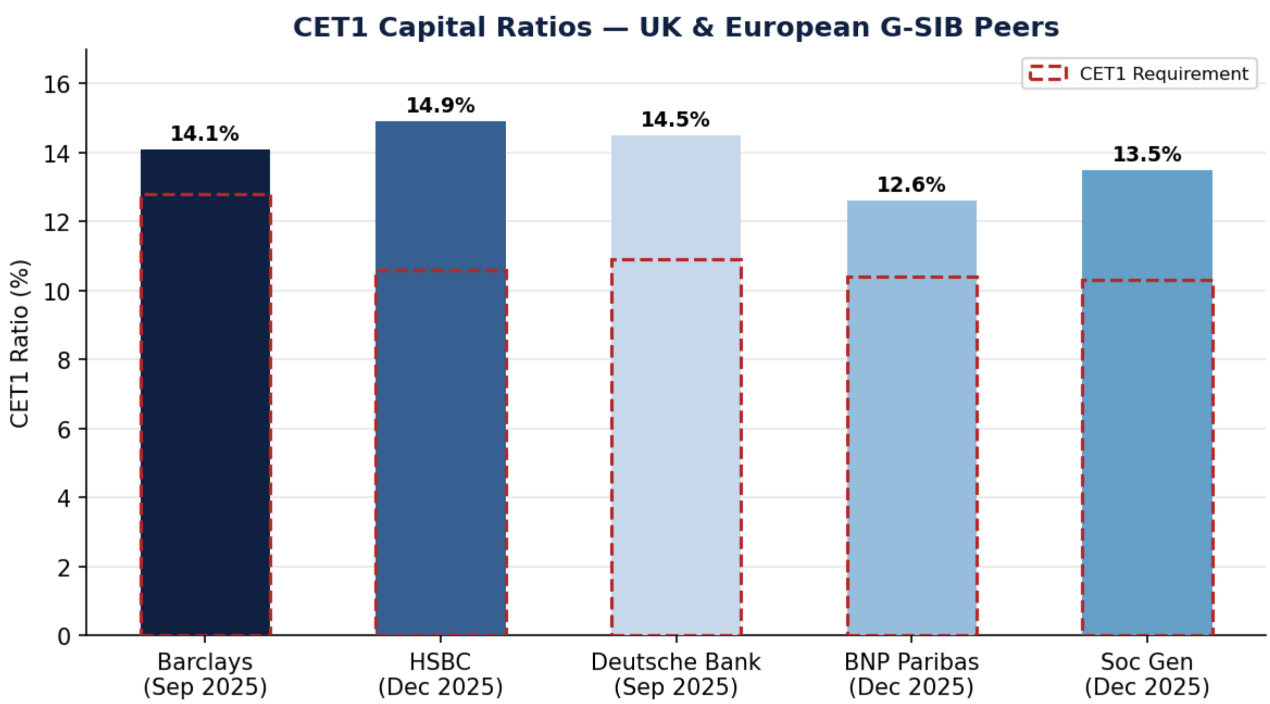
1. Capital Position

Both Barclays and HSBC maintain CET1 ratios comfortably above their respective overall capital requirements. Barclays' CET1 of 14.1% sits 6.9 percentage points above its MDA trigger, while HSBC's 14.9% provides 9.0 percentage points of headroom. HSBC's larger buffer reflects its lower combined buffer requirement (5.2% vs Barclays' 5.0%) and higher absolute CET1 level, despite carrying a higher G-SIB buffer (2.0% vs 1.5%).

A critical near-term event for HSBC is the Hang Seng Bank privatisation completed in January 2026, which had a net CET1 impact of approximately 110 basis points -- a ~120bps day-one hit partly offset by ~10bps release of structural FX hedging RWA. This temporarily pushes HSBC below its 14.0-14.5% target range.

Barclays generated +50bps of CET1 accretion over the first 9 months of 2025, driven by +140bps of attributable profit partially offset by -80bps of shareholder distributions. The disposal of the German Consumer Finance business and acquisition of Tesco Bank were the key portfolio changes. IFRS 9 transitional arrangements ended in January 2025, meaning all figures are now fully loaded.

