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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2026

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-07436

**HSBC USA Inc.**

(Exact name of registrant as specified in its charter)

Maryland

(State of incorporation)

66 Hudson Boulevard, New York, New York

(Address of principal executive offices)

13-2764867

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

10001

(Zip Code)

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

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

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

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

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

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

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

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

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

As of July 31, 2026, there were 714 shares of the registrant's common stock outstanding, all of which are owned by HSBC North America Holdings Inc.

**The registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format.**

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## PART I

## Item 1. Financial Statements

## CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

|                                                                                   | Three Months Ended<br>June 30, |               | Six Months Ended<br>June 30, |               |
|-----------------------------------------------------------------------------------|--------------------------------|---------------|------------------------------|---------------|
|                                                                                   | 2026                           | 2025          | 2026                         | 2025          |
|                                                                                   | (in millions)                  |               |                              |               |
| Interest income:                                                                  |                                |               |                              |               |
| Loans .....                                                                       | \$ 801                         | \$ 892        | \$ 1,599                     | \$ 1,768      |
| Securities .....                                                                  | 526                            | 506           | 1,024                        | 966           |
| Trading assets .....                                                              | 120                            | 87            | 222                          | 178           |
| Short-term investments .....                                                      | 271                            | 408           | 553                          | 842           |
| Other .....                                                                       | 14                             | 15            | 30                           | 34            |
| <b>Total interest income</b> .....                                                | <b>1,732</b>                   | <b>1,908</b>  | <b>3,428</b>                 | <b>3,788</b>  |
| Interest expense:                                                                 |                                |               |                              |               |
| Deposits .....                                                                    | 771                            | 916           | 1,530                        | 1,850         |
| Short-term borrowings .....                                                       | 115                            | 139           | 213                          | 265           |
| Long-term debt .....                                                              | 287                            | 314           | 560                          | 594           |
| Other .....                                                                       | 10                             | 16            | 24                           | 30            |
| <b>Total interest expense</b> .....                                               | <b>1,183</b>                   | <b>1,385</b>  | <b>2,327</b>                 | <b>2,739</b>  |
| Net interest income .....                                                         | 549                            | 523           | 1,101                        | 1,049         |
| Provision for credit losses .....                                                 | (38)                           | 42            | 10                           | 160           |
| <b>Net interest income after provision for credit losses</b> .....                | <b>587</b>                     | <b>481</b>    | <b>1,091</b>                 | <b>889</b>    |
| Other revenues:                                                                   |                                |               |                              |               |
| Trust and investment management fees .....                                        | 46                             | 41            | 94                           | 82            |
| Other fees and commissions .....                                                  | 241                            | 179           | 444                          | 358           |
| Trading revenue .....                                                             | 212                            | 191           | 409                          | 384           |
| Other securities gains, net .....                                                 | 9                              | 6             | 20                           | 9             |
| Servicing and other fees from HSBC affiliates .....                               | 119                            | 98            | 221                          | 200           |
| Gain (loss) on instruments designated at fair value and related derivatives ..... | (12)                           | (1)           | (17)                         | (4)           |
| Other income (loss) .....                                                         | (3)                            | 4             | (15)                         | 5             |
| <b>Total other revenues</b> .....                                                 | <b>612</b>                     | <b>518</b>    | <b>1,156</b>                 | <b>1,034</b>  |
| Operating expenses:                                                               |                                |               |                              |               |
| Salaries and employee benefits .....                                              | 141                            | 161           | 269                          | 309           |
| Support services from HSBC affiliates .....                                       | 483                            | 456           | 943                          | 860           |
| Occupancy expense, net .....                                                      | 9                              | 12            | 20                           | 24            |
| Other expenses .....                                                              | 70                             | 67            | 140                          | 163           |
| <b>Total operating expenses</b> .....                                             | <b>703</b>                     | <b>696</b>    | <b>1,372</b>                 | <b>1,356</b>  |
| Income before income tax .....                                                    | 496                            | 303           | 875                          | 567           |
| Income tax expense .....                                                          | 106                            | 55            | 194                          | 118           |
| <b>Net income</b> .....                                                           | <b>\$ 390</b>                  | <b>\$ 248</b> | <b>\$ 681</b>                | <b>\$ 449</b> |

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

|                                                                           | Three Months Ended<br>June 30, |               | Six Months Ended<br>June 30, |               |
|---------------------------------------------------------------------------|--------------------------------|---------------|------------------------------|---------------|
|                                                                           | 2026                           | 2025          | 2026                         | 2025          |
|                                                                           | (in millions)                  |               |                              |               |
| <b>Net income</b> .....                                                   | \$ 390                         | \$ 248        | \$ 681                       | \$ 449        |
| Net change in unrealized gains (losses), net of tax:                      |                                |               |                              |               |
| Investment securities .....                                               | 29                             | 20            | (76)                         | 209           |
| Fair value option liabilities attributable to our own credit spread ..... | (27)                           | (7)           | 13                           | (4)           |
| Derivatives designated as cash flow hedges .....                          | 25                             | (37)          | 25                           | (116)         |
| Pension and post-retirement benefit plans .....                           | (1)                            | —             | (1)                          | —             |
| <b>Total other comprehensive income (loss)</b> .....                      | <u>26</u>                      | <u>(24)</u>   | <u>(39)</u>                  | <u>89</u>     |
| <b>Comprehensive income</b> .....                                         | <u>\$ 416</u>                  | <u>\$ 224</u> | <u>\$ 642</u>                | <u>\$ 538</u> |

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

## CONSOLIDATED BALANCE SHEET (UNAUDITED)

|                                                                                                                                                                            | June 30,<br>2026  | December 31,<br>2025 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------|
|                                                                                                                                                                            | (in millions)     |                      |
| <b>Assets</b>                                                                                                                                                              |                   |                      |
| Cash and due from banks .....                                                                                                                                              | \$ 827            | \$ 762               |
| Interest bearing deposits with banks .....                                                                                                                                 | 23,893            | 23,148               |
| Federal funds sold and securities purchased under agreements to resell .....                                                                                               | 4,457             | 9,252                |
| Trading assets (includes <b>\$4.3 billion</b> and \$3.5 billion pledged to creditors) .....                                                                                | 27,731            | 22,757               |
| Securities available-for-sale (amortized cost of <b>\$34.5 billion</b> and \$31.7 billion, and includes <b>\$0.4 billion</b> and \$0.0 billion pledged to creditors) ..... | 32,817            | 30,030               |
| Securities held-to-maturity (fair value of <b>\$20.1 billion</b> and \$18.1 billion) .....                                                                                 | 20,489            | 18,293               |
| Loans .....                                                                                                                                                                | 62,103            | 59,894               |
| Less – allowance for credit losses .....                                                                                                                                   | 423               | 442                  |
| Loans, net .....                                                                                                                                                           | 61,680            | 59,452               |
| Loans held for sale (includes <b>\$0.8 billion</b> and \$0.6 billion designated under fair value option) .....                                                             | 1,305             | 1,925                |
| Properties and equipment, net .....                                                                                                                                        | 75                | 72                   |
| Goodwill .....                                                                                                                                                             | 458               | 458                  |
| Other assets (includes <b>\$0.1 billion</b> and \$0.0 billion designated under fair value option) .....                                                                    | 6,976             | 6,261                |
| <b>Total assets</b> .....                                                                                                                                                  | <b>\$ 180,708</b> | <b>\$ 172,410</b>    |
| <b>Liabilities</b>                                                                                                                                                         |                   |                      |
| Debt:                                                                                                                                                                      |                   |                      |
| Domestic deposits:                                                                                                                                                         |                   |                      |
| Noninterest bearing .....                                                                                                                                                  | \$ 26,380         | \$ 20,066            |
| Interest bearing (includes <b>\$3.8 billion</b> and \$3.6 billion designated under fair value option) ..                                                                   | 94,020            | 95,707               |
| Foreign deposits - interest bearing .....                                                                                                                                  | 6,413             | 8,324                |
| Total deposits .....                                                                                                                                                       | 126,813           | 124,097              |
| Short-term borrowings .....                                                                                                                                                | 9,082             | 7,289                |
| Long-term debt (includes <b>\$8.7 billion</b> and \$8.3 billion designated under fair value option) .....                                                                  | 25,305            | 23,026               |
| Total debt .....                                                                                                                                                           | 161,200           | 154,412              |
| Trading liabilities .....                                                                                                                                                  | 2,994             | 2,355                |
| Interest, taxes and other liabilities (includes <b>\$0.1 billion</b> and \$0.0 billion designated under fair value option) .....                                           | 3,757             | 3,204                |
| <b>Total liabilities</b> .....                                                                                                                                             | <b>167,951</b>    | <b>159,971</b>       |
| <b>Equity</b>                                                                                                                                                              |                   |                      |
| Preferred stock (no par value; 40,999,000 shares authorized; <b>265</b> shares issued and outstanding) ..                                                                  | 265               | 265                  |
| Common equity:                                                                                                                                                             |                   |                      |
| Common stock (\$5 par value; 150,000,000 shares authorized; <b>714</b> shares issued and outstanding) .....                                                                | —                 | —                    |
| Additional paid-in capital .....                                                                                                                                           | 12,685            | 12,701               |
| Retained earnings .....                                                                                                                                                    | 1,225             | 852                  |
| Accumulated other comprehensive loss .....                                                                                                                                 | (1,418)           | (1,379)              |
| Total common equity .....                                                                                                                                                  | 12,492            | 12,174               |
| <b>Total equity</b> .....                                                                                                                                                  | <b>12,757</b>     | <b>12,439</b>        |
| <b>Total liabilities and equity</b> .....                                                                                                                                  | <b>\$ 180,708</b> | <b>\$ 172,410</b>    |

