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Risk & Capital Analysis

HSBC Holdings plc

Reporting Period: H1 2026 (30 June 2026)

Analysis Date: 2026-09-10

RISK VIEW
Risk Analytics for Financial Institutions

Produced by the Risk Analytics team
Dynamic Strategies

Contents

Executive Summary

Overall Assessment: Stable

Key Findings

- CET1 fell 80bps in the half to 14.1%, at the bottom of the 14-14.5% target range. The c.110bps cost of privatising Hang Seng Bank, dividends and $17.8bn of RWA growth outweighed regulatory profit. Headroom over the 11.1% MDA threshold is about 300bps, which ranks 3 of 7 among the 7 peers.(3)
- Profitability is a clear strength. Annualised RoTE of 18.2% is the highest in the peer group, and the cost efficiency ratio of 46.2% ranks 2 of 7. Both improved sharply on 1H25, which carried $2.1bn of losses on the BoCom stake, and RoTE excluding notable items was 19.1%.(1)
- Leverage is now the tighter constraint. The UK leverage ratio, which excludes central bank claims, fell to 4.9% (4.4% including them) against an overall requirement of 4.3%, as the leverage exposure grew to $3.08tn.(3)
- Liquidity is ample but has softened. The 12-month average LCR of 134% ranks 7 of 7 in the peer group (peers' LCR bases differ), while an NSFR of 140% ranks 1 of 7. A loan-to-deposit ratio of 55.9% reflects a very large surplus of customer deposits.
- Asset quality is stable but credit costs rose. The credit-impaired loan ratio was 2.35% (peer median 2.0%, definitions differ). Cost of risk rose to 47bps, driven by a $0.4bn fraud-related UK securitisation exposure and $0.2bn of Hong Kong CRE charges. Stage 3 coverage of 33.1% ranks 5 of 7.(1)
- In the Bank of England's 2025 stress test the consolidated group's CET1 fell from 14.9% to a low point of 11.9%, a 300bps depletion against 420bps for Barclays, and stayed far above the 5.8% minimum.(5)

Key Metrics Dashboard

Metric	Value	Status	Comment
CET1 Ratio (14.1%)	14.1%	AMBER	Bottom of 14-14.5% target after Hang Seng
MDA Headroom (300bps)	300bps	GREEN	Rank 3 of 7; median 271bps
Leverage Ratio (4.9%)	4.9%	AMBER	Down 40bps in 1H26; 4.3% requirement
MREL/TLAC (33.0%)	33.0%	GREEN	3.9pp above 29.1% requirement
LCR (134%)	134%	AMBER	Rank 7 of 7; 12-month average
NSFR (140%)	140%	GREEN	Rank 1 of 7; median 122.0%
NPL Ratio (2.35%)	2.35%	GREEN	Credit-impaired basis; stable year on year
NPL Coverage (33.1%)	33.1%	AMBER	Rank 5 of 7; median 33.5%
Cost of Risk (47bps)	47bps	AMBER	Above ~45bps FY26 guidance
RoTE (18.2%)	18.2%	GREEN	Rank 1 of 7; 19.1% ex notable items
Cost Efficiency (46.2%)	46.2%	GREEN	Rank 2 of 7; 49.9% in 1H25
BoE Stress (300bps)	300bps	GREEN	Low point 11.9% vs 5.8% minimum

Improving: capital and risk metrics trending positively. Stable: metrics broadly unchanged. Deteriorating: material weakening in key risk di

(3) HSBC Holdings plc Pillar 3 Disclosures at 30 June 2026, 10 August 2026.

(1) HSBC Holdings plc 2026 Interim results media release, 4 August 2026.

(5) Bank of England, Financial Stability Report December 2025: 2025 Bank Capital Stress Test results.

Macroeconomic Context

HSBC is regulated in the UK but earns most of its profit in Asia, so two macro backdrops matter. In the UK, real GDP grew 1.3% in 2025, up from 1.0% in 2024.(7) The Bank of England's July 2026 central projection has growth of 1.1% in the year to 2026 Q3 and 1.1% in the year to 2027 Q3. Over the same horizon CPI inflation is projected at 2.9% and then 2.6%, and unemployment at 5.0% and 5.3%.(6) An energy shock linked to the conflict in the Middle East has pushed near-term inflation back above target. The MPC held Bank Rate at 3.75% in July 2026 by a 6-3 vote, with three members preferring a rise. The market curve underlying the projections implies Bank Rate of about 4.2% from 2027 Q3.

Hong Kong is the stronger economy of the two. Real GDP rose 5.1% year on year in the first half of 2026, the best half-year in nearly five years, led by AI-related exports. The government raised its 2026 growth forecast to 3.5-4.5% from 2.5-3.5%. Unemployment held at 3.7% and residential flat prices were up 8% year to date by June.(8) This matters directly for HSBC: The Hongkong and Shanghai Banking Corporation generated 66% of group reported profit before tax in 1H26, and the Hong Kong business segment alone 26% of constant currency profit before tax.(1)

For HSBC the combination is broadly supportive. Higher-for-longer policy rates in sterling, dollars and pegged Hong Kong dollars support deposit margins and the reinvestment yield of the structural hedge. A recovering Hong Kong property market reduces, but does not remove, the commercial real estate (CRE) tail that has driven credit losses since 2023.

Macro Projections: United Kingdom and Hong Kong

Indicator	2024	2025	2026E	2027E	Source
UK real GDP growth	1.0%	1.3%	1.1%	1.1%	(7)(6)
UK CPI inflation	n/a	n/a	2.9%	2.6%	(6)
UK unemployment rate	n/a	n/a	5.0%	5.3%	(6)
Bank Rate, market path	n/a	n/a	3.8%	4.2%	(6)
UK GDP, BoE adverse	n/a	n/a	1.1%	0.9%	(6)
HK real GDP growth	n/a	n/a	3.5-4.5%	n/a	(8)
HK headline CPI	n/a	n/a	2.6%	n/a	(8)

Notes on the Projections

UK 2026E and 2027E figures are the Bank of England's four-quarter rates for Q3 of each year, not calendar-year averages. The BoE adverse scenario is an inflation-persistence scenario, not a recession. Bank Rate stood at 3.75% in July 2026. Hong Kong 2026E figures are the government's August 2026 forecasts. Cells marked n/a were not taken from a primary source read for this report.

Medium-Term Outlook for HSBC's Business Model

- Rates remain a tailwind, but the exposure is two-sided. Management raised its 2026 banking NII guidance to at least $46bn. An immediate 100bps fall in rates would cut projected 12-month banking NII by about $3.0bn, while a 100bps rise would add $2.0bn. Continued structural hedging has reduced the downside from $3.4bn at end-2025.
- Hong Kong concentration is rising. Full ownership of Hang Seng Bank since January 2026 gives HSBC all of that bank's earnings, and management expects $0.5bn of revenue and cost synergies by end-2028. It also raises the group's dependence on one market, its property cycle and its HIBOR-linked margin.
- The Hong Kong CRE tail is shrinking, not gone. Hong Kong CRE charges fell from $0.5bn in 1H25 to $0.2bn in 1H26, and Chinese mainland CRE cost $0.1bn. Rising flat prices and transaction volumes at a 14-year high support further normalisation, but office and retail valuations remain under pressure.
- Fee growth is diversifying revenue. Wealth fee and other income grew 18% on a constant currency basis in 1H26, with $64bn of net new money, $57bn of it booked in Asia. Wholesale transaction banking fees rose 4%. This reduces sensitivity to the rate cycle over time.