CET1 Ratios -- Peer Comparison



Capital Ratios Comparison

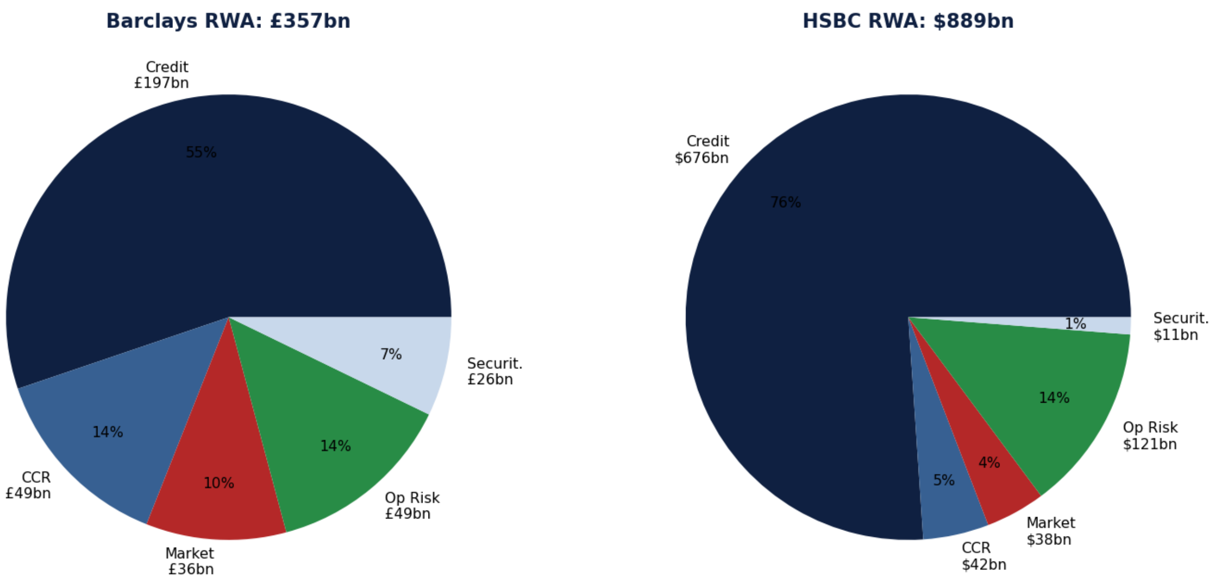
Metric	Barclays (Sep 2025)	HSBC (Dec 2025)	Delta
CET1 Ratio	14.1%	14.9%	HSBC +80bps
Tier 1 Ratio	17.8%	17.3%	Barclays +50bps
Total Capital Ratio	20.4%	20.5%	Broadly equal
Leverage Ratio	4.9%	5.3%	HSBC +40bps
Overall Capital Req.	17.8%	15.7%	Barclays higher req.
CET1 Headroom (MDA)	6.9%	9.0%	HSBC +210bps

MREL/TLAC (% RWA)	35.8%	32.9%	Barclays +290bps

Buffer Stack Decomposition

Buffer Component	Barclays	HSBC
Pillar 1 Minimum CET1	4.5%	4.5%
Pillar 2A (SREP) - CET1 portion	2.7%	1.4%
Capital Conservation Buffer	2.5%	2.5%
Countercyclical Buffer	1.0%	0.7%
G-SIB Buffer	1.5%	2.0%
Combined Buffer	5.0%	5.2%
Total SREP Own Funds Req.	12.8%	--
Overall Capital Requirement	17.8%	15.7%