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

| <b>Three Months Ended June 30,</b>                  | <b>2026</b>          | <b>2025</b>      |
|-----------------------------------------------------|----------------------|------------------|
|                                                     | <b>(in millions)</b> |                  |
| <b><i>Preferred stock</i></b>                       |                      |                  |
| Balance at beginning and end of period .....        | \$ 265               | \$ 265           |
| <b><i>Common stock</i></b>                          |                      |                  |
| Balance at beginning and end of period .....        | —                    | —                |
| <b><i>Additional paid-in capital</i></b>            |                      |                  |
| Balance at beginning of period .....                | 12,687               | 12,720           |
| Employee benefit plans .....                        | (2)                  | (2)              |
| Balance at end of period .....                      | 12,685               | 12,718           |
| <b><i>Retained earnings</i></b>                     |                      |                  |
| Balance at beginning of period .....                | 1,143                | 1,470            |
| Net income .....                                    | 390                  | 248              |
| Cash dividends declared on preferred stock .....    | (8)                  | (8)              |
| Cash dividends declared on common stock .....       | (300)                | (1,000)          |
| Balance at end of period .....                      | 1,225                | 710              |
| <b><i>Accumulated other comprehensive loss</i></b>  |                      |                  |
| Balance at beginning of period .....                | (1,444)              | (1,659)          |
| Other comprehensive income (loss), net of tax ..... | 26                   | (24)             |
| Balance at end of period .....                      | (1,418)              | (1,683)          |
| <b><i>Total common equity</i></b> .....             | <b>12,492</b>        | <b>11,745</b>    |
| <b><i>Total equity</i></b> .....                    | <b>\$ 12,757</b>     | <b>\$ 12,010</b> |
| <b>Six Months Ended June 30,</b>                    | <b>2026</b>          | <b>2025</b>      |
|                                                     | <b>(in millions)</b> |                  |
| <b><i>Preferred stock</i></b>                       |                      |                  |
| Balance at beginning and end of period .....        | \$ 265               | \$ 265           |
| <b><i>Common stock</i></b>                          |                      |                  |
| Balance at beginning and end of period .....        | —                    | —                |
| <b><i>Additional paid-in capital</i></b>            |                      |                  |
| Balance at beginning of period .....                | 12,701               | 12,727           |
| Employee benefit plans .....                        | (16)                 | (9)              |
| Balance at end of period .....                      | 12,685               | 12,718           |
| <b><i>Retained earnings</i></b>                     |                      |                  |
| Balance at beginning of period .....                | 852                  | 1,269            |
| Net income .....                                    | 681                  | 449              |
| Cash dividends declared on preferred stock .....    | (8)                  | (8)              |
| Cash dividends declared on common stock .....       | (300)                | (1,000)          |
| Balance at end of period .....                      | 1,225                | 710              |
| <b><i>Accumulated other comprehensive loss</i></b>  |                      |                  |
| Balance at beginning of period .....                | (1,379)              | (1,772)          |
| Other comprehensive income (loss), net of tax ..... | (39)                 | 89               |
| Balance at end of period .....                      | (1,418)              | (1,683)          |
| <b><i>Total common equity</i></b> .....             | <b>12,492</b>        | <b>11,745</b>    |
| <b><i>Total equity</i></b> .....                    | <b>\$ 12,757</b>     | <b>\$ 12,010</b> |

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

**CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)****Six Months Ended June 30,****2026      2025**

|                                                                                                       | <b>(in millions)</b> |                  |
|-------------------------------------------------------------------------------------------------------|----------------------|------------------|
| <b><i>Cash flows from operating activities</i></b>                                                    |                      |                  |
| Net income .....                                                                                      | <b>\$ 681</b>        | <b>\$ 449</b>    |
| Adjustments to reconcile net income to net cash used in operating activities:                         |                      |                  |
| Depreciation and amortization .....                                                                   | <b>(38)</b>          | <b>(31)</b>      |
| Provision for credit losses .....                                                                     | <b>10</b>            | <b>160</b>       |
| Net realized gains on securities available-for-sale .....                                             | <b>(20)</b>          | <b>(9)</b>       |
| Net change in other assets and liabilities .....                                                      | <b>162</b>           | <b>(296)</b>     |
| Net change in loans held for sale:                                                                    |                      |                  |
| Originations and purchases of loans held for sale .....                                               | <b>(565)</b>         | <b>(410)</b>     |
| Sales and collections of loans held for sale .....                                                    | <b>395</b>           | <b>377</b>       |
| Net change in trading assets and liabilities .....                                                    | <b>(3,375)</b>       | <b>(689)</b>     |
| Loss on instruments designated at fair value and related derivatives .....                            | <b>17</b>            | <b>4</b>         |
| Net cash used in operating activities .....                                                           | <b>(2,733)</b>       | <b>(445)</b>     |
| <b><i>Cash flows from investing activities</i></b>                                                    |                      |                  |
| Net change in federal funds sold and securities purchased under agreements to resell .....            | <b>4,795</b>         | <b>6,188</b>     |
| Securities available-for-sale:                                                                        |                      |                  |
| Purchases of securities available-for-sale .....                                                      | <b>(13,006)</b>      | <b>(8,325)</b>   |
| Proceeds from sales of securities available-for-sale .....                                            | <b>8,011</b>         | <b>2,723</b>     |
| Proceeds from paydowns and maturities of securities available-for-sale .....                          | <b>1,822</b>         | <b>2,303</b>     |
| Securities held-to-maturity:                                                                          |                      |                  |
| Purchases of securities held-to-maturity .....                                                        | <b>(3,115)</b>       | <b>(1,534)</b>   |
| Proceeds from paydowns and maturities of securities held-to-maturity .....                            | <b>948</b>           | <b>814</b>       |
| Change in loans:                                                                                      |                      |                  |
| Originations, net of collections .....                                                                | <b>(5,666)</b>       | <b>(2,093)</b>   |
| Loans sold to third parties .....                                                                     | <b>2,958</b>         | <b>518</b>       |
| Other, net .....                                                                                      | <b>(95)</b>          | <b>(71)</b>      |
| Net cash provided by (used in) investing activities .....                                             | <b>(3,348)</b>       | <b>523</b>       |
| <b><i>Cash flows from financing activities</i></b>                                                    |                      |                  |
| Net change in deposits .....                                                                          | <b>2,673</b>         | <b>2,752</b>     |
| Debt:                                                                                                 |                      |                  |
| Net change in short-term borrowings .....                                                             | <b>2,169</b>         | <b>706</b>       |
| Issuance of long-term debt .....                                                                      | <b>6,778</b>         | <b>8,183</b>     |
| Repayment of long-term debt .....                                                                     | <b>(4,405)</b>       | <b>(4,992)</b>   |
| Other decreases in capital surplus .....                                                              | <b>(16)</b>          | <b>(9)</b>       |
| Dividends paid .....                                                                                  | <b>(308)</b>         | <b>(1,008)</b>   |
| Net cash provided by financing activities .....                                                       | <b>6,891</b>         | <b>5,632</b>     |
| Net change in cash and due from banks and interest bearing deposits with banks .....                  | <b>810</b>           | <b>5,710</b>     |
| Cash and due from banks and interest bearing deposits with banks at beginning of period .....         | <b>23,910</b>        | <b>23,246</b>    |
| <b><i>Cash and due from banks and interest bearing deposits with banks at end of period</i></b> ..... | <b>\$ 24,720</b>     | <b>\$ 28,956</b> |

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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**1. Organization and Presentation**

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

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

## 2. Trading Assets and Liabilities

Trading assets and liabilities consisted of the following:

|                                                   | June 30,<br>2026 | December 31,<br>2025 |
|---------------------------------------------------|------------------|----------------------|
|                                                   | (in millions)    |                      |
| Trading assets:                                   |                  |                      |
| U.S. Treasury .....                               | \$ 4,470         | \$ 3,791             |
| U.S. Government agency issued or guaranteed ..... | —                | 2                    |
| U.S. Government sponsored enterprises .....       | 463              | 1,347                |
| Foreign bonds .....                               | 1,422            | 914                  |
| Equity securities .....                           | 19,354           | 15,141               |
| Precious metals <sup>(1)</sup> .....              | 1,100            | 196                  |
| Derivatives, net .....                            | 922              | 1,366                |
| Total trading assets .....                        | <u>\$ 27,731</u> | <u>\$ 22,757</u>     |
| Trading liabilities:                              |                  |                      |
| Securities sold, not yet purchased .....          | \$ 746           | \$ 1,438             |
| Payables for precious metals <sup>(1)</sup> ..... | 640              | 86                   |
| Derivatives, net .....                            | 1,608            | 831                  |
| Total trading liabilities .....                   | <u>\$ 2,994</u>  | <u>\$ 2,355</u>      |

<sup>(1)</sup> In the first quarter of 2026, we reclassified \$1.2 billion of precious metal lease assets from loans to trading assets and \$0.8 billion of precious metal lease liabilities from short-term borrowings to trading liabilities on the consolidated balance sheet, which generally have a maturity of three months or less, to align with our risk management practices. Prior period amounts were not reclassified as the impact was not material. At June 30, 2026, precious metal lease assets and precious metal lease liabilities were \$0.8 billion and \$0.5 billion, respectively.

At June 30, 2026 and December 31, 2025, the fair value of derivatives included in trading assets is net of \$2,337 million and \$1,600 million, respectively, relating to amounts recognized for the obligation to return cash collateral received under master netting agreements with derivative counterparties.

At June 30, 2026 and December 31, 2025, the fair value of derivatives included in trading liabilities is net of \$995 million and \$1,143 million, respectively, relating to amounts recognized for the right to reclaim cash collateral paid under master netting agreements with derivative counterparties.

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

Dividend income on equity securities held for trading, which is recorded in interest income in the consolidated statement of income, totaled \$47 million and \$94 million during the three and six months ended June 30, 2026, respectively, compared with \$34 million and \$76 million during the three and six months ended June 30, 2025, respectively. Trading security positions are primarily held as economic hedges of derivative products issued to our clients.