(7) ONS, GDP quarterly national accounts, UK: January to March 2026, 30 June 2026.
(6) Bank of England, Monetary Policy Report, July 2026 (Table 3.B).
(8) HKSAR Government, Q2 2026 economic performance and 2026 GDP and price forecasts, 14 Aug 2026.
(1) HSBC Holdings plc 2026 Interim results media release, 4 August 2026.

- Simplification is largely done. Actions taken by 1H26 deliver $1.7bn of annualised savings against a revised target of about $2.0bn by end-2026. Non-core exits continue: Malta, Indonesia retail, Australia retail, Egypt retail and HSBC Life Singapore.
- Regulatory change is net neutral to positive. UK Basel 3.1 starts on 1 January 2027 with the market risk internal model approach deferred to 2028, and management expects a modest CET1 benefit. The Bank of England's July 2026 proposals would lower the minimum leverage requirement to 3%, easing HSBC's tightest constraint.

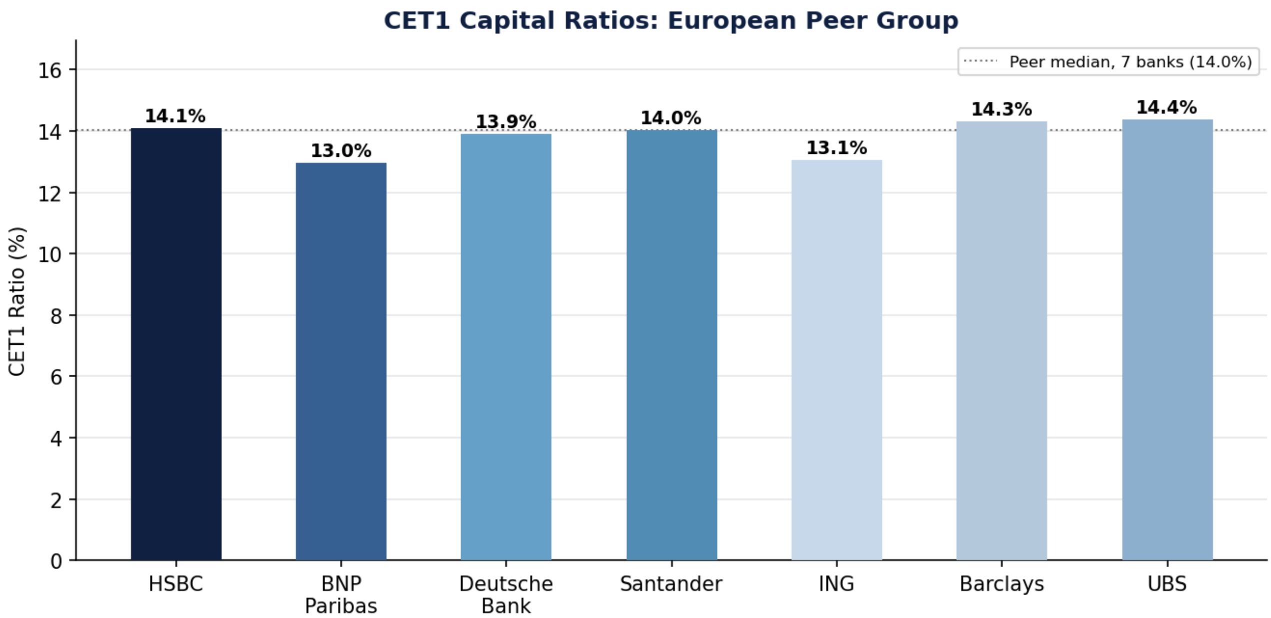
1. Capital Position

HSBC's CET1 ratio was 14.1% at 30 June 2026, down from 14.9% at end-2025 and 14.6% a year earlier.(3) The half-year walk is dominated by one strategic transaction. Regulatory profit added about 1.9 percentage points and dividends consumed 1.0 point. Strategic initiatives, principally the Hang Seng Bank privatisation completed on 26 January 2026, took 1.1 points, RWA growth took 0.5 points and other movements 0.1 point. The privatisation's net impact was c.110bps: a c.120bps day-one deduction partly offset by releasing structural FX RWAs.

The ratio now sits at the floor of management's 14-14.5% target range, and the Board has resumed buy-backs of up to $1bn. In peer terms HSBC's CET1 ranks 3 of 7 against a median of 14.0%, the Tier 1 ratio of 16.7% ranks 4 of 7 and total capital of 19.7% ranks 2 of 7.(10) The capital stack is conventional for a UK G-SIB, with AT1 and Tier 2 adding about 5.6 percentage points above CET1.

The leverage ratio deserves more attention than the risk-weighted ratios. It fell to 4.9% from 5.3% at end-2025, because the exposure measure grew 7% to $3,076bn while Tier 1 capital declined. On the UK basis, which excludes central bank claims, HSBC ranks 3 of 7 in the peer group. Including central bank claims, closer to the Basel and EU convention, the ratio is 4.4%. Headroom over the 4.3% overall UK leverage requirement is about 60bps, much tighter in relative terms than the risk-based MDA headroom.

CET1 Ratios: European Peer Comparison



(3) HSBC Holdings plc Pillar 3 Disclosures at 30 June 2026, 10 August 2026.
(10) Peer banks' H1 2026 results and Pillar 3 disclosures, as held in RiskView's cited history files.

Capital Ratios Comparison

Metric	HSBC	BNP Par.	Deutsche	Santander	ING	Barclays	UBS	Median
CET1 ratio	14.1%	13.0%	13.9%	14.0%	13.1%	14.3%	14.4%	14.0%
Tier 1 ratio	16.7%	15.5%	17.2%	15.7%	15.7%	18.0%	19.1%	16.7%
Total capital	19.7%	17.7%	19.0%	18.8%	18.7%	20.3%	19.1%	19.0%
Leverage ratio	4.9%	4.4%	4.5%	4.8%	4.2%	4.9%	5.8%	4.8%
MDA headroom	300bps	254bps	271bps	401bps	197bps	210bps	355bps	271bps
MREL/TLAC	33.0%	27.1%	36.4%	40.9%	32.5%	36.7%	38.4%	36.4%

Capital Requirements, MDA and Loss-Absorbing Capacity

The MREL/TLAC row above mixes bases and is indicative only. BNP Paribas reports TLAC; Santander, Deutsche Bank, ING and Barclays report MREL; HSBC's figure is TLAC summed across its resolution groups; and UBS reports Swiss TLAC. HSBC's CET1 requirement is 11.1%. It comprises the 4.5% Pillar 1 minimum, a 1.4% CET1 share of the 2.5% Pillar 2A requirement, and a 5.2% combined buffer: 2.5% capital conservation, 0.7% countercyclical and 2.0% G-SII. The overall capital requirement is 15.8% of RWAs.(3) Against this, MDA headroom is about 300bps, or roughly $27bn of CET1 at current RWAs, compared with a peer median of 271bps. Group TLAC was 33.0% of RWAs and 9.7% of leverage exposure, 3.9 points (about $36bn) above the sum-of-the-parts requirement of 29.1% of RWAs. That requirement is set separately for the European, Asian and US resolution groups under HSBC's multiple point of entry strategy. HSBC Holdings is rated A3 by Moody's, A- by S&P (positive outlook) and A+ by Fitch.(9)