RWA Composition



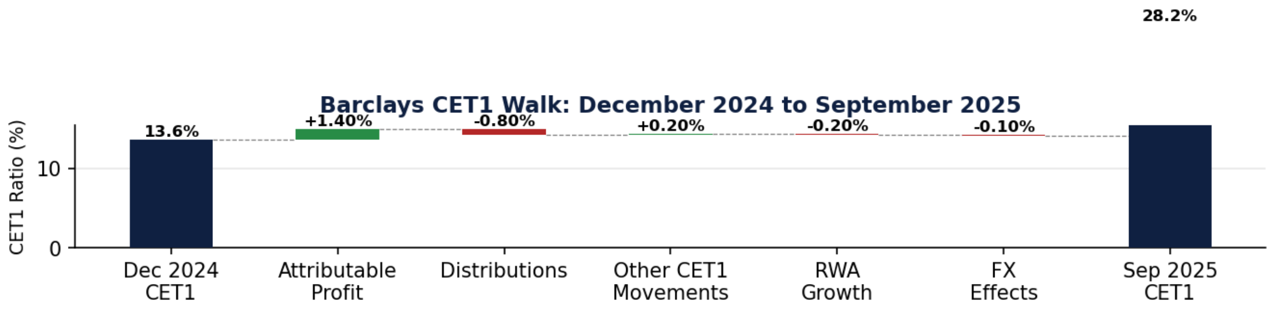
RWA Composition

The two banks have fundamentally different balance sheet structures. HSBC's $889bn of RWA is dominated by credit risk (76%), reflecting its vast global retail and commercial banking franchise. Barclays' GBP 357bn is more diversified, with the Investment Bank contributing 56% of total RWA across credit, CCR, and market risk. Barclays carries proportionally more market risk (10% of RWA vs HSBC's 4%) and CCR (14% vs 5%), consistent with its larger rates, FX, and equities trading operations.

Barclays CET1 Bridge (Dec 2024 to Sep 2025)

Attributable profit: +140bps | Shareholder distributions: -80bps | Other CET1 movements (FVOCI): +20bps | RWA growth: -20bps | FX effects: -10bps | Net: +50bps (13.6% to 14.1%)

CET1 Walk -- Barclays



2. Liquidity Position

Both banks maintain liquidity ratios well above regulatory minimums, but their liquidity profiles differ structurally. Barclays holds an exceptionally high LCR of 174.6% (12-month average), significantly above HSBC's 137%. This reflects Barclays' substantial HQLA buffer of GBP 312bn against GBP 180bn of net cash outflows.

However, HSBC leads on NSFR at 143% vs Barclays' 135%, indicating stronger structural funding stability. HSBC's advantage stems from its massive deposit franchise -- particularly in Asia -- which provides stable, low-cost funding. HSBC's total available stable funding of $1,621bn dwarfs Barclays' GBP 637bn.

HSBC's HQLA pool of $702bn is predominantly Level 1 assets (cash, central bank reserves, sovereign bonds), providing maximum liquidity quality. The bank maintains a $190bn surplus above the LCR regulatory requirement.

Liquidity Metrics Comparison

Metric	Barclays	HSBC
LCR (average)	174.6%	137%
NSFR (average)	135.3%	143%
Total HQLA	GBP 312bn	$702bn
Net Cash Outflows	GBP 180bn	$512bn
Available Stable Funding	GBP 637bn	$1,621bn
Required Stable Funding	GBP 471bn	$1,133bn
LCR Surplus Above 100%	GBP 132bn	$190bn

3. Asset Quality

Both banks operate primarily under the Advanced IRB approach for credit risk, with significant portfolios also under the Standardised Approach. Barclays' advanced IRB credit risk RWA stands at GBP 112.5bn, while HSBC's is $363bn.

Barclays' asset quality metrics show improvement: the disposal of the German Consumer Finance business removed a higher-risk portfolio, and credit quality within the Barclays UK mortgage book has improved, driving a GBP 1.5bn RWA reduction from asset quality improvements.

HSBC's credit risk is geographically diversified across Asia (largest), Europe, and the Americas. The key risk for HSBC is its exposure to the Hong Kong/China commercial real estate market, which has been under sustained pressure.

Credit Risk RWA by Approach

Approach	Barclays (GBP bn)	HSBC ($bn)
Standardised Approach	80.0	198.8
Foundation IRB	--	87.4
Slotting Approach	4.7	21.9
Advanced IRB	112.5	363.0
Total Credit Risk RWA	197.2	676.0

4. Market Risk & Trading

Market risk is where the two banks diverge most significantly. Barclays' Investment Bank is a top-tier rates, FX, and equities franchise, with modelled market risk RWA of GBP 15bn (end-of-day spot) -- 4.2% of total RWA. HSBC's IMA market risk RWA of $22.3bn (end-of-day) represents just 2.5% of total RWA.