### 3. Securities

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

| June 30, 2026                                                    | Amortized<br>Cost | Unrealized<br>Gains | Unrealized<br>Losses | Fair<br>Value    |
|------------------------------------------------------------------|-------------------|---------------------|----------------------|------------------|
| (in millions)                                                    |                   |                     |                      |                  |
| Securities available-for-sale:                                   |                   |                     |                      |                  |
| U.S. Treasury .....                                              | \$ 15,519         | \$ 13               | \$ (145)             | \$ 15,387        |
| U.S. Government sponsored enterprises <sup>(1)</sup> .....       | 4,430             | 2                   | (805)                | 3,627            |
| U.S. Government agency issued or guaranteed <sup>(1)</sup> ..... | 9,920             | 18                  | (804)                | 9,134            |
| Asset-backed securities collateralized by:                       |                   |                     |                      |                  |
| Home equity mortgages .....                                      | 8                 | —                   | —                    | 8                |
| Corporate loans .....                                            | 208               | —                   | —                    | 208              |
| Other .....                                                      | 79                | —                   | (8)                  | 71               |
| Foreign debt securities <sup>(2)</sup> .....                     | 4,372             | 11                  | (1)                  | 4,382            |
| Total available-for-sale securities .....                        | <u>\$ 34,536</u>  | <u>\$ 44</u>        | <u>\$ (1,763)</u>    | <u>\$ 32,817</u> |
| Securities held-to-maturity:                                     |                   |                     |                      |                  |
| U.S. Treasury .....                                              | \$ 5,980          | \$ 4                | \$ (71)              | \$ 5,913         |
| U.S. Government sponsored enterprises <sup>(1)</sup> .....       | 1,014             | 2                   | (54)                 | 962              |
| U.S. Government agency issued or guaranteed <sup>(1)</sup> ..... | 13,493            | 63                  | (312)                | 13,244           |
| Obligations of U.S. states and political subdivisions .....      | 2                 | —                   | —                    | 2                |
| Total held-to-maturity securities .....                          | <u>\$ 20,489</u>  | <u>\$ 69</u>        | <u>\$ (437)</u>      | <u>\$ 20,121</u> |
| December 31, 2025                                                | Amortized<br>Cost | Unrealized<br>Gains | Unrealized<br>Losses | Fair<br>Value    |
| (in millions)                                                    |                   |                     |                      |                  |
| Securities available-for-sale:                                   |                   |                     |                      |                  |
| U.S. Treasury .....                                              | \$ 13,895         | \$ 32               | \$ (107)             | \$ 13,820        |
| U.S. Government sponsored enterprises <sup>(1)</sup> .....       | 4,603             | 2                   | (808)                | 3,797            |
| U.S. Government agency issued or guaranteed <sup>(1)</sup> ..... | 8,750             | 11                  | (752)                | 8,009            |
| Asset-backed securities collateralized by:                       |                   |                     |                      |                  |
| Home equity mortgages .....                                      | 8                 | —                   | —                    | 8                |
| Corporate loans .....                                            | 179               | —                   | —                    | 179              |
| Other .....                                                      | 85                | —                   | (9)                  | 76               |
| Foreign debt securities <sup>(2)</sup> .....                     | 4,131             | 11                  | (1)                  | 4,141            |
| Total available-for-sale securities .....                        | <u>\$ 31,651</u>  | <u>\$ 56</u>        | <u>\$ (1,677)</u>    | <u>\$ 30,030</u> |
| Securities held-to-maturity:                                     |                   |                     |                      |                  |
| U.S. Treasury .....                                              | \$ 2,846          | \$ 7                | \$ (4)               | \$ 2,849         |
| U.S. Government sponsored enterprises <sup>(1)</sup> .....       | 1,062             | 3                   | (47)                 | 1,018            |
| U.S. Government agency issued or guaranteed <sup>(1)</sup> ..... | 14,383            | 130                 | (245)                | 14,268           |
| Obligations of U.S. states and political subdivisions .....      | 2                 | —                   | —                    | 2                |
| Total held-to-maturity securities .....                          | <u>\$ 18,293</u>  | <u>\$ 140</u>       | <u>\$ (296)</u>      | <u>\$ 18,137</u> |

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

<sup>(2)</sup> Foreign debt securities primarily represent debt issued by public sector development banks and governments.

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

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

At both June 30, 2026 and December 31, 2025, the allowance for credit losses on securities available-for-sale was nil.

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

|                                                   | One Year or Less              |                                          | Greater Than One Year         |                                          |
|---------------------------------------------------|-------------------------------|------------------------------------------|-------------------------------|------------------------------------------|
|                                                   | Gross<br>Unrealized<br>Losses | Aggregate<br>Fair Value<br>of Investment | Gross<br>Unrealized<br>Losses | Aggregate<br>Fair Value<br>of Investment |
|                                                   | (in millions)                 |                                          |                               |                                          |
| <b>At June 30, 2026</b>                           |                               |                                          |                               |                                          |
| U.S. Treasury .....                               | \$ (21)                       | \$ 4,540                                 | \$ (124)                      | \$ 3,148                                 |
| U.S. Government sponsored enterprises .....       | —                             | —                                        | (805)                         | 3,422                                    |
| U.S. Government agency issued or guaranteed ..... | (9)                           | 2,080                                    | (795)                         | 5,949                                    |
| Asset-backed securities .....                     | —                             | —                                        | (8)                           | 103                                      |
| Foreign debt securities .....                     | (1)                           | 1,625                                    | —                             | —                                        |
| Securities available-for-sale .....               | <u>\$ (31)</u>                | <u>\$ 8,245</u>                          | <u>\$ (1,732)</u>             | <u>\$ 12,622</u>                         |
| <b>At December 31, 2025</b>                       |                               |                                          |                               |                                          |
| U.S. Treasury .....                               | \$ —                          | \$ —                                     | \$ (107)                      | \$ 3,419                                 |
| U.S. Government sponsored enterprises .....       | —                             | —                                        | (808)                         | 3,592                                    |
| U.S. Government agency issued or guaranteed ..... | —                             | 50                                       | (752)                         | 6,313                                    |
| Asset-backed securities .....                     | —                             | 129                                      | (9)                           | 85                                       |
| Foreign debt securities .....                     | (1)                           | 1,541                                    | —                             | —                                        |
| Securities available-for-sale .....               | <u>\$ (1)</u>                 | <u>\$ 1,720</u>                          | <u>\$ (1,676)</u>             | <u>\$ 13,409</u>                         |

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

Although the fair value of a particular security may be below its amortized cost, it does not necessarily result in a credit loss and hence an allowance for credit losses. The decline in fair value may be caused by, among other things, higher market rates or the illiquidity of the market. We have reviewed the securities in an unrealized loss position for which no allowance for credit losses has been recognized in accordance with our accounting policies. At June 30, 2026, we do not consider any of these securities to be impaired due to credit factors as we expect to recover their amortized cost basis and we neither intend nor expect to be required to sell these securities prior to recovery, even if that equates to holding them until their individual maturities. However, impairments due to credit factors may occur in future periods if the credit quality of the securities deteriorates.

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

*Allowance for credit losses* We exclude from our calculation of lifetime expected credit losses ("lifetime ECL") securities for which we expect that non-payment of the amortized cost basis will be zero ("Zero Expected Credit Loss Exception"). Due to the composition of our portfolio of securities held-to-maturity, substantially all of our portfolio qualifies for the Zero Expected Credit Loss Exception and has been excluded from our lifetime ECL calculation. At both June 30, 2026 and December 31, 2025, the allowance for credit losses on securities held-to-maturity was nil.

At both June 30, 2026 and December 31, 2025, none of our securities held-to-maturity were past due or in nonaccrual status.

*Credit risk profile* Securities are assigned a credit rating based on the estimated probability of default. The credit ratings are used as a credit quality indicator to monitor our securities held-to-maturity portfolio. We utilize Standard and Poor's ("S&P") as the primary source of our credit ratings. If S&P ratings are not available, ratings by Moody's and Fitch are used in that order. Investment grade includes securities with credit ratings of at least BBB- or above. At both June 30, 2026 and December 31, 2025, all of our securities held-to-maturity were investment grade.

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

|                             | Three Months Ended<br>June 30, |             | Six Months Ended<br>June 30, |             |
|-----------------------------|--------------------------------|-------------|------------------------------|-------------|
|                             | 2026                           | 2025        | 2026                         | 2025        |
|                             | (in millions)                  |             |                              |             |
| Gross realized gains .....  | \$ 9                           | \$ 7        | \$ 20                        | \$ 10       |
| Gross realized losses ..... | —                              | (1)         | —                            | (1)         |
| Net realized gains .....    | <u>\$ 9</u>                    | <u>\$ 6</u> | <u>\$ 20</u>                 | <u>\$ 9</u> |

**Contractual Maturities and Yields** The following table summarizes the amortized cost and fair values of securities available-for-sale and securities held-to-maturity at June 30, 2026 by contractual maturity. Expected maturities differ from contractual maturities because borrowers have the right to prepay obligations without prepayment penalties in certain cases. The table below also reflects the distribution of maturities of debt securities held at June 30, 2026, together with the approximate yield of the portfolio. The yields shown are calculated by dividing annualized interest income, including the accretion of discounts and the amortization of premiums, by the amortized cost of securities outstanding at June 30, 2026.