RWA Composition (USD bn)

Risk type	30 Jun 2026	Share of RWA	31 Dec 2025	Change
Credit risk (incl. securitisation)	707.9	78.1%	687.0	+20.9
Counterparty credit risk and CVA	48.3	5.3%	42.4	+5.9
Market risk	30.6	3.4%	38.5	-7.9
Operational risk	119.6	13.2%	120.7	-1.1
Total RWA	906.4	100.0%	888.6	+17.8

RWA Drivers and Density

RWAs rose $17.8bn in the half. Asset-size growth of $31.2bn, mainly lending in Corporate and Institutional Banking, Hong Kong and the UK, was partly offset by a $7.9bn fall in market risk RWAs as structural FX exposure was hedged down after the Hang Seng transaction, and by methodology and FX effects.(3) RWA density of 26.4% (RWA over total assets) compares with a peer median of 26.4%. That is moderate for a bank with a large trading book, $228bn of central bank balances and HQLA-heavy liquidity. Basel 3.1 in the UK from January 2027 is guided to a modest CET1 benefit, but the output floor phases in over time and will bind more on low-density portfolios.

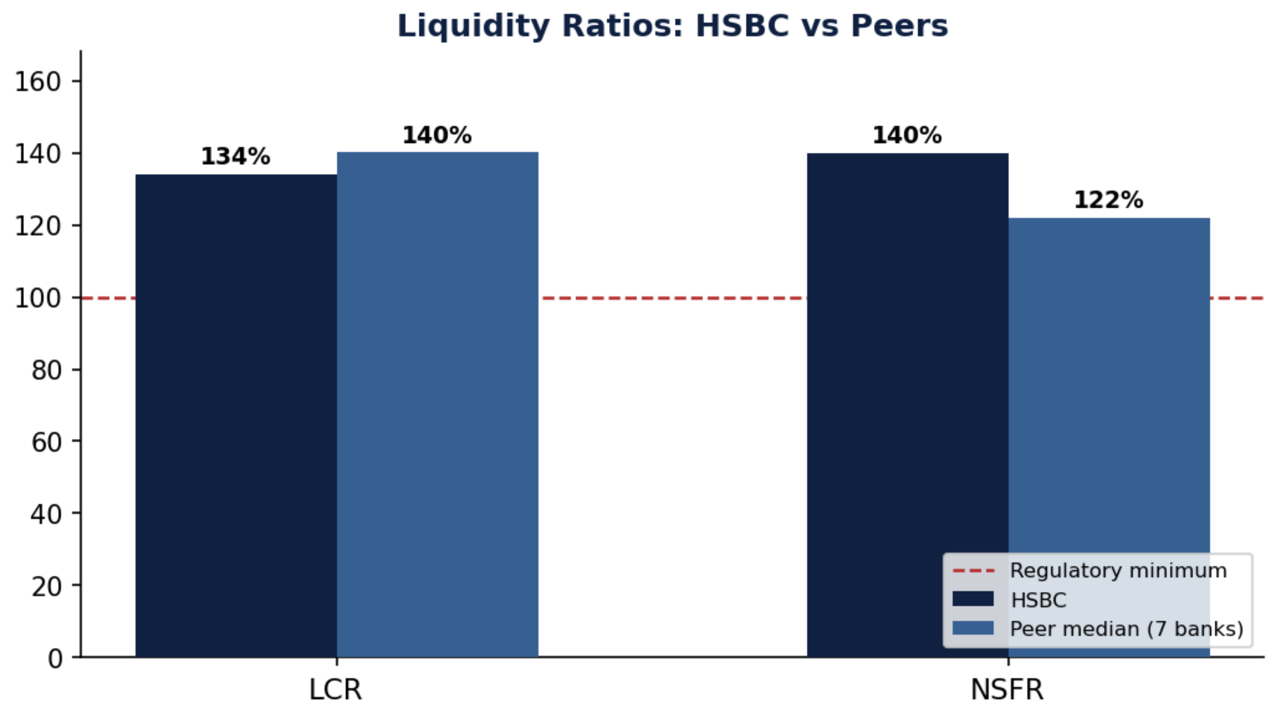
(3) HSBC Holdings plc Pillar 3 Disclosures at 30 June 2026, 10 August 2026.
(9) HSBC Holdings plc, Fixed income investors: credit ratings (as at 6 July 2026).

2. Liquidity Position

HSBC's liquidity position is structurally strong but less exceptional than its franchise suggests. The 12-month average LCR was 134% at 30 June 2026, down from 137% at end-2025 and 140% a year earlier, equal to a surplus of about $179bn over the requirement. Average HQLA was $714bn.(3) The LCR has eased because net cash outflows grew faster than HQLA, as the wholesale and CIB deposit base expanded. In the peer group HSBC ranks 7 of 7 on LCR against a median of 140.1%, and UBS leads at 177%. LCR bases differ, so the ranking is indicative: HSBC, Barclays, BNP Paribas, Deutsche Bank and ING report 12-month averages, Santander a 12-month average to 31 March 2026 and UBS a quarterly average.

Structural funding tells a different story. The NSFR of 140% ranks 1 of 7 against a median of 122.0%. The loan-to-deposit ratio of 55.9% is the lowest in the group: $1.83tn of customer accounts fund $1.02tn of loans, with the surplus held in central bank reserves, reverse repos and liquid securities. Customer accounts rose $41bn in the half, including $46bn in 2Q26, mostly in CIB and Hong Kong.(1) The main liquidity risk is not funding but the behaviour of large, rate-sensitive corporate deposits under stress. The PRA's March 2026 consultation on faster conversion of liquid assets into cash is relevant to exactly this.

Liquidity vs Peer Group



Liquidity Metrics

Metric	HSBC	Peer median	HSBC rank
LCR (12-month average)	134%	140.1%	7 of 7
NSFR	140%	122.0%	1 of 7
Loan-to-deposit ratio	55.9%	80.9%	n/a (neutral)
HQLA, EURbn	626	300	n/a
Customer deposits, EURbn	1,604	773	n/a

(3) HSBC Holdings plc Pillar 3 Disclosures at 30 June 2026, 10 August 2026.
(1) HSBC Holdings plc 2026 Interim results media release, 4 August 2026.