Barclays' VaR/SVaR/IRC breakdown shows SVaR as the dominant component (GBP 4.5bn RWA), followed by IRC (GBP 4.0bn) and VaR (GBP 1.9bn). For HSBC, SVaR also dominates ($9.5bn) but IRC is proportionally larger ($5.2bn), reflecting HSBC's credit trading activities.

Both banks are preparing for FRTB, which has been delayed to January 2027 in the UK. Under FRTB, each trading desk must individually qualify for IMA through the P&L Attribution Test and Risk Factor Eligibility Test. Banks with larger, more complex trading operations -- like Barclays' IB -- face greater implementation risk and potential for desk-level fallback to the Standardised Approach.

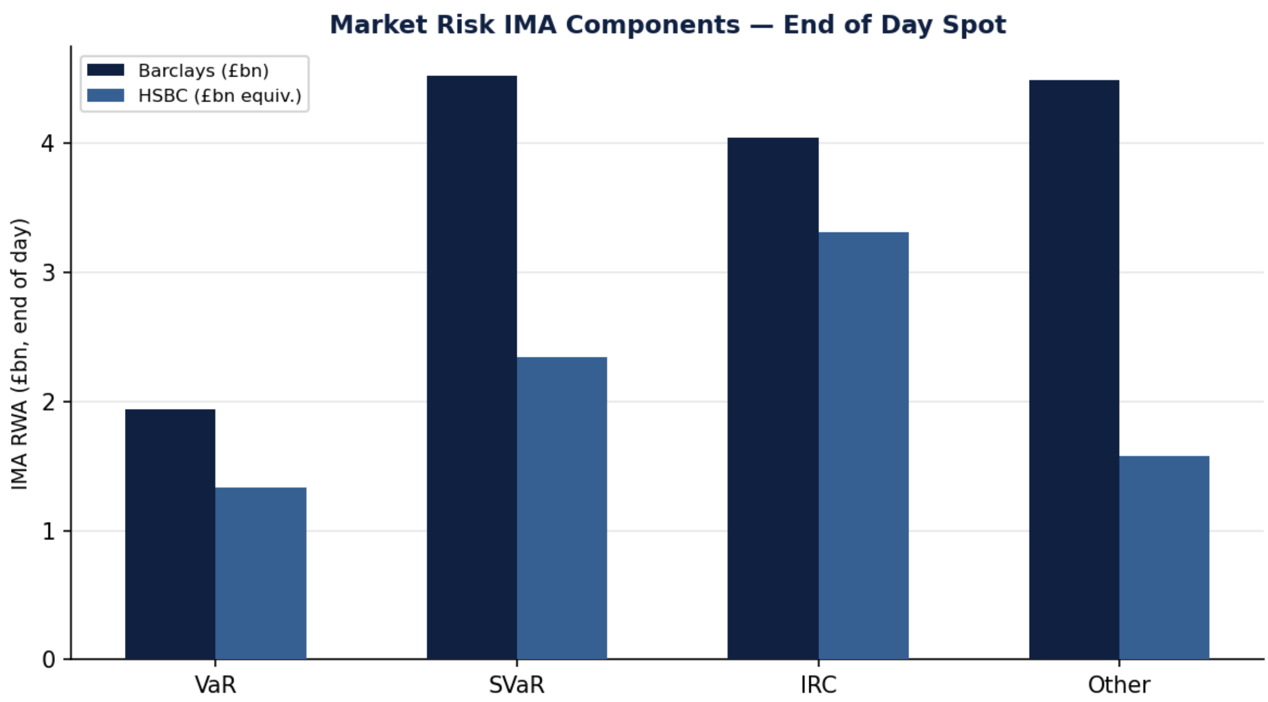
IMA Market Risk RWA Decomposition (End of Day Spot)