|                                                                | Within<br>One Year        |        | After One<br>But Within<br>Five Years |        | After Five<br>But Within<br>Ten Years |        | After Ten<br>Years |        |
|----------------------------------------------------------------|---------------------------|--------|---------------------------------------|--------|---------------------------------------|--------|--------------------|--------|
|                                                                | Amount                    | Yield  | Amount                                | Yield  | Amount                                | Yield  | Amount             | Yield  |
|                                                                | (dollars are in millions) |        |                                       |        |                                       |        |                    |        |
| Available-for-sale:                                            |                           |        |                                       |        |                                       |        |                    |        |
| U.S. Treasury .....                                            | \$ 118                    | 1.67 % | \$ 9,381                              | 3.67 % | \$ 3,663                              | 4.10 % | \$ 2,357           | 3.36 % |
| U.S. Government sponsored enterprises .....                    | 58                        | 1.88   | 289                                   | 1.68   | 1                                     | 2.61   | 4,082              | 1.85   |
| U.S. Government agency issued or<br>guaranteed .....           | —                         | —      | —                                     | —      | 58                                    | 3.13   | 9,862              | 3.41   |
| Asset-backed securities .....                                  | —                         | —      | 33                                    | 4.35   | 46                                    | 3.88   | 216                | 4.98   |
| Foreign debt securities .....                                  | 1,635                     | 1.12   | 1,857                                 | 4.05   | 840                                   | 4.20   | 40                 | 4.64   |
| Total amortized cost .....                                     | <u>\$ 1,811</u>           | 1.18 % | <u>\$ 11,560</u>                      | 3.68 % | <u>\$ 4,608</u>                       | 4.10 % | <u>\$ 16,557</u>   | 3.04 % |
| Total fair value .....                                         | <u>\$ 1,810</u>           |        | <u>\$ 11,538</u>                      |        | <u>\$ 4,611</u>                       |        | <u>\$ 14,858</u>   |        |
| Held-to-maturity:                                              |                           |        |                                       |        |                                       |        |                    |        |
| U.S. Treasury .....                                            | \$ 114                    | 4.03 % | \$ 3,222                              | 3.69 % | \$ 2,644                              | 4.07 % | \$ —               | — %    |
| U.S. Government sponsored enterprises .....                    | —                         | —      | 172                                   | 2.94   | 561                                   | 3.65   | 281                | 2.91   |
| U.S. Government agency issued or<br>guaranteed .....           | —                         | —      | —                                     | —      | 7                                     | 6.06   | 13,486             | 4.69   |
| Obligations of U.S. states and political<br>subdivisions ..... | —                         | —      | 2                                     | 3.47   | —                                     | —      | —                  | —      |
| Total amortized cost .....                                     | <u>\$ 114</u>             | 4.03 % | <u>\$ 3,396</u>                       | 3.65 % | <u>\$ 3,212</u>                       | 4.00 % | <u>\$ 13,767</u>   | 4.65 % |
| Total fair value .....                                         | <u>\$ 114</u>             |        | <u>\$ 3,350</u>                       |        | <u>\$ 3,160</u>                       |        | <u>\$ 13,497</u>   |        |

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

|                                                                  | June 30,<br>2026 | December 31,<br>2025 |
|------------------------------------------------------------------|------------------|----------------------|
|                                                                  | (in millions)    |                      |
| Equity securities carried at fair value .....                    | \$ 256           | \$ 243               |
| Equity securities without readily determinable fair values ..... | 19               | 17                   |

On a quarterly basis, we perform an assessment to determine whether any equity securities without readily determinable fair values are impaired. In the event an equity security is deemed impaired, the security is written down to fair value with impairment recorded in earnings. During the six months ended June 30, 2026 and 2025, impairment losses on equity securities without readily determinable fair values were immaterial.

Also included in other assets were investments in Federal Home Loan Bank ("FHLB") stock and Federal Reserve Bank stock of \$95 million and \$437 million, respectively, at both June 30, 2026 and December 31, 2025. Our investment in Federal Reserve Bank stock represents approximately half of the total subscription price for our subscribed shares. The remaining half is unpaid and remains subject to call by the Federal Reserve Board ("FRB").

#### 4. Loans

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

Loans consisted of the following:

|                                      | June 30,<br>2026 | December 31,<br>2025 |
|--------------------------------------|------------------|----------------------|
|                                      | (in millions)    |                      |
| Commercial loans:                    |                  |                      |
| Commercial mortgages .....           | \$ 944           | \$ 1,439             |
| Business and corporate banking ..... | 30,926           | 28,305               |
| Other commercial:                    |                  |                      |
| Affiliates <sup>(1)</sup> .....      | 6,411            | 6,035                |
| Other .....                          | 3,390            | 3,565                |
| Total other commercial .....         | 9,801            | 9,600                |
| Total commercial .....               | 41,671           | 39,344               |
| Consumer loans:                      |                  |                      |
| Residential mortgages .....          | 19,584           | 19,789               |
| Other consumer .....                 | 848              | 761                  |
| Total consumer .....                 | 20,432           | 20,550               |
| Total loans .....                    | \$ 62,103        | \$ 59,894            |

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

At June 30, 2026 and December 31, 2025, net deferred origination costs and net unamortized discounts on our loans were immaterial.

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

|                                      | Past Due     |          | Total Past Due  | Current <sup>(1)</sup> | Total Loans |
|--------------------------------------|--------------|----------|-----------------|------------------------|-------------|
|                                      | 30 - 89 Days | 90+ Days | 30 Days or More |                        |             |
| (in millions)                        |              |          |                 |                        |             |
| At June 30, 2026                     |              |          |                 |                        |             |
| Commercial loans:                    |              |          |                 |                        |             |
| Commercial mortgages .....           | \$ —         | \$ —     | \$ —            | \$ 944                 | \$ 944      |
| Business and corporate banking ..... | 45           | 69       | 114             | 30,812                 | 30,926      |
| Other commercial .....               | 114          | —        | 114             | 9,687                  | 9,801       |
| Total commercial .....               | 159          | 69       | 228             | 41,443                 | 41,671      |
| Consumer loans:                      |              |          |                 |                        |             |
| Residential mortgages .....          | 173          | 119      | 292             | 19,292                 | 19,584      |
| Other consumer .....                 | 12           | 9        | 21              | 827                    | 848         |
| Total consumer .....                 | 185          | 128      | 313             | 20,119                 | 20,432      |
| Total loans .....                    | \$ 344       | \$ 197   | \$ 541          | \$ 61,562              | \$ 62,103   |
| At December 31, 2025                 |              |          |                 |                        |             |
| Commercial loans:                    |              |          |                 |                        |             |
| Commercial mortgages .....           | \$ —         | \$ 106   | \$ 106          | \$ 1,333               | \$ 1,439    |
| Business and corporate banking ..... | 239          | 15       | 254             | 28,051                 | 28,305      |
| Other commercial .....               | 41           | —        | 41              | 9,559                  | 9,600       |
| Total commercial .....               | 280          | 121      | 401             | 38,943                 | 39,344      |
| Consumer loans:                      |              |          |                 |                        |             |
| Residential mortgages .....          | 178          | 100      | 278             | 19,511                 | 19,789      |
| Other consumer .....                 | 6            | 8        | 14              | 747                    | 761         |
| Total consumer .....                 | 184          | 108      | 292             | 20,258                 | 20,550      |
| Total loans .....                    | \$ 464       | \$ 229   | \$ 693          | \$ 59,201              | \$ 59,894   |

<sup>(1)</sup> Loans less than 30 days past due are presented as current.

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

|                                            | Nonaccrual<br>Loans | Accruing<br>Loans<br>Contractually<br>Past Due 90<br>Days or More | Nonaccrual<br>Loans With<br>No Allowance<br>For Credit<br>Losses |
|--------------------------------------------|---------------------|-------------------------------------------------------------------|------------------------------------------------------------------|
|                                            | (in millions)       |                                                                   |                                                                  |
| At June 30, 2026                           |                     |                                                                   |                                                                  |
| Commercial loans:                          |                     |                                                                   |                                                                  |
| Commercial mortgages .....                 | \$ 247              | \$ —                                                              | \$ 1                                                             |
| Business and corporate banking .....       | 353                 | —                                                                 | 92                                                               |
| Total commercial .....                     | 600                 | —                                                                 | 93                                                               |
| Consumer loans:                            |                     |                                                                   |                                                                  |
| Residential mortgages <sup>(1)</sup> ..... | 208                 | —                                                                 | 95                                                               |
| Other consumer .....                       | 8                   | 3                                                                 | 6                                                                |
| Total consumer .....                       | 216                 | 3                                                                 | 101                                                              |
| Total nonperforming loans .....            | \$ 816              | \$ 3                                                              | \$ 194                                                           |
| At December 31, 2025                       |                     |                                                                   |                                                                  |
| Commercial loans:                          |                     |                                                                   |                                                                  |
| Commercial mortgages .....                 | \$ 257              | \$ —                                                              | \$ 2                                                             |
| Business and corporate banking .....       | 273                 | —                                                                 | 46                                                               |
| Other commercial .....                     | 3                   | —                                                                 | 2                                                                |
| Total commercial .....                     | 533                 | —                                                                 | 50                                                               |
| Consumer loans:                            |                     |                                                                   |                                                                  |
| Residential mortgages <sup>(1)</sup> ..... | 206                 | —                                                                 | 67                                                               |
| Other consumer .....                       | 9                   | 4                                                                 | 6                                                                |
| Total consumer .....                       | 215                 | 4                                                                 | 73                                                               |
| Total nonperforming loans .....            | \$ 748              | \$ 4                                                              | \$ 123                                                           |

<sup>(1)</sup> At June 30, 2026 and December 31, 2025, includes \$126 million and \$99 million, respectively, of residential mortgage loans that are carried at the lower of amortized cost or fair value of the collateral less cost to sell.

Interest income that was recorded on nonaccrual loans and included in interest income was immaterial during the three and six months ended June 30, 2026 and 2025.

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

Collateral-dependent residential mortgage loans are carried at the lower of amortized cost or fair value of the collateral less costs to sell, with any excess in the carrying amount of the loan generally charged off at the time foreclosure is initiated or when settlement is reached with the borrower, but not to exceed the end of the month in which the account becomes six months contractually delinquent. Collateral values are based on broker price opinions or appraisals which are updated at least every 180 days. During the quarterly period between updates, real estate price trends are reviewed on a geographic basis and incorporated as necessary. At June 30, 2026 and December 31, 2025, we had collateral-dependent residential mortgage loans totaling \$274 million and \$256 million, respectively.

For collateral-dependent commercial loans, the allowance for expected credit losses is individually assessed based on the fair value of the collateral. Collateral may include real estate, inventory, equipment, accounts receivable, securities and cash. Real estate collateral values are generally based on appraisals which are updated based on management judgment on a case-by-case basis. When an appraisal is not used, we estimate collateral value by reviewing borrower-specific factors such as operating results, cash flows and debt service ratios along with relevant market data of comparable properties, typically using a discounted cash flow analysis. The collateral value for securities is based on quoted market prices or broker quotes, while other financial collateral is generally valued based on appraisals or discounted cash flow analysis. Commercial loan balances are charged off at the time all or a portion of the balance is deemed uncollectible. At June 30, 2026 and December 31, 2025, we had collateral-dependent commercial loans totaling \$605 million and \$513 million, respectively.

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

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

Loan payment modifications made to consumer borrowers experiencing financial difficulty were immaterial during the three and six months ended June 30, 2026 and 2025.