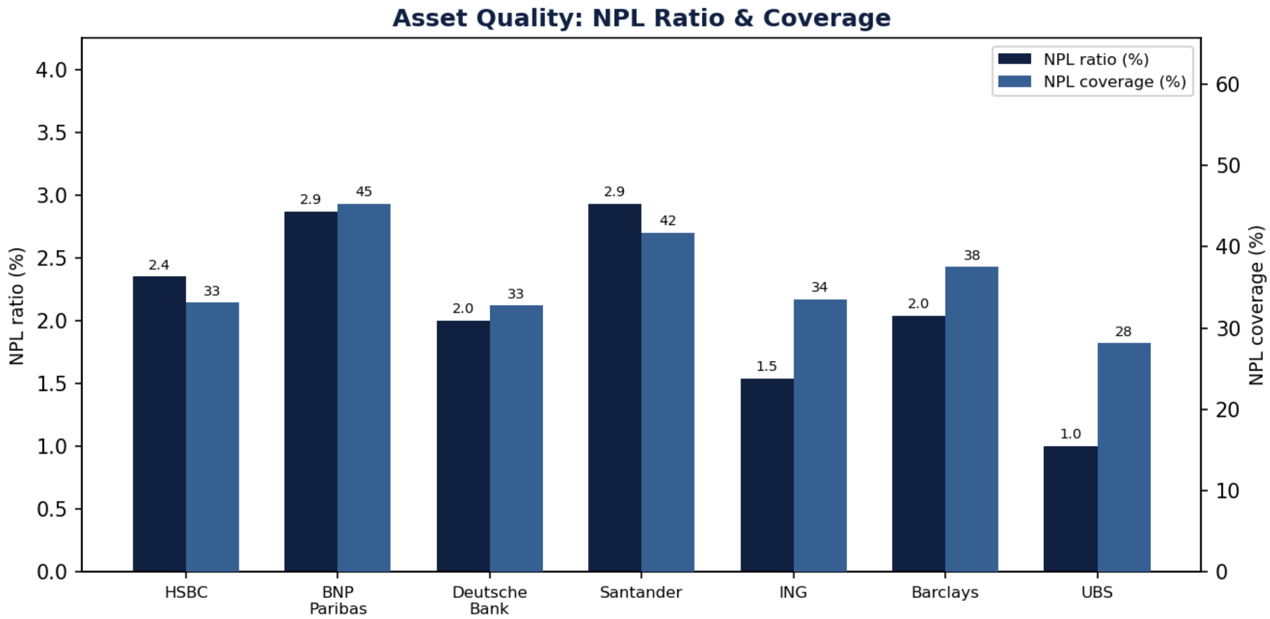
3. Asset Quality

HSBC does not publish an EBA-style NPL ratio, so this report uses credit-impaired loans (stage 3 plus purchased or originated credit-impaired) as a share of gross loans to customers at amortised cost, excluding held-for-sale balances. On that basis the ratio was 2.35% at 30 June 2026, compared with 2.47% at end-2025 and 2.41% a year earlier. Credit-impaired loans were broadly flat at $24bn while gross loans grew $35bn.(2) The peer median is 2.0%, but definitions differ: BNP Paribas, Deutsche Bank and ING report EBA non-performing loans, while HSBC, Barclays, UBS and Santander use credit-impaired measures. HSBC's rank of 5 of 7 is therefore indicative only.

Coverage is the weaker dimension. Stage 3 allowances cover 33.1% of credit-impaired loans (rank 5 of 7, median 33.5%). Total loan allowances of $11.7bn cover about 48%. Low stage 3 coverage is typical of a secured, wholesale-heavy book with individually assessed impairments, but it leaves less cushion if collateral values in Hong Kong CRE fall again. The stage 2 ratio of 8.3% has improved markedly from 11.6% in 1H25, reflecting migrations and model refinements rather than new stress.

Cost of risk rose to 47bps annualised from 42bps in 1H25, above management's full-year guidance of around 45bps. The $2.4bn charge was largely idiosyncratic. Wholesale charges of $1.6bn included a $0.4bn fraud-related, secondary securitisation exposure to a UK financial sponsor, $0.2bn of Hong Kong CRE and $0.1bn of Chinese mainland CRE, plus overlays for the Middle East conflict. Personal lending charges were $0.7bn.(1) The Hong Kong CRE trajectory is improving, but the UK fraud case is a reminder of control risk in sponsor finance.

NPL Ratio & Coverage: Peer Comparison



Asset Quality Trajectory

Metric	H1 2025	FY 2025	H1 2026	Direction
Credit-impaired loan ratio	2.41%	2.47%	2.35%	Stable
Stage 2 ratio	11.63%	8.10%	8.29%	Improving
Stage 3 ratio	2.37%	2.44%	2.32%	Stable
Stage 3 coverage	26.1%	29.1%	33.3%	Strengthening
Cost of risk, annualised	42bps	39bps	47bps	Rising

(2) HSBC Holdings plc Interim Report 2026, 4 August 2026.
(1) HSBC Holdings plc 2026 Interim results media release, 4 August 2026.

4. Market Risk & Trading

Trading VaR (99%, one day) averaged $42.7m in 1H26, up from $38.8m in 1H25, and ended the half at $50.0m against $38.9m at end-2025. VaR peaked at $58.4m in April 2026 on exposure to major currency interest rates and precious metals, as the volatile March and April scenarios entered the window. The book is client-facilitation driven and small relative to capital. Market risk RWAs were $30.6bn, or 3.4% of the total, down $7.9bn in the half as structural FX RWAs fell after the Hang Seng transaction.(2)(3)

Interest rate risk in the banking book is the larger economic exposure. A 100bps parallel fall in rates would reduce projected 12-month banking NII by $2,997m, and the Year 3 impact rises to $5.5bn as deposits reprice and hedges roll. A 100bps rise would add $2,002m. On the PRA supervisory outlier tests, the largest fall in economic value of equity is $9.4bn in the parallel up shock, or 6.2% of Tier 1 capital, well within the 15% outlier threshold.(3) HSBC is thus exposed on EVE to rising rates and on earnings to falling rates, a standard asymmetry for a deposit-rich bank running a large structural hedge.

On FRTB, the UK standardised approach starts with Basel 3.1 on 1 January 2027 and the internal models approach on 1 January 2028. The EU deferred market risk rules to 2027, and Hong Kong has applied Basel 3.1 since January 2025. The multi-jurisdiction timetable adds operational complexity but, on current guidance, no material capital cliff.

Market Risk and IRRBB Indicators

Measure	30 Jun 2026	Comparative	Basis
Trading VaR, 1H average	$42.7m	1H25 $38.8m	99%, 1-day
Trading VaR, period end	$50.0m	FY25 $38.9m	99%, 1-day
Market risk RWA	$30.6bn	FY25 $38.5bn	Standardised + IMA
Banking NII, +100bps	+$2.0bn	FY25 +$2.4bn	12 months, parallel shock
Banking NII, -100bps	-$3.0bn	FY25 -$3.4bn	12 months, parallel shock
EVE, maximum decline	-$9.4bn	FY25 -$10.9bn	Parallel up; 6.2% of Tier 1