Component	Barclays (GBP m)	HSBC ($m)
VaR	1,939	1,686
SVaR	4,521	2,969
IRC	4,045	4,194
Other	4,490	1,994
Total IMA	14,995	10,843

Market Risk RWA (with Regulatory Adjustments)

Component	Barclays (GBP m)	HSBC ($m)
VaR (with multiplier)	3,678	5,697
SVaR (with multiplier)	9,014	9,461
IRC	4,045	5,156
Other	4,490	1,994
Total IMA RWA	21,227	22,308
Standardised Approach	15,222	16,182
Total Market Risk RWA	36,449	38,490

IMA Market Risk Comparison



5. Stress Test Results

Both Barclays and HSBC are subject to the Bank of England's Annual Cyclical Scenario (ACS) stress test. Both banks passed the 2024 ACS with comfortable margins above their hurdle rates.

The 2025 EBA stress test (in which HSBC participates via its European entities) showed Deutsche Bank demonstrating 'enhanced resilience' -- a useful benchmark for the peer group. HSBC's multiple point of entry (MPE) resolution strategy means it is stress-tested at three resolution group levels (European, Asian, US), adding complexity but also demonstrating regional capital self-sufficiency.

Key vulnerabilities differ: Barclays' stress test capital consumption is driven primarily by credit losses in its UK retail and US consumer portfolios, plus market risk losses in the Investment Bank. HSBC's stress vulnerabilities centre on credit losses in Asia (particularly China/HK commercial real estate) and the impact of adverse interest rate scenarios on its net interest income.

Resolution Strategy Comparison

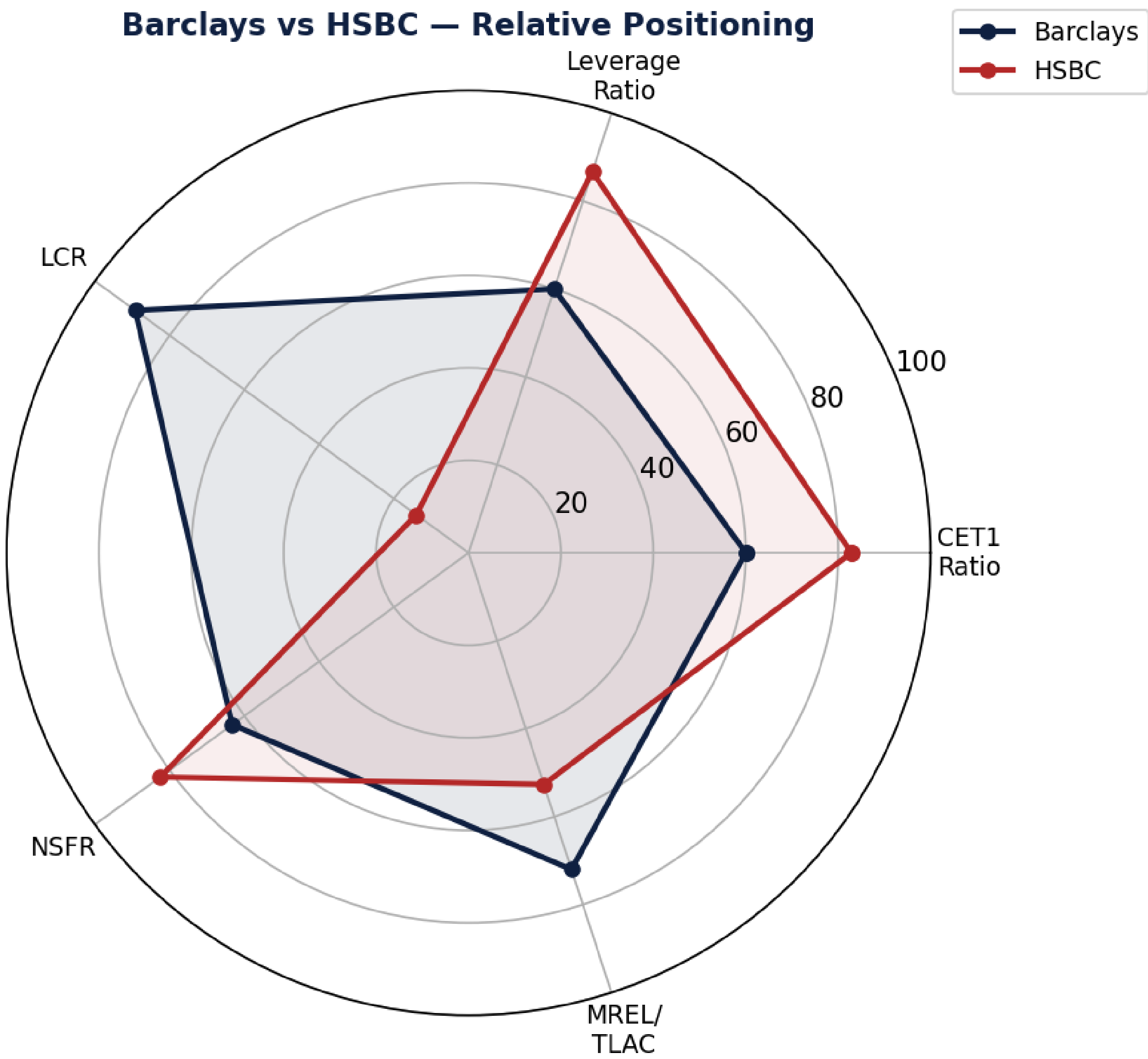
Feature	Barclays	HSBC
Resolution Strategy	Single Point of Entry	Multiple Point of Entry
Resolution Groups	1 (Barclays PLC)	3 (European, Asian, US)
MREL/TLAC (% RWA)	35.8%	32.9%
MREL Requirement	30.5%	28.4% (SoTP)
Surplus Above Req.	~GBP 19bn	$40bn