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

|                                         | Interest Rate<br>Reduction | Principal<br>Forgiveness | Term<br>Extension /<br>Significant<br>Payment<br>Deferral | Combination <sup>(1)</sup> | Total         | % of Total<br>Loans |
|-----------------------------------------|----------------------------|--------------------------|-----------------------------------------------------------|----------------------------|---------------|---------------------|
| (dollars are in millions)               |                            |                          |                                                           |                            |               |                     |
| <b>Three Months Ended June 30, 2026</b> |                            |                          |                                                           |                            |               |                     |
| Commercial loans:                       |                            |                          |                                                           |                            |               |                     |
| Commercial mortgages .....              | \$ —                       | \$ —                     | \$ 84                                                     | \$ —                       | \$ 84         | 8.9 %               |
| Business and corporate banking .....    | —                          | —                        | 17                                                        | 20                         | 37            | .1                  |
| Total commercial .....                  | <u>\$ —</u>                | <u>\$ —</u>              | <u>\$ 101</u>                                             | <u>\$ 20</u>               | <u>\$ 121</u> | .3                  |
| <b>Three Months Ended June 30, 2025</b> |                            |                          |                                                           |                            |               |                     |
| Commercial loans:                       |                            |                          |                                                           |                            |               |                     |
| Business and corporate banking .....    | \$ 23                      | \$ —                     | \$ 103                                                    | \$ 3                       | \$ 129        | .4 %                |
| Total commercial .....                  | <u>\$ 23</u>               | <u>\$ —</u>              | <u>\$ 103</u>                                             | <u>\$ 3</u>                | <u>\$ 129</u> | .3                  |
| <b>Six Months Ended June 30, 2026</b>   |                            |                          |                                                           |                            |               |                     |
| Commercial loans:                       |                            |                          |                                                           |                            |               |                     |
| Commercial mortgages .....              | \$ —                       | \$ —                     | \$ 101                                                    | \$ —                       | \$ 101        | 10.7 %              |
| Business and corporate banking .....    | —                          | —                        | 128                                                       | 20                         | 148           | .5                  |
| Total commercial .....                  | <u>\$ —</u>                | <u>\$ —</u>              | <u>\$ 229</u>                                             | <u>\$ 20</u>               | <u>\$ 249</u> | .6                  |
| <b>Six Months Ended June 30, 2025</b>   |                            |                          |                                                           |                            |               |                     |
| Commercial loans:                       |                            |                          |                                                           |                            |               |                     |
| Business and corporate banking .....    | \$ 23                      | \$ —                     | \$ 113                                                    | \$ 3                       | \$ 139        | .5 %                |
| Total commercial .....                  | <u>\$ 23</u>               | <u>\$ —</u>              | <u>\$ 113</u>                                             | <u>\$ 3</u>                | <u>\$ 139</u> | .3                  |

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

At June 30, 2026 and December 31, 2025, additional commitments to lend to commercial borrowers who were provided with a loan payment modification during the respective year-to-date periods totaled \$100 million and \$116 million, respectively.

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

|                                         | Weighted-Average Interest<br>Rate Reduction | Principal Forgiven<br>(in millions) | Weighted-Average Term<br>Extension / Payment Deferral<br>(in years) |
|-----------------------------------------|---------------------------------------------|-------------------------------------|---------------------------------------------------------------------|
| <b>Three Months Ended June 30, 2026</b> |                                             |                                     |                                                                     |
| Commercial loans:                       |                                             |                                     |                                                                     |
| Commercial mortgages .....              | — %                                         | \$ —                                | 5.5                                                                 |
| Business and corporate banking .....    | 3.1                                         | —                                   | 2.8                                                                 |
| <b>Three Months Ended June 30, 2025</b> |                                             |                                     |                                                                     |
| Commercial loans:                       |                                             |                                     |                                                                     |
| Business and corporate banking .....    | .2 %                                        | \$ —                                | 1.0                                                                 |
| <b>Six Months Ended June 30, 2026</b>   |                                             |                                     |                                                                     |
| Commercial loans:                       |                                             |                                     |                                                                     |
| Commercial mortgages .....              | — %                                         | \$ —                                | 4.7                                                                 |
| Business and corporate banking .....    | 3.1                                         | —                                   | 2.4                                                                 |
| <b>Six Months Ended June 30, 2025</b>   |                                             |                                     |                                                                     |
| Commercial loans:                       |                                             |                                     |                                                                     |
| Business and corporate banking .....    | .2 %                                        | \$ —                                | 1.0                                                                 |

The effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the methodology used to estimate lifetime ECL, which considers historical loss information including losses from modifications of loans to borrowers experiencing financial difficulty. As a result, a material change to the allowance for credit losses is generally not recorded upon modification. In instances when a loan is modified in the form of principal forgiveness, the amount of principal forgiven is deemed uncollectible and that portion of the loan balance is charged off with a corresponding reduction to the allowance for credit losses.

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

Loans to commercial borrowers experiencing financial difficulty with a payment modification during the previous 12 months which subsequently became 90 days or greater contractually delinquent were immaterial during the six months ended June 30, 2026 and 2025.

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

|                                      | Past Due      |              | Current <sup>(1)</sup> | Total         |
|--------------------------------------|---------------|--------------|------------------------|---------------|
|                                      | 30 - 89 Days  | 90+ Days     |                        |               |
|                                      | (in millions) |              |                        |               |
| At June 30, 2026                     |               |              |                        |               |
| Commercial loans:                    |               |              |                        |               |
| Commercial mortgages .....           | \$ —          | \$ —         | \$ 101                 | \$ 101        |
| Business and corporate banking ..... | —             | 7            | 208                    | 215           |
| Total commercial .....               | <u>\$ —</u>   | <u>\$ 7</u>  | <u>\$ 309</u>          | <u>\$ 316</u> |
| At December 31, 2025                 |               |              |                        |               |
| Commercial loans:                    |               |              |                        |               |
| Commercial mortgages .....           | \$ —          | \$ 18        | \$ 77                  | \$ 95         |
| Business and corporate banking ..... | —             | 9            | 249                    | 258           |
| Total commercial .....               | <u>\$ —</u>   | <u>\$ 27</u> | <u>\$ 326</u>          | <u>\$ 353</u> |

<sup>(1)</sup> Loans less than 30 days past due are presented as current.

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

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

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

|                                            | 2026            | 2025            | 2024            | 2023            | 2022            | Prior           | Revolving<br>Loans | Revolving<br>Loans<br>Converted<br>to Term<br>Loans | Total at<br>Jun. 30,<br>2026 |
|--------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------|-----------------------------------------------------|------------------------------|
| (in millions)                              |                 |                 |                 |                 |                 |                 |                    |                                                     |                              |
| Commercial mortgages:                      |                 |                 |                 |                 |                 |                 |                    |                                                     |                              |
| Pass rated .....                           | \$ —            | \$ 1            | \$ 1            | \$ 229          | \$ 67           | \$ 250          | \$ —               | \$ —                                                | \$ 548                       |
| Criticized .....                           | —               | —               | 18              | —               | 71              | 307             | —                  | —                                                   | 396                          |
| Total commercial mortgages .....           | —               | 1               | 19              | 229             | 138             | 557             | —                  | —                                                   | 944                          |
| Business and corporate banking:            |                 |                 |                 |                 |                 |                 |                    |                                                     |                              |
| Pass rated .....                           | 3,623           | 5,065           | 2,826           | 1,625           | 931             | 4,177           | 10,973             | 7                                                   | 29,227                       |
| Criticized .....                           | 39              | 245             | 403             | 73              | 40              | 214             | 683                | 2                                                   | 1,699                        |
| Total business and corporate banking ..... | 3,662           | 5,310           | 3,229           | 1,698           | 971             | 4,391           | 11,656             | 9                                                   | 30,926                       |
| Other commercial:                          |                 |                 |                 |                 |                 |                 |                    |                                                     |                              |
| Pass rated .....                           | —               | 32              | 64              | —               | 5               | 13              | 9,687              | —                                                   | 9,801                        |
| Total other commercial .....               | —               | 32              | 64              | —               | 5               | 13              | 9,687              | —                                                   | 9,801                        |
| Total commercial .....                     | <u>\$ 3,662</u> | <u>\$ 5,343</u> | <u>\$ 3,312</u> | <u>\$ 1,927</u> | <u>\$ 1,114</u> | <u>\$ 4,961</u> | <u>\$ 21,343</u>   | <u>\$ 9</u>                                         | <u>\$ 41,671</u>             |
| (in millions)                              |                 |                 |                 |                 |                 |                 |                    |                                                     |                              |
|                                            | 2025            | 2024            | 2023            | 2022            | 2021            | Prior           | Revolving<br>Loans | Revolving<br>Loans<br>Converted<br>to Term<br>Loans | Total at<br>Dec. 31,<br>2025 |
| Commercial mortgages:                      |                 |                 |                 |                 |                 |                 |                    |                                                     |                              |
| Pass rated .....                           | \$ 2            | \$ 18           | \$ 237          | \$ 266          | \$ 34           | \$ 278          | \$ —               | \$ —                                                | \$ 835                       |
| Criticized .....                           | —               | 1               | —               | 120             | —               | 483             | —                  | —                                                   | 604                          |
| Total commercial mortgages .....           | 2               | 19              | 237             | 386             | 34              | 761             | —                  | —                                                   | 1,439                        |
| Business and corporate banking:            |                 |                 |                 |                 |                 |                 |                    |                                                     |                              |
| Pass rated .....                           | 4,634           | 3,496           | 1,504           | 1,486           | 798             | 4,887           | 8,316              | 1,040                                               | 26,161                       |
| Criticized .....                           | 326             | 609             | 183             | 162             | 75              | 307             | 471                | 11                                                  | 2,144                        |
| Total business and corporate banking ..... | 4,960           | 4,105           | 1,687           | 1,648           | 873             | 5,194           | 8,787              | 1,051                                               | 28,305                       |
| Other commercial:                          |                 |                 |                 |                 |                 |                 |                    |                                                     |                              |
| Pass rated .....                           | 484             | 319             | 87              | 319             | 338             | 1,192           | 6,861              | —                                                   | 9,600                        |
| Total other commercial .....               | 484             | 319             | 87              | 319             | 338             | 1,192           | 6,861              | —                                                   | 9,600                        |
| Total commercial .....                     | <u>\$ 5,446</u> | <u>\$ 4,443</u> | <u>\$ 2,011</u> | <u>\$ 2,353</u> | <u>\$ 1,245</u> | <u>\$ 7,147</u> | <u>\$ 15,648</u>   | <u>\$ 1,051</u>                                     | <u>\$ 39,344</u>             |