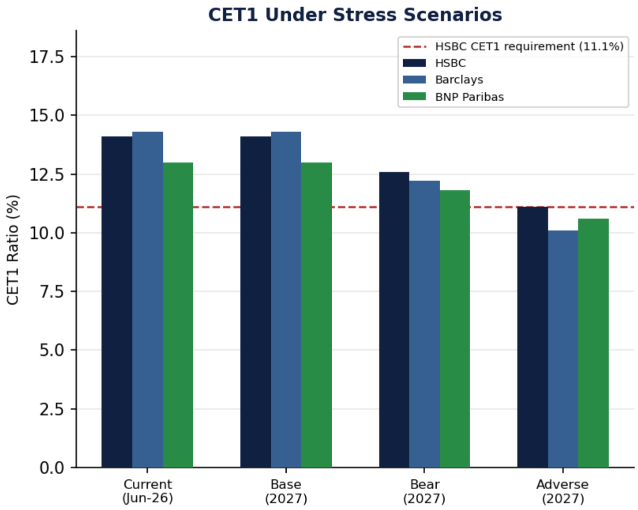
5. Stress Test Results

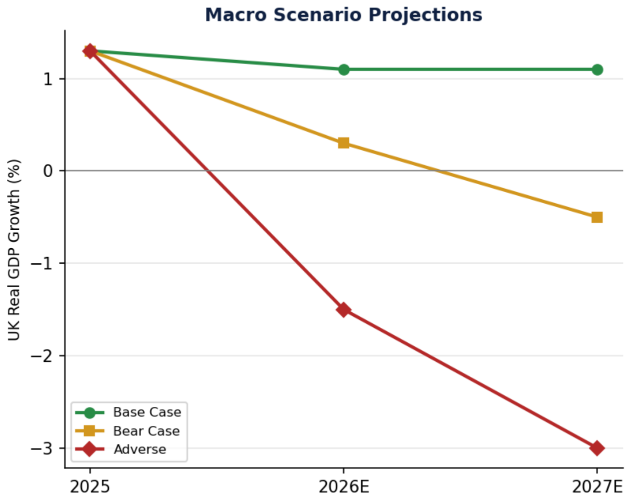
The latest regulatory test is the Bank of England's 2025 Bank Capital Stress Test, published on 2 December 2025 from end-2024 balance sheets. It was run on the HSBC Holdings consolidated group, not only the UK ring-fenced bank. HSBC's CET1 ratio fell from 14.9% to a low point of 11.9% in year one after strategic management actions, a 300bps depletion. Before those actions the low point was 10.8%, a 410bps drawdown.(5) Both are far above HSBC's 5.8% stress minimum. The Tier 1 leverage ratio troughed at 5.1% against a 3.25% minimum. The Bank's Prudential Regulation Committee judged that no bank needed to strengthen its capital. HSBC's depletion compares with 420bps for Barclays, consistent with the earnings diversification that the Asian franchise provides.

The RiskView illustrative paths below apply the same rule to every bank. Starting from HSBC's lower 30 June 2026 CET1 of 14.1%, the full BoE depletion takes the ratio to 11.1% in the adverse case, at or near the 11.1% MDA threshold. In a real stress, buffers are designed to be used, distributions would be cut before that level, and the BoE test assumes strategic actions are taken. The comparison with the requirement shows how the Hang Seng transaction has reduced the buffer available before distribution restrictions, not a capital shortfall. The larger vulnerabilities for HSBC are a Hong Kong property and China growth shock combined with falling rates. That would hit both impairments and NII, which is closer to the Asian leg of HSBC's own internal scenarios than to the UK-centred BoE design.

(2) HSBC Holdings plc Interim Report 2026, 4 August 2026.
(3) HSBC Holdings plc Pillar 3 Disclosures at 30 June 2026, 10 August 2026.
(5) Bank of England, Financial Stability Report December 2025: 2025 Bank Capital Stress Test results.

Scenario Analysis: CET1 Paths and UK Macro





Scenario Assumptions

Variable	Base Case	Bear Case	Adverse
UK GDP, year to 2026 Q3	+1.1%	+0.3%	-1.5%
UK GDP, year to 2027 Q3	+1.1%	-0.5%	-3.0%
UK unemployment 2027	5.3%	6.5%	8.0%
Bank Rate 2027	4.2%	3.0%	2.0%
HK real GDP 2026	3.5-4.5%	+1.0%	-3.0%
HK property prices 2026-27	+8% YTD Jun-26	-10%	-25%
HSBC banking NII vs base	At least $46bn FY26	About -$3bn	Worse than -$3bn
HSBC CET1, 2027E	14.1%	12.6%	11.1%

Scenario Narrative

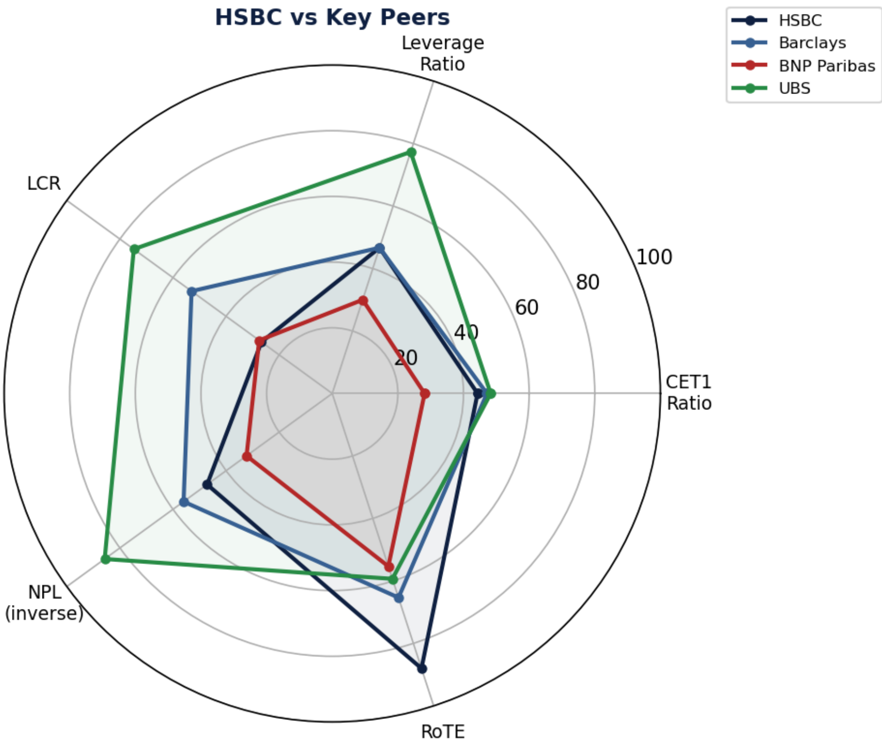
- Base Case: anchored to the Bank of England's July 2026 central projection, with UK growth of about 1.1% a year, CPI returning towards target in 2027 and Bank Rate near the market path. Hong Kong grows in line with the government's 3.5-4.5% 2026 forecast. Banking NII meets guidance, cost of risk normalises towards 40-45bps and organic generation funds the 50% payout and buy-backs, holding CET1 at about 14.1%.
- Bear Case (RiskView illustrative): a tariff- and energy-driven slowdown takes UK growth to -0.5% in 2027 and forces rate cuts, and Hong Kong growth slows to about 1% as AI-related exports fade. Lower rates cost about $3bn of annual banking NII, and Hong Kong CRE and UK mid-corporate losses push cost of risk towards 70-80bps. Under the shared rule CET1 falls to about 12.6%, and buy-backs would likely pause.
- Adverse Scenario (RiskView illustrative, calibrated to the BoE 2025 depletion): a synchronised UK recession and Hong Kong property correction, with prices down about 25% over two years, Chinese mainland spill-overs and policy rates cut towards 2%. Credit losses and NII compression consume 300bps of CET1, taking it to about 11.1%, around the MDA threshold, with distributions restricted but capital well above minimum requirements.

6. Peer Comparison

The peer group comprises the 7 largest listed European universal banks covered by RiskView for H1 2026. At EUR 3,018bn of total assets (30 June 2026 ECB rate), HSBC is second only to BNP Paribas in the group, and its H1 net income of EUR 12.8bn is the highest in the group.(10) HSBC's profile is unusual. It combines RoTE ranked 1 of 7 and cost/income ranked 2 of 7 with capital ratios close to the median (CET1 rank 3 of 7), a leverage ratio ranked 3 of 7 and an LCR ranked 7 of 7. The weaker LCR is offset by a loan-to-deposit ratio that is the lowest in the group.