6. Peer Comparison

Both Barclays and HSBC are UK-headquartered G-SIBs regulated by the PRA, making them natural comparators. However, they operate fundamentally different business models: HSBC is a globally diversified commercial and retail bank with its centre of gravity in Asia, while Barclays combines a UK retail bank with a transatlantic investment bank.

Against the broader G-SIB peer group, both banks are well-capitalised. Among the top 15 global banks, their CET1 ratios of 14.1% and 14.9% rank in the upper quartile. Only Credit Agricole Group (17.4%, inflated by cooperative structure), Deutsche Bank (14.5%), and Goldman Sachs (14.4%) are comparable.

Metric	Barclays	HSBC	DB	BNP	SocGen
CET1 Ratio	14.1%	14.9%	14.5%	12.6%	13.5%
Leverage Ratio	4.9%	5.3%	4.6%	4.3%	4.5%
LCR	174.6%	137%	135%	138%	144%
NSFR	135.3%	143%	119%	--	116%
G-SIB Buffer	1.5%	2.0%	1.5%	1.5%	1.0%
MREL/TLAC (%RWA)	35.8%	32.9%	38.6%	27.1%	32.5%



Commentary

- Barclays has the highest LCR in the peer group at 174.6% -- reflecting its conservative liquidity management and the size of its HQLA pool relative to stressed outflows.
- HSBC has the strongest NSFR at 143%, benefiting from its deep Asian deposit franchise. Deutsche Bank's NSFR of 119% is the weakest in the group.
- Deutsche Bank leads on MREL at 38.6% of RWA -- a testament to its transformation programme that delivered EUR 31bn of cumulative RWA efficiency savings.
- BNP Paribas' CET1 of 12.6% is the lowest in this peer group but its requirement is also lower (10.4%), providing adequate headroom. BNP's CRR3 impact is being absorbed.
- All five banks benefit from the delay in Basel 3.1/CRR3 implementation of the output floor. HSBC expects a 'modest benefit'; the impact on Barclays' IRB-heavy IB remains a key watch item.

8. Potential Improvements

Based on the analysis of both banks' Pillar 3 disclosures, balance sheet structures, and regulatory positioning, the following areas represent actionable opportunities for each institution to strengthen its risk profile, capital efficiency, or competitive standing.