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

|                                       | 2026         | 2025        | 2024        | 2023        | 2022        | Prior        | Revolving<br>Loans | Revolving<br>Loans<br>Converted<br>to Term<br>Loans | Total        |
|---------------------------------------|--------------|-------------|-------------|-------------|-------------|--------------|--------------------|-----------------------------------------------------|--------------|
| (in millions)                         |              |             |             |             |             |              |                    |                                                     |              |
| <b>Six Months Ended June 30, 2026</b> |              |             |             |             |             |              |                    |                                                     |              |
| Business and corporate banking .....  | \$ 17        | \$ —        | \$ —        | \$ —        | \$ —        | \$ 15        | \$ 16              | \$ —                                                | \$ 48        |
| Total commercial .....                | <u>\$ 17</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 15</u> | <u>\$ 16</u>       | <u>\$ —</u>                                         | <u>\$ 48</u> |

  

|                                       | 2025        | 2024        | 2023        | 2022        | 2021        | Prior        | Revolving<br>Loans | Revolving<br>Loans<br>Converted<br>to Term<br>Loans | Total        |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------------|-----------------------------------------------------|--------------|
| (in millions)                         |             |             |             |             |             |              |                    |                                                     |              |
| <b>Six Months Ended June 30, 2025</b> |             |             |             |             |             |              |                    |                                                     |              |
| Commercial mortgages .....            | \$ —        | \$ —        | \$ —        | \$ —        | \$ —        | \$ 27        | \$ —               | \$ —                                                | \$ 27        |
| Business and corporate banking .....  | —           | —           | 7           | —           | —           | —            | 33                 | —                                                   | 40           |
| Total commercial .....                | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 7</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 27</u> | <u>\$ 33</u>       | <u>\$ —</u>                                         | <u>\$ 67</u> |

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

**Delinquency** The primary credit quality indicator utilized to monitor our consumer loan portfolio is delinquency. At June 30, 2026 and December 31, 2025, delinquency for other consumer loans was immaterial.

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

|                                                  | 2026            | 2025            | 2024            | 2023            | 2022            | Prior           | Total at<br>Jun. 30,<br>2026 |
|--------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------------------|
| (in millions)                                    |                 |                 |                 |                 |                 |                 |                              |
| Residential mortgages:                           |                 |                 |                 |                 |                 |                 |                              |
| Current - 59 days past due .....                 | \$ 1,363        | \$ 2,817        | \$ 2,179        | \$ 1,239        | \$ 2,047        | \$ 9,792        | \$ 19,437                    |
| 60 days or more past due <sup>(1)(2)</sup> ..... | —               | 3               | 1               | 6               | 9               | 128             | 147                          |
| Total residential mortgages .....                | <u>\$ 1,363</u> | <u>\$ 2,820</u> | <u>\$ 2,180</u> | <u>\$ 1,245</u> | <u>\$ 2,056</u> | <u>\$ 9,920</u> | <u>\$ 19,584</u>             |

  

|                                                  | 2025            | 2024            | 2023            | 2022            | 2021            | Prior           | Total at<br>Dec. 31,<br>2025 |
|--------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------------------|
| (in millions)                                    |                 |                 |                 |                 |                 |                 |                              |
| Residential mortgages:                           |                 |                 |                 |                 |                 |                 |                              |
| Current - 59 days past due .....                 | \$ 3,203        | \$ 2,575        | \$ 1,378        | \$ 2,100        | \$ 3,673        | \$ 6,723        | \$ 19,652                    |
| 60 days or more past due <sup>(1)(2)</sup> ..... | —               | 3               | 9               | 10              | —               | 115             | 137                          |
| Total residential mortgages .....                | <u>\$ 3,203</u> | <u>\$ 2,578</u> | <u>\$ 1,387</u> | <u>\$ 2,110</u> | <u>\$ 3,673</u> | <u>\$ 6,838</u> | <u>\$ 19,789</u>             |

<sup>(1)</sup> At June 30, 2026 and December 31, 2025, includes \$85 million and \$57 million, respectively, of residential mortgage loans that are carried at the lower of amortized cost or fair value of the collateral less cost to sell.

<sup>(2)</sup> At June 30, 2026 and December 31, 2025, includes \$63 million and \$30 million, respectively, of residential mortgage loans that were in the process of foreclosure.

**Gross Charge-offs** Gross charge-off dollars in our consumer loan portfolio were immaterial during the six months ended June 30, 2026 and 2025.

## 5. Allowance for Credit Losses

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

**Updates to Economic Scenarios and Other Changes During the Six Months Ended June 30, 2026** During the first quarter of 2026, economic uncertainty increased due to the impact of the conflict in the Middle East, including higher energy prices resulting from supply chain disruption, in addition to the ongoing uncertainty associated with tariffs, inflation and interest rates. As a result, in addition to updating our Consensus Economic Scenarios and our Alternative Downside scenario, we developed and utilized a fifth scenario for estimating lifetime ECL at March 31, 2026, referred to as the "Alternative Downside 2 scenario" to address the risks of an energy price shock from a more prolonged Middle East conflict. Each of the five scenarios was assigned weightings with the highest weighting placed on the Central scenario, the second highest weighting placed on the Alternative Downside 2 scenario, the third highest weighting placed on the Downside scenario, and the lowest weightings placed equally on the Upside and Alternative Downside scenarios. This weighting represented management's best estimate of lifetime ECL at that time.

Although the economic outlook improved during the second quarter of 2026, these factors continued to create economic uncertainty. However, as the prevailing range of economic forecasts adequately reflects these heightened economic uncertainties, management determined that the additional fifth scenario, the Alternative Downside 2 scenario, was no longer needed. We updated our Consensus Economic Scenarios and our Alternative Downside scenario to reflect management's current view of forecasted economic conditions and utilized the four updated scenarios for estimating lifetime ECL at June 30, 2026. Each of the four scenarios was assigned weightings with the majority of the weighting placed on the Central scenario, the second highest weighting placed on the Downside scenario, and the lowest weightings placed equally on the Upside and Alternative Downside scenarios. This weighting represents management's best estimate of lifetime ECL under current conditions. The following discussion summarizes the scenarios at June 30, 2026. The economic assumptions described in this section have been formed specifically for the purpose of calculating lifetime ECL.

The Central scenario assumes moderate economic growth in 2026 and 2027, reflecting the prevailing economic and geopolitical environment. As inflation remains elevated in the near term while the labor market softens modestly, the FRB maintains a slight tightening bias. The downside scenarios reflect more adverse economic outcomes than the Central scenario, ranging from a cyclical downturn to a severe recession. They assume tighter financial conditions, a weaker labor market, and higher inflation driven by an escalation of the Middle East conflict.

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

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

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

|                                                   | Commercial Loans                    |                                               |              | Consumer Loans        |                |               |
|---------------------------------------------------|-------------------------------------|-----------------------------------------------|--------------|-----------------------|----------------|---------------|
|                                                   | Commercial Mortgages <sup>(1)</sup> | Business and Corporate Banking <sup>(1)</sup> | Other Comm'l | Residential Mortgages | Other Consumer | Total Loans   |
| (in millions)                                     |                                     |                                               |              |                       |                |               |
| <b>Three Months Ended June 30, 2026</b>           |                                     |                                               |              |                       |                |               |
| Allowance for credit losses – beginning of period | \$ 108                              | \$ 363                                        | \$ 1         | \$ (10)               | \$ 19          | \$ 481        |
| Provision charged (credited) to income            | (37)                                | 9                                             | (1)          | (6)                   | (2)            | (37)          |
| Charge-offs                                       | —                                   | (35)                                          | —            | (1)                   | (2)            | (38)          |
| Recoveries                                        | —                                   | 13                                            | —            | 3                     | 1              | 17            |
| Net (charge-offs) recoveries                      | —                                   | (22)                                          | —            | 2                     | (1)            | (21)          |
| Allowance for credit losses – end of period       | <u>\$ 71</u>                        | <u>\$ 350</u>                                 | <u>\$ —</u>  | <u>\$ (14)</u>        | <u>\$ 16</u>   | <u>\$ 423</u> |
| <b>Three Months Ended June 30, 2025</b>           |                                     |                                               |              |                       |                |               |
| Allowance for credit losses – beginning of period | \$ 199                              | \$ 423                                        | \$ 1         | \$ (11)               | \$ 22          | \$ 634        |
| Provision charged (credited) to income            | —                                   | 39                                            | —            | (8)                   | (2)            | 29            |
| Charge-offs                                       | (27)                                | (25)                                          | —            | —                     | (2)            | (54)          |
| Recoveries                                        | —                                   | 1                                             | —            | 2                     | 2              | 5             |
| Net (charge-offs) recoveries                      | (27)                                | (24)                                          | —            | 2                     | —              | (49)          |
| Allowance for credit losses – end of period       | <u>\$ 172</u>                       | <u>\$ 438</u>                                 | <u>\$ 1</u>  | <u>\$ (17)</u>        | <u>\$ 20</u>   | <u>\$ 614</u> |
| <b>Six Months Ended June 30, 2026</b>             |                                     |                                               |              |                       |                |               |
| Allowance for credit losses – beginning of period | \$ 108                              | \$ 327                                        | \$ 1         | \$ (12)               | \$ 18          | \$ 442        |
| Provision charged (credited) to income            | (37)                                | 58                                            | (1)          | (4)                   | (1)            | 15            |
| Charge-offs                                       | —                                   | (48)                                          | —            | (2)                   | (4)            | (54)          |
| Recoveries                                        | —                                   | 13                                            | —            | 4                     | 3              | 20            |
| Net (charge-offs) recoveries                      | —                                   | (35)                                          | —            | 2                     | (1)            | (34)          |
| Allowance for credit losses – end of period       | <u>\$ 71</u>                        | <u>\$ 350</u>                                 | <u>\$ —</u>  | <u>\$ (14)</u>        | <u>\$ 16</u>   | <u>\$ 423</u> |
| <b>Six Months Ended June 30, 2025</b>             |                                     |                                               |              |                       |                |               |
| Allowance for credit losses – beginning of period | \$ 135                              | \$ 390                                        | \$ 1         | \$ (12)               | \$ 23          | \$ 537        |
| Provision charged (credited) to income            | 64                                  | 87                                            | —            | (8)                   | (2)            | 141           |
| Charge-offs                                       | (27)                                | (40)                                          | —            | —                     | (4)            | (71)          |
| Recoveries                                        | —                                   | 1                                             | —            | 3                     | 3              | 7             |
| Net (charge-offs) recoveries                      | (27)                                | (39)                                          | —            | 3                     | (1)            | (64)          |
| Allowance for credit losses – end of period       | <u>\$ 172</u>                       | <u>\$ 438</u>                                 | <u>\$ 1</u>  | <u>\$ (17)</u>        | <u>\$ 20</u>   | <u>\$ 614</u> |