Cross-border comparisons need care. UK banks report leverage excluding central bank claims, EU banks include them, and Swiss rules differ again. LCR is a 12-month average for HSBC, Barclays, BNP Paribas, Deutsche Bank and ING, a 12-month average to 31 March 2026 for Santander and a quarterly average for UBS. NPL ratios mix EBA and credit-impaired definitions. HSBC's cost efficiency ratio is on a reported basis.

Metric	HSBC	BNP Par.	Deutsche	Santander	ING	Barclays	UBS	Median
CET1 ratio	14.1%	13.0%	13.9%	14.0%	13.1%	14.3%	14.4%	14.0%
Leverage ratio	4.9%	4.4%	4.5%	4.8%	4.2%	4.9%	5.8%	4.8%
LCR	134.0%	134.8%	140.1%	147.0%	137.0%	157.7%	177.3%	140.1%
NSFR	140.0%	108.6%	118.0%	122.0%	127.7%	135.8%	115.0%	122.0%
NPL ratio	2.4%	2.9%	2.0%	2.9%	1.5%	2.0%	1.0%	2.0%
NPL coverage	33.1%	45.3%	32.8%	41.7%	33.5%	37.5%	28.1%	33.5%
RoTE	18.2%	13.3%	11.9%	17.4%	15.3%	14.8%	13.9%	14.8%
Cost/income	46.2%	59.3%	60.9%	42.8%	52.1%	55.0%	72.7%	55.0%
Total assets, EURbn	3,018	3,084	1,521	1,954	1,161	2,008	1,498	1,954
H1 net income, EURbn	13	8	4	9	4	5	5	5



(10) Peer banks' H1 2026 results and Pillar 3 disclosures, as held in RiskView's cited history files.

Commentary

- Against Barclays, the other UK G-SIB, HSBC has a lower CET1 ratio (14.1% vs 14.3%) but a lower CET1 requirement (11.1% vs 12.2%), so more MDA headroom (300bps vs 210bps). HSBC earns a higher RoTE (18.2% vs 14.8%) at a lower cost/income ratio (46.2% vs 55.0%).
- UBS leads on both CET1 (14.4%) and leverage (5.8%), but UBS's cost/income ratio of 72.7% is the highest in the group. HSBC shows that scale in Asian deposits and wealth can deliver returns without an outsized capital cushion.
- BNP Paribas is the closest in size but runs a CET1 ratio of 13.0%, a leverage ratio of 4.4% and an NSFR of 108.6%. HSBC is ahead on all three, though BNP reports higher NPL coverage (45.3%) under the EBA definition.
- HSBC's stage 3 coverage of 33.1% ranks 5 of 7 against a median of 33.5%. Part of the gap is definitional, since EBA non-performing exposures include performing-forborne and unlikely-to-pay loans that attract lower provisions, but HSBC's provisioning is on the lean side for a book with Hong Kong CRE tail risk.
- Peer RoTE ranges from 11.9% to 18.2%, with a median of 14.8%. HSBC's 18.2% benefits from the absence of the 1H25 BoCom losses and from Hong Kong dollar rate levels, so part of the lead is cyclical.

7. Year-over-Year Changes

Compared with 30 June 2025, HSBC is more profitable but carries thinner capital and leverage buffers. CET1 is 50bps lower and leverage 50bps lower, while RoTE is 3.5 points higher and the cost efficiency ratio 3.7 points better.(4) The capital decline is mainly one strategic, value-driven transaction rather than erosion, but it has not yet been rebuilt.

Metric	H1 2025	FY 2025	H1 2026	vs H1 2025
CET1 ratio	14.6%	14.9%	14.1%	Weaker
Leverage ratio	5.4%	5.3%	4.9%	Weaker
LCR	140.0%	137.0%	134.0%	Weaker
NPL ratio	2.4%	2.5%	2.4%	Improved
RoTE	14.7%	13.3%	18.2%	Improved
Cost/income	49.9%	53.4%	46.2%	Improved

- CET1 rose to 14.9% at end-2025 and then fell to 14.1% on the Hang Seng privatisation. Regulatory profit of about 1.9 points in the half shows the capacity to rebuild the ratio organically within about two quarters if RWA growth moderates.
- The leverage ratio has fallen in each of the last three half-year observations, from 5.4% to 5.3% to 4.9%, as the balance sheet grew from $3.21tn to $3.44tn. This is the metric most likely to constrain growth in low-risk-weight businesses.
- LCR eased from 140% to 134% as net outflows grew with the wholesale deposit base. This remains comfortably above minimum and well supported by $714bn of HQLA.
- The credit-impaired ratio was essentially flat at 2.35-2.47% across the three dates while stage 2 exposures fell. Credit costs rose for idiosyncratic rather than systemic reasons.
- RoTE rose from 14.7% in 1H25 and 13.3% in FY25 to 18.2%. The cost efficiency ratio improved from 49.9% and 53.4% to 46.2%, as prior-period results carried BoCom, legal and disposal notable items.

(4) HSBC Pillar 3 at 31 Dec 2025 and 30 Jun 2025; HSBC 2025 results release, 25 Feb 2026.

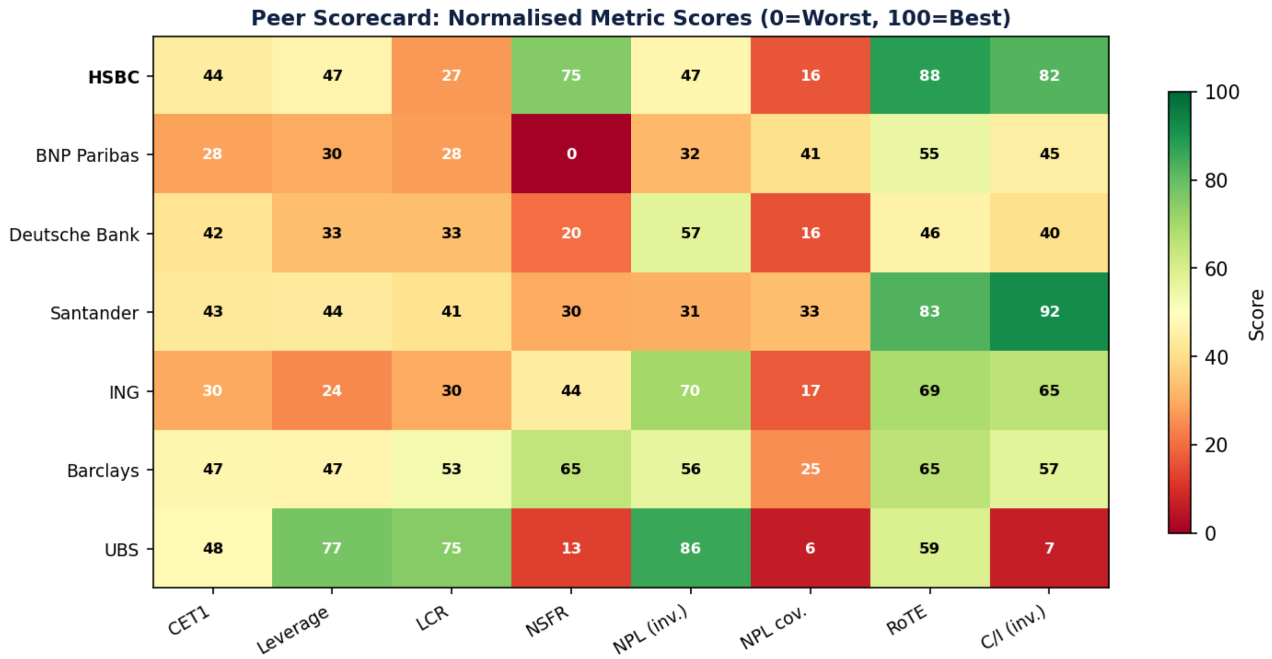
8. Potential Improvements

HSBC enters 2H26 with strong earnings momentum and a simpler structure, but with capital and leverage buffers at the lower end of its own ranges. The priorities below would strengthen resilience without undermining the return profile.