Barclays PLC -- Areas for Improvement

- RWA efficiency in the Investment Bank: The IB accounts for 56% of group RWA but its contribution to group profit needs to justify this capital consumption. Barclays should accelerate the capital efficiency programme -- particularly in CCR (14% of RWA at GBP 49bn) where IMM model optimisation and trade compression could yield material RWA reductions without reducing client activity.
- Output floor preparedness: With UK Basel 3.1 implementation in January 2027, Barclays' heavy reliance on A-IRB models (GBP 112.5bn, 57% of credit risk RWA) makes it one of the most exposed UK banks to the 72.5% output floor. Management should publish a quantified impact assessment and begin pre-positioning -- either through SA model improvements or portfolio optimisation -- rather than relying on the delayed timeline.
- Leverage ratio trajectory: The leverage ratio declined 10bps to 4.9% despite CET1 strengthening, driven by a GBP 79bn increase in leverage exposure from trading activity. If the IB continues to grow its balance sheet, Barclays risks the leverage ratio becoming the binding constraint before the risk-weighted ratio. Active management of the leverage exposure measure should be a treasury priority.
- NSFR gap vs peers: At 135.3%, Barclays' NSFR is the second-lowest in the UK/EU G-SIB peer group (only Deutsche Bank at 119% is lower). Lengthening the funding profile -- particularly replacing shorter-dated wholesale funding with term debt or growing the retail deposit franchise -- would improve structural resilience and narrow the gap to HSBC (143%) and Societe Generale (116%).
- Securitisation RWA concentration: GBP 25.7bn of securitisation RWA (7% of total) is high relative to peers. Barclays should review whether all SRT transactions are delivering genuine economic value or whether some represent regulatory arbitrage that could be unwound as the output floor compresses the benefit.
- Operational risk RWA: At GBP 48.7bn (14% of total), operational risk RWA is disproportionately high -- reflecting historical conduct charges. As the new Basel III.1 standardised approach for op risk takes effect, Barclays should actively manage its Business Indicator Component (BIC) and ensure legacy losses roll off the Internal Loss Multiplier calculation.

HSBC Holdings PLC -- Areas for Improvement

- Post-Hang Seng capital recovery: The 110bps CET1 hit from the Hang Seng Bank privatisation temporarily pushes HSBC below its 14.0-14.5% target range. Management needs a credible plan to rebuild the buffer within 12-18 months -- through a combination of organic capital generation and disciplined RWA management -- without relying on reduced distributions that could disappoint shareholders.
- LCR optimisation: At 137%, HSBC's LCR is the lowest in the UK peer group (Barclays: 175%, Societe Generale: 144%). While comfortably above the 100% minimum and representing a USD 190bn surplus, HSBC's LCR has declined from 138% year-on-year. The bank should examine whether the HQLA composition can be optimised -- particularly the split between Level 1 and Level 2 assets -- and whether net cash outflow assumptions under its MPE resolution structure are appropriately conservative.
- Operational risk RWA reduction: HSBC's op risk RWA of USD 120.7bn (14% of total) is the highest in absolute terms among peers and reflects the bank's vast geographic footprint and historical conduct issues. Under the new Basel III.1 standardised approach, HSBC should focus on reducing the BIC through business simplification and ensuring that historical losses from exited businesses (e.g., retail banking in France, US consumer) no longer inflate the ILM.
- Market risk IMA desk coverage: With FRTB implementation in January 2027, HSBC will need to qualify each trading desk individually for IMA through the P&L Attribution Test and Risk Factor Eligibility Test. Desks that fail will revert to the

standardised approach with punitive capital treatment. HSBC should invest now in data infrastructure, model governance, and NMRF identification to maximise the number of desks that qualify for IMA on day one.