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

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

|                                        | Three Months Ended June 30, |               | Six Months Ended June 30, |               |
|----------------------------------------|-----------------------------|---------------|---------------------------|---------------|
|                                        | 2026                        | 2025          | 2026                      | 2025          |
| (in millions)                          |                             |               |                           |               |
| Balance at beginning of period         | \$ 162                      | \$ 145        | \$ 166                    | \$ 139        |
| Provision charged (credited) to income | (1)                         | 13            | (5)                       | 19            |
| Balance at end of period               | <u>\$ 161</u>               | <u>\$ 158</u> | <u>\$ 161</u>             | <u>\$ 158</u> |

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

|                                                         | June 30,<br>2026 | December 31,<br>2025 |
|---------------------------------------------------------|------------------|----------------------|
|                                                         | (in millions)    |                      |
| Accrued interest receivables:                           |                  |                      |
| Loans .....                                             | \$ 227           | \$ 222               |
| Securities held-to-maturity .....                       | 90               | 70                   |
| Other financial assets measured at amortized cost ..... | 15               | 26                   |
| Securities available-for-sale .....                     | 183              | 169                  |
| Total accrued interest receivables .....                | 515              | 487                  |
| Allowance for credit losses .....                       | —                | —                    |
| Accrued interest receivables, net .....                 | <u>\$ 515</u>    | <u>\$ 487</u>        |

During the three and six months ended June 30, 2026 and 2025, charged-off accrued interest receivables were immaterial.

## 6. Loans Held for Sale

Loans held for sale consisted of the following:

|                                      | June 30,<br>2026 | December 31,<br>2025 |
|--------------------------------------|------------------|----------------------|
|                                      | (in millions)    |                      |
| Commercial loans:                    |                  |                      |
| Commercial mortgages .....           | \$ 422           | \$ 1,252             |
| Business and corporate banking ..... | 881              | 671                  |
| Total commercial .....               | 1,303            | 1,923                |
| Consumer loans .....                 | 2                | 2                    |
| Total loans held for sale .....      | <u>\$ 1,305</u>  | <u>\$ 1,925</u>      |

**Commercial Loans** During the first half of 2026, we sold portfolios of commercial mortgage loans to third-party sponsored asset-backed financing entities with an aggregate carrying value of \$1.1 billion at the time of sale and recognized immaterial losses on sale. The majority of these loans were previously transferred to held for sale in 2025, and an additional \$0.2 billion was transferred to held for sale in the second quarter of 2026. In connection with these sales, we provided senior secured loans to the buyers for portions of the purchase prices. See Note 14, "Variable Interest Entities," for additional information.

Commercial loans held for sale also include certain other loans that we no longer intend to hold for investment and were transferred to held for sale. These loans totaled \$86 million and \$45 million at June 30, 2026 and December 31, 2025, respectively. During the three and six months ended June 30, 2026 and 2025, lower of amortized cost or fair value adjustments on commercial loans held for sale were immaterial.

Also included in commercial loans held for sale are certain loans that we have elected to designate under the fair value option ("FVO"). These comprise loans originated through our participation in certain syndicated credit facilities that we intend to sell to unaffiliated third parties and loans purchased in the secondary market that are held as hedges against our exposure to certain total return swaps or that we intend to sell. The fair value of these loans totaled \$795 million and \$626 million at June 30, 2026 and December 31, 2025, respectively. See Note 8, "Fair Value Option," for additional information.

**Valuation Allowances** Excluding the loans designated under FVO discussed above, loans held for sale are recorded at the lower of amortized cost or fair value, with adjustments to fair value being recorded as a valuation allowance through other revenues. The valuation allowance on loans held for sale was immaterial at June 30, 2026 and December 31, 2025.

## 7. Derivative Financial Instruments

In the normal course of business, we use derivative instruments for trading, market making and risk management. For financial reporting purposes, derivatives are designated as: (a) qualifying hedges under hedge accounting principles, (b) instruments held for trading or (c) non-qualifying economic hedges. Our derivative instruments are primarily swaps, futures, options and forward contracts, and are recorded at fair value. Where we enter into enforceable master netting agreements with counterparties, the agreements permit us to offset derivative assets and liabilities and related cash collateral with the same counterparty in the consolidated balance sheet.

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

Substantially all of our derivative assets and liabilities relate to bilateral over-the-counter ("OTC") derivatives. The credit risk associated with bilateral OTC derivatives is managed through obtaining collateral and enforceable master netting agreements. OTC-cleared derivatives are executed bilaterally and then novated to a central clearing counterparty, which reduces credit risk through daily margining requirements. In addition, OTC-cleared derivatives are settled daily, which reduces their fair value on the consolidated balance sheet. Exchange-traded derivatives represent less than 1 percent of our total derivative assets and liabilities.

|                                                                                                                                                                | June 30, 2026     |                        | December 31, 2025 |                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------------|-------------------|------------------------|
|                                                                                                                                                                | Derivative Assets | Derivative Liabilities | Derivative Assets | Derivative Liabilities |
|                                                                                                                                                                | (in millions)     |                        |                   |                        |
| <b>Derivatives accounted for as hedges:<sup>(1)</sup></b>                                                                                                      |                   |                        |                   |                        |
| Interest rate contracts                                                                                                                                        | \$ 58             | \$ 43                  | \$ 24             | \$ 13                  |
| Foreign exchange contracts                                                                                                                                     | 113               | —                      | 129               | —                      |
| <b>Total derivatives accounted for as hedges</b>                                                                                                               | <b>171</b>        | <b>43</b>              | <b>153</b>        | <b>13</b>              |
| <b>Trading derivatives not accounted for as hedges:<sup>(2)</sup></b>                                                                                          |                   |                        |                   |                        |
| Interest rate contracts                                                                                                                                        | 727               | 448                    | 761               | 430                    |
| Foreign exchange contracts                                                                                                                                     | 12,127            | 11,632                 | 9,452             | 8,924                  |
| Equity contracts                                                                                                                                               | 751               | 1,309                  | 525               | 567                    |
| Precious metals contracts                                                                                                                                      | 1,187             | 1,193                  | 1,883             | 2,050                  |
| Credit contracts                                                                                                                                               | 121               | 47                     | 119               | 59                     |
| <b>Other non-qualifying derivatives not accounted for as hedges:<sup>(1)</sup></b>                                                                             |                   |                        |                   |                        |
| Interest rate contracts                                                                                                                                        | —                 | 88                     | 1                 | 73                     |
| Equity contracts                                                                                                                                               | 952               | 131                    | 734               | 68                     |
| Credit contracts                                                                                                                                               | 12                | 143                    | 18                | 158                    |
| Other contracts <sup>(3)</sup>                                                                                                                                 | 4                 | 17                     | 4                 | 17                     |
| <b>Total derivatives</b>                                                                                                                                       | <b>16,052</b>     | <b>15,051</b>          | <b>13,650</b>     | <b>12,359</b>          |
| <b>Less: Amounts of receivable / payable subject to enforceable master netting agreements offset in the balance sheet<sup>(4)</sup></b>                        | <b>12,231</b>     | <b>12,231</b>          | <b>10,198</b>     | <b>10,198</b>          |
| <b>Less: Amounts of cash collateral received / posted subject to enforceable master netting agreements offset in the balance sheet<sup>(4)</sup></b>           | <b>2,690</b>      | <b>995</b>             | <b>1,911</b>      | <b>1,143</b>           |
| <b>Net amounts of derivative assets / liabilities presented in the balance sheet</b>                                                                           | <b>1,131</b>      | <b>1,825</b>           | <b>1,541</b>      | <b>1,018</b>           |
| <b>Less: Amounts of financial instrument collateral received / posted subject to enforceable master netting agreements but not offset in the balance sheet</b> | <b>195</b>        | <b>140</b>             | <b>255</b>        | <b>10</b>              |
| <b>Net amounts</b>                                                                                                                                             | <b>\$ 936</b>     | <b>\$ 1,685</b>        | <b>\$ 1,286</b>   | <b>\$ 1,008</b>        |

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

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

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

<sup>(4)</sup> Netting is performed at a counterparty level in cases where enforceable master netting agreements are in place, regardless of the type of derivative instrument. Therefore, we have not allocated netting to the different types of derivative instruments shown in the table above.

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

**Derivatives Held for Risk Management Purposes** Our risk management policy requires us to identify, analyze and manage risks arising in the normal course of business. We use derivatives as part of our asset and liability management activities to manage our exposure to interest rate, foreign currency, equity and credit risks in existing assets and liabilities, commitments and forecasted transactions. The accounting for changes in fair value of a derivative depends on whether the derivative has been designated and qualifies for hedge accounting. See Note 2, "Summary of Significant Accounting Policies and New Accounting Pronouncements," in our 2025 Form 10-K for further discussion.