Reading the Scorecard

On the fixed 0-100 scale used in every RiskView H1 2026 report, HSBC scores highest on RoTE (88) and cost/income (82), and lowest on NPL coverage (16) and LCR (27). Its average score across the eight metrics is 53, ranking 1 of 7; the highest average belongs to HSBC (53) and the lowest to BNP Paribas (32). The ranges are fixed rather than set relative to the peer group, so a low score marks relative position, not a regulatory shortfall. The definitional differences in NPL, LCR and cost/income bases described in the appendix carry through into the scores. The improvement priorities below focus on the dimensions where HSBC's score is weakest or where the recent trend has turned against it.

Scorecard: HSBC vs Peers

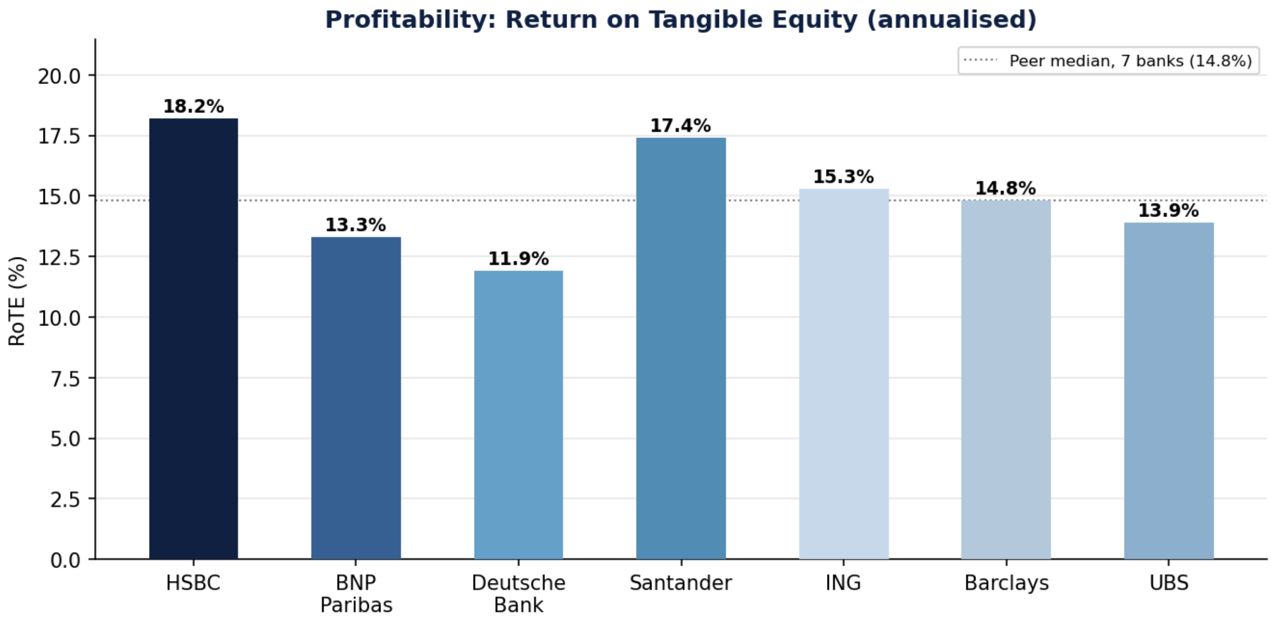


HSBC: Areas for Improvement

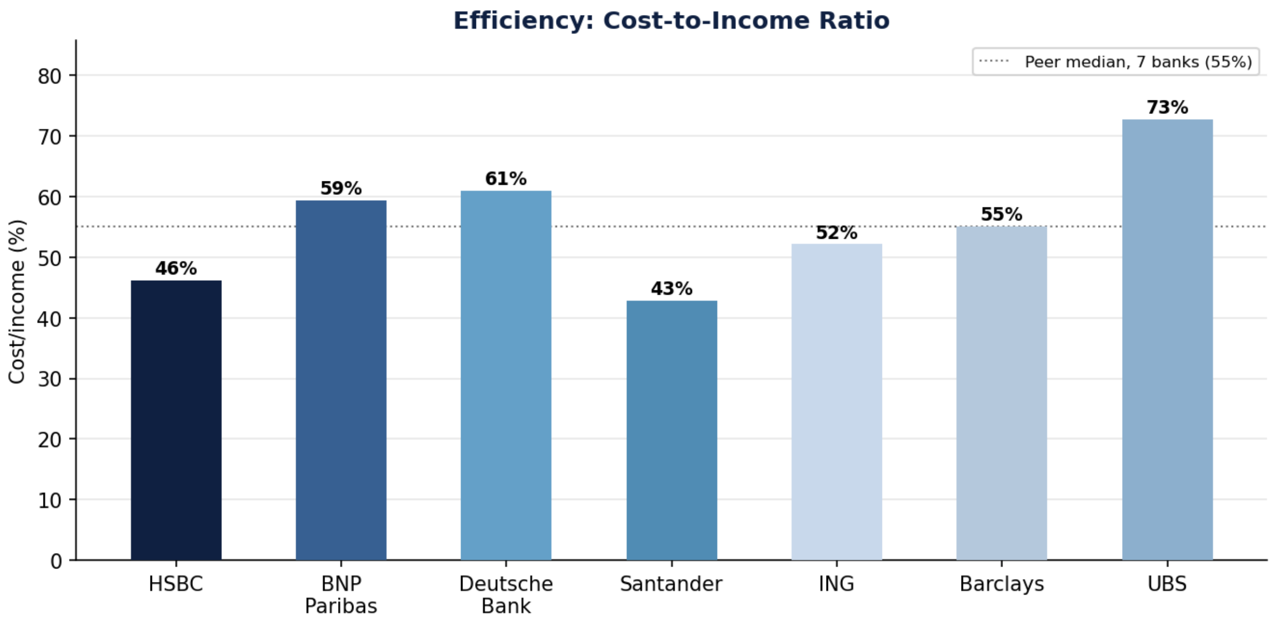
- Rebuild CET1 to the middle of the target range before scaling buy-backs. At 14.1%, one adverse quarter of FX, RWA inflation or credit losses would take the ratio below 14%. Tying buy-back size explicitly to CET1 above 14.25% would make the capital policy more transparent.
- Manage the leverage ratio actively. With 4.9% against a 4.3% requirement, growth in reverse repo, trading and low-risk-weight CIB lending consumes scarce leverage capacity. Leverage-adjusted return hurdles for these businesses would protect headroom regardless of how the FPC reform lands.
- Raise stage 3 coverage for Hong Kong CRE and sponsor finance. Coverage of 33.1% is below the peer median of 33.5%. Building allowances while earnings are strong would reduce the risk of a pro-cyclical charge if Hong Kong office values fall again.
- Tighten controls in sponsor and securitisation finance. The $0.4bn fraud-related loss on a secondary securitisation exposure points to weaknesses in collateral verification and look-through monitoring in CIB. A targeted review and clearer disclosure of lessons learned would support confidence.
- Reduce the downside NII sensitivity further. A 100bps fall in rates still costs about $3.0bn of banking NII in year one and $5.5bn by year three. Extending the structural hedge while rates are elevated would lock in more of today's margin.