- Asian CRE exposure management: HSBC's dominant credit risk position in Asia (particularly Hong Kong and mainland China) exposes it to the prolonged commercial real estate downturn. Stage 2 loan migration in the CRE portfolio should be closely monitored, and HSBC should consider whether its provisioning adequately reflects the forward-looking ECL requirements of IFRS 9 given the extended property market weakness.
- Resolution group efficiency: HSBC's MPE resolution strategy with three separate resolution groups (European, Asian, US) requires maintaining TLAC at each group level independently. This structural requirement traps capital in each region and reduces group-level fungibility. HSBC should explore whether regulatory dialogue could yield greater recognition of intra-group capital mobility, or whether the Asian resolution group's TLAC (31.7%) can be optimised given it holds the largest share of group capital.
- IRRBB management: HSBC's Pillar 3 discloses a maximum EVE decline of USD 10.9bn under a parallel-up scenario and NII sensitivity of USD 8.1bn under parallel-down. These are among the largest IRRBB exposures in the peer group in absolute terms. As rate environments normalise, HSBC should reassess its structural hedge programme and consider whether the current duration positioning adequately balances NII protection against EVE volatility.

Common Improvement Areas

- Basel 3.1 / FRTB transition planning: Both banks benefit from the UK delay to January 2027, but neither has published a comprehensive quantified impact assessment. Given the materiality of the output floor and FRTB changes, both should provide investors with Day 1 and full run-rate impact estimates in their next annual Pillar 3 reports.
- Climate risk capital integration: Neither bank currently holds explicit capital for climate-related financial risks beyond what is captured in existing credit models. As the PRA's climate scenario analysis framework matures, both banks should proactively integrate physical and transition risk factors into their ICAAP and stress testing, rather than waiting for regulatory mandates.
- Disclosure granularity: While both banks produce comprehensive Pillar 3 reports, neither provides sufficient detail on IRB model performance (PD backtesting results, LGD realisation rates) at the portfolio level. Greater transparency on model accuracy would strengthen market confidence and reduce information asymmetry with credit analysts and rating agencies.

Appendix

Data Sources

- Barclays PLC Q3 2025 Pillar 3 Report (30 September 2025), published 28 October 2025
- HSBC Holdings plc Pillar 3 Disclosures at 31 December 2025 (120 pages), published 25 February 2026
- HSBC Holdings plc Annual Results 2025, published 25 February 2026
- Barclays PLC Q3 2025 Results Announcement, published 28 October 2025
- Bank of England Financial Stability Report, December 2025
- EBA 2025 EU-wide Stress Test Results, published August 2025
- BBVA Research China Banking Monitor, April 2025
- Federal Reserve Large Bank Capital Requirements, August 2025

Methodology Notes

This report analyses publicly available regulatory disclosures from both banks' Pillar 3 reports prepared under the PRA Rulebook (UK CRR). All Barclays data is as at 30 September 2025 (Q3 interim); all HSBC data is as at 31 December 2025 (full year). Currency differences (GBP vs USD) mean absolute figures are not directly comparable -- ratios are the primary comparison tool. Where noted, Barclays' reporting period is 3 months shorter than HSBC's, which may affect annualised metrics. IFRS 9 transitional arrangements have ended for both banks as of 1 January 2025; all figures are fully loaded.

Glossary

CET1	Common Equity Tier 1 -- highest quality regulatory capital (equity, retained earnings, AOCI adjustments)
LCR	Liquidity Coverage Ratio -- HQLA / 30-day net stressed cash outflows
NSFR	Net Stable Funding Ratio -- available stable funding / required stable funding
MDA	Maximum Distributable Amount -- CET1 below combined buffer triggers distribution restrictions
MREL	Minimum Requirement for Own Funds and Eligible Liabilities -- loss-absorbing capacity for resolution
TLAC	Total Loss-Absorbing Capacity -- FSB standard for G-SIBs, incorporated into UK MREL
IMA	Internal Models Approach -- bank's own models for market risk capital, subject to supervisory approval
SVaR	Stressed Value at Risk -- VaR calibrated to a 12-month stressed period
IRC	Incremental Risk Charge -- captures migration and default risk in the trading book
FRTB	Fundamental Review of the Trading Book -- new Basel III market risk framework (UK: Jan 2027)
SoTP	Sum of the Parts -- HSBC's MREL requirement methodology reflecting its MPE resolution strategy
P2A	Pillar 2A -- additional capital requirement set by PRA through SREP, bank-specific
CCyB	Countercyclical Capital Buffer -- set by FPC, currently 2% for UK exposures

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