- Publish the Basel 3.1 Day-1 impact by business and jurisdiction with the FY26 results. Guidance of a 'modest benefit' is not granular enough given the output floor phase-in and the deferred UK market risk models.
- Show how Hong Kong concentration is managed now that Hang Seng is fully owned. Disclosing HIBOR-sensitive earnings, CRE exposure by loan-to-value band and a combined Hong Kong stress view would help investors assess the single largest risk concentration in the group.

Profitability: Return on Tangible Equity



Efficiency: Cost-to-Income Ratio



Returns and Efficiency in Context

HSBC's annualised RoTE of 18.2% compares with a peer median of 14.8%, and its cost/income ratio of 46.2% with a median of 55.0%. Headline definitions differ: HSBC reports a cost efficiency ratio on a reported basis, Santander an underlying efficiency ratio, and BNP Paribas's first half carries front-loaded levies, so small gaps should not be over-read. RoTE excluding notable items was 19.1%, against management's target of 17% or better for 2026-2028.(1)

(1) HSBC Holdings plc 2026 Interim results media release, 4 August 2026.

Appendix

Data Sources

- (1) HSBC Holdings plc, 2026 Interim results media release, 4 August 2026
- (2) HSBC Holdings plc, Interim Report 2026, 4 August 2026
- (3) HSBC Holdings plc, Pillar 3 Disclosures at 30 June 2026, 10 August 2026
- (4) HSBC Pillar 3 at 31 Dec 2025 and 30 Jun 2025; 2025 results release, 25 Feb 2026; Interim Report 2025
- (5) Bank of England, Financial Stability Report Dec 2025: 2025 Bank Capital Stress Test results
- (6) Bank of England, Monetary Policy Report July 2026, 30 July 2026
- (7) Office for National Statistics, GDP quarterly national accounts, UK: January to March 2026, 30 June 2026
- (8) HKSAR Government, Q2 2026 economic performance and 2026 GDP and price forecasts, 14 Aug 2026
- (9) HSBC Holdings plc, Fixed income investors: credit ratings web page (ratings as at 6 July 2026)
- (10) Peer banks' H1 2026 results and Pillar 3 disclosures, per RiskView's cited history files

Methodology Notes

Data basis: HSBC figures are taken from the 2026 Interim results, the Interim Report 2026 and the Pillar 3 Disclosures at 30 June 2026, with 30 June 2025 and 31 December 2025 comparatives from the corresponding Pillar 3 disclosures and results documents. HSBC reports in US dollars. Peer figures come from each bank's H1 2026 disclosures as held in RiskView's cited history files, and every peer number, median and rank in this report is computed from that shared dataset. Ratios are as reported unless marked as computed. The credit-impaired loan ratio, coverage, stage ratios, RWA density and MDA headroom were computed from the cited tables.

Definitional caveats: NPL definitions differ across the peer group. BNP Paribas, Deutsche Bank and ING report EBA non-performing loans. HSBC and Barclays use IFRS 9 credit-impaired (stage 3 and POCI) loans, and UBS and Santander use credit-impaired management measures. Coverage ratios are therefore not strictly comparable. HSBC's credit-impaired ratio excludes loans held for sale, and its cost of risk is the total ECL charge, annualised, over average gross customer loans including held for sale. LCR bases differ: HSBC, Barclays, BNP Paribas, Deutsche Bank and ING report 12-month averages, Santander a 12-month average to 31 March 2026 and UBS a quarterly average. CET1 ratios are on each bank's reported basis. BNP Paribas and Santander report phased-in CRR3 ratios without a separate fully loaded figure, while IFRS 9 transitional relief has ended for HSBC. UK leverage ratios exclude qualifying central bank claims (HSBC 4.9% excluding, 4.4% including), unlike EU and Basel conventions. Cost/income ratios follow each bank's headline definition; HSBC's is the reported cost efficiency ratio (operating expenses over revenue before credit losses).

Currency: amounts are shown in US dollars for HSBC and converted to euros for peer tables using the ECB euro foreign exchange reference rates, 30 June 2026 (EUR 1 = USD 1.1394 = GBP 0.86178).

Scorecard and radar scores are linear 0-100 scores on fixed ranges shared by every RiskView H1 2026 European report, capped at 0 and 100: CET1 11-18 (higher is better); Leverage 3.5-6.5 (higher is better); LCR 110-200 (higher is better); NSFR 110-150 (higher is better); NPL (inv.) 0.5-4 (lower is better); NPL cov. 25-75 (higher is better); RoTE 5-20 (higher is better); C/I (inv.) 40-75 (lower is better).

Illustrative CET1 paths (RiskView estimates, not bank or supervisory projections) use one rule for every bank so peer bars match across reports: Base holds CET1 at its 30 June 2026 level (organic capital generation offsets distributions); Bear deducts half, and Adverse the full, CET1 depletion from the bank's latest published regulatory stress test (EBA 2025 for EU banks, Bank of England 2025 for UK banks, Federal Reserve 2026 for UBS's US intermediate holding company). Stress tests differ in scope, horizon and methodology, so the paths indicate relative resilience rather than forecasts. The base case macro assumptions are anchored to the Bank of England's July 2026 central projection and the Hong Kong government's August 2026 forecasts. Bear and adverse macro variables are RiskView illustrations, not official scenarios.

Traffic-light statuses are RiskView judgements. Each combines the absolute level of a metric, HSBC's rank in the peer group and the direction of travel since June 2025. Where a peer row mixes bases (MREL versus TLAC, LCR averaging windows, NPL definitions), the ranking on that row should be read as indicative only.

Glossary

MDA	Maximum Distributable Amount threshold; below it distributions are restricted
TLAC / MREL	Total loss-absorbing capacity / minimum requirement for own funds and eligible liabilities
SoTP	Sum of the parts: HSBC's MREL requirement aggregated across its resolution groups
Credit-impaired	IFRS 9 stage 3 and POCI loans, used by HSBC in place of an NPL ratio
POCI	Purchased or originated credit-impaired financial assets
Cost efficiency	HSBC's cost/income measure: operating expenses over revenue before ECL
RoTE	Return on average tangible equity, annualised
IRRBB / EVE	Interest rate risk in the banking book / economic value of equity sensitivity
BCST	Bank of England Bank Capital Stress Test (2025 cycle)
HBAP	The Hongkong and Shanghai Banking Corporation Limited, HSBC's Asian principal subsidiary

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Report Reference: HSBC Holdings plc | 2026-09-10