**Fair Value Hedges** We hold fixed-rate securities and issue fixed-rate deposits and long-term debt, the fair values of which fluctuate with changes in interest rates. We use fair value hedges to reduce our exposure to changes in fair value caused by interest rate volatility. The following table presents the carrying amount of hedged items in fair value hedges recognized in the consolidated balance sheet, along with the cumulative amount of fair value hedging adjustments included in the carrying amount of those hedged items:

|                                             | Carrying Amount of<br>Hedged Items <sup>(1)</sup> | Cumulative Amount of Fair Value Hedging<br>Adjustments Increasing (Decreasing) the<br>Carrying Amount of Hedged Items |              |            |
|---------------------------------------------|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|--------------|------------|
|                                             |                                                   | Active                                                                                                                | Discontinued | Total      |
|                                             |                                                   | (in millions)                                                                                                         |              |            |
| <b>At June 30, 2026</b>                     |                                                   |                                                                                                                       |              |            |
| Securities available-for-sale ("AFS") ..... | \$ 18,748                                         | \$ (999)                                                                                                              | \$ (410)     | \$ (1,409) |
| Long-term debt .....                        | 10,677                                            | (223)                                                                                                                 | —            | (223)      |
| <b>At December 31, 2025</b>                 |                                                   |                                                                                                                       |              |            |
| Securities AFS .....                        | \$ 15,902                                         | \$ (966)                                                                                                              | \$ (204)     | \$ (1,170) |
| Deposits .....                              | 1,497                                             | (8)                                                                                                                   | 6            | (2)        |
| Long-term debt .....                        | 8,825                                             | (74)                                                                                                                  | —            | (74)       |

<sup>(1)</sup> The carrying amount of securities AFS represents the amortized cost basis.

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

|                                                |                     | Location of Gain (Loss) Recognized in Income | Gain (Loss) on Derivatives | Gain (Loss) on Hedged Items |
|------------------------------------------------|---------------------|----------------------------------------------|----------------------------|-----------------------------|
| (in millions)                                  |                     |                                              |                            |                             |
| <b>Three Months Ended June 30, 2026</b>        |                     |                                              |                            |                             |
| Interest rate contracts / Securities AFS ..... | Net interest income | \$                                           | 178                        | \$ 29                       |
| Interest rate contracts / Long-term debt ..... | Net interest income |                                              | (94)                       | (38)                        |
| Total .....                                    |                     | \$                                           | 84                         | \$ (9)                      |
| <b>Three Months Ended June 30, 2025</b>        |                     |                                              |                            |                             |
| Interest rate contracts / Securities AFS ..... | Net interest income | \$                                           | (20)                       | \$ 228                      |
| Interest rate contracts / Deposits .....       | Net interest income |                                              | 36                         | (28)                        |
| Interest rate contracts / Long-term debt ..... | Net interest income |                                              | 36                         | (207)                       |
| Total .....                                    |                     | \$                                           | 52                         | \$ (7)                      |
| <b>Six Months Ended June 30, 2026</b>          |                     |                                              |                            |                             |
| Interest rate contracts / Securities AFS ..... | Net interest income | \$                                           | 295                        | \$ 110                      |
| Interest rate contracts / Deposits .....       | Net interest income |                                              | 5                          | (21)                        |
| Interest rate contracts / Long-term debt ..... | Net interest income |                                              | (167)                      | (81)                        |
| Total .....                                    |                     | \$                                           | 133                        | \$ 8                        |
| <b>Six Months Ended June 30, 2025</b>          |                     |                                              |                            |                             |
| Interest rate contracts / Securities AFS ..... | Net interest income | \$                                           | (197)                      | \$ 572                      |
| Interest rate contracts / Deposits .....       | Net interest income |                                              | 44                         | (59)                        |
| Interest rate contracts / Long-term debt ..... | Net interest income |                                              | 88                         | (386)                       |
| Total .....                                    |                     | \$                                           | (65)                       | \$ 127                      |

**Cash Flow Hedges** We hold and issue floating rate financial instruments and enter into forecasted transactions that expose us to variability in future cash flows. We use cash flow hedges to reduce this variability. The following table presents information on gains and losses on derivative instruments designated and qualifying as hedging instruments in cash flow hedges (including amounts recognized in accumulated other comprehensive income ("AOCI") from discontinued cash flow hedges) and their location on the consolidated statement of income:

|                                    | Gain (Loss)<br>Recognized in<br>AOCI on Derivatives |                 | Location of Gain (Loss)<br>Reclassified from AOCI<br>into Income | Gain (Loss)<br>Reclassified From<br>AOCI into Income <sup>(1)</sup> |                |
|------------------------------------|-----------------------------------------------------|-----------------|------------------------------------------------------------------|---------------------------------------------------------------------|----------------|
|                                    | 2026                                                | 2025            |                                                                  | 2026                                                                | 2025           |
| (in millions)                      |                                                     |                 |                                                                  |                                                                     |                |
| <b>Three Months Ended June 30,</b> |                                                     |                 |                                                                  |                                                                     |                |
| Foreign exchange contracts .....   | \$ —                                                | \$ (1)          | Net interest income                                              | \$ —                                                                | \$ —           |
| Interest rate contracts .....      | <u>19</u>                                           | <u>(65)</u>     | Net interest income                                              | <u>(15)</u>                                                         | <u>(17)</u>    |
| Total .....                        | <u>\$ 19</u>                                        | <u>\$ (66)</u>  |                                                                  | <u>\$ (15)</u>                                                      | <u>\$ (17)</u> |
| <b>Six Months Ended June 30,</b>   |                                                     |                 |                                                                  |                                                                     |                |
| Foreign exchange contracts .....   | \$ (3)                                              | \$ (3)          | Net interest income                                              | \$ —                                                                | \$ —           |
| Interest rate contracts .....      | <u>6</u>                                            | <u>(178)</u>    | Net interest income                                              | <u>(31)</u>                                                         | <u>(27)</u>    |
| Total .....                        | <u>\$ 3</u>                                         | <u>\$ (181)</u> |                                                                  | <u>\$ (31)</u>                                                      | <u>\$ (27)</u> |

<sup>(1)</sup> Represents gains (losses) related to discontinued cash flow hedge relationships amortized to earnings from AOCI. During the next twelve months, we expect to amortize \$46 million of remaining losses to earnings resulting from these discontinued cash flow hedges.

At June 30, 2026, active cash flow hedge relationships extend or mature through July 2036. The interest accrual related to the hedging instruments is recognized in net interest income.

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

Our non-qualifying hedging and other activities include:

- Derivative contracts related to the fixed-rate long-term debt issuances and hybrid instruments, including structured notes and deposits, for which we have elected FVO accounting. These derivatives are considered non-qualifying economic hedges.
- Credit default swaps which are designated as economic hedges against the credit risks within our loan portfolio. In the event of an impairment loss occurring in a loan that is economically hedged, the impairment loss is recognized as provision for credit losses while the gain on the credit default swap is recorded in other income (loss).
- Swap agreements entered into in conjunction with the sales of Visa Class B Shares to a third party to retain the litigation risk associated with the Class B Shares sold until the related litigation is settled. See Note 24, "Guarantee Arrangements, Pledged Assets and Repurchase Agreements," in our 2025 Form 10-K for additional information.
- Equity warrant assets obtained in connection with certain commercial lending activities, which generally entitle us to acquire stock in private companies. Changes in fair value are recorded in other income (loss).

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

| Location of Gain (Loss)<br>Recognized in Income on Derivatives |                 | Gain (Loss) Recognized in Income on<br>Derivatives |                 |                              |                 |
|----------------------------------------------------------------|-----------------|----------------------------------------------------|-----------------|------------------------------|-----------------|
|                                                                |                 | Three Months Ended<br>June 30,                     |                 | Six Months Ended<br>June 30, |                 |
|                                                                |                 | 2026                                               | 2025            | 2026                         | 2025            |
| (in millions)                                                  |                 |                                                    |                 |                              |                 |
| Interest rate contracts .....                                  | Trading revenue | \$ (70)                                            | \$ (21)         | \$ (153)                     | \$ (148)        |
| Foreign exchange contracts .....                               | Trading revenue | 109                                                | 133             | 224                          | 267             |
| Equity contracts .....                                         | Trading revenue | (2,173)                                            | (1,047)         | (1,358)                      | (269)           |
| Precious metals contracts .....                                | Trading revenue | —                                                  | 15              | 47                           | 19              |
| Credit contracts .....                                         | Trading revenue | (3)                                                | (3)             | 14                           | (55)            |
| Total .....                                                    |                 | <u>\$ (2,137)</u>                                  | <u>\$ (923)</u> | <u>\$ (1,226)</u>            | <u>\$ (186)</u> |

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

| Location of Gain (Loss)<br>Recognized in Income on Derivatives |                                                                             | Gain (Loss) Recognized in Income on<br>Derivatives |               |                              |               |
|----------------------------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------|---------------|------------------------------|---------------|
|                                                                |                                                                             | Three Months Ended<br>June 30,                     |               | Six Months Ended<br>June 30, |               |
|                                                                |                                                                             | 2026                                               | 2025          | 2026                         | 2025          |
| (in millions)                                                  |                                                                             |                                                    |               |                              |               |
| Interest rate contracts .....                                  | Gain (loss) on instruments designated at fair value and related derivatives | \$ (11)                                            | \$ 2          | \$ (22)                      | \$ 34         |
| Equity contracts .....                                         | Gain (loss) on instruments designated at fair value and related derivatives | 604                                                | 455           | 406                          | 255           |
| Equity contracts .....                                         | Other income (loss)                                                         | —                                                  | —             | —                            | (3)           |
| Credit contracts .....                                         | Other income (loss)                                                         | (14)                                               | (6)           | (18)                         | (9)           |
| Other contracts <sup>(1)</sup> .....                           | Other income (loss)                                                         | (11)                                               | (2)           | (18)                         | (9)           |
| Total .....                                                    |                                                                             | <u>\$ 568</u>                                      | <u>\$ 449</u> | <u>\$ 348</u>                | <u>\$ 268</u> |

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

**Credit-Risk-Related Contingent Features** The majority of our derivative contracts contain provisions that require us to maintain a specific credit rating from each of the major credit rating agencies. Sometimes the derivatives are a part of broader structured product transactions. If our credit ratings were to fall below the current ratings, the counterparties to our derivative instruments could demand that we post additional collateral. The amount of additional collateral required to be posted will depend on whether we are downgraded by one or more notches. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position at June 30, 2026 was \$142 million, for which we had posted collateral of \$68 million. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position at December 31, 2025 was \$58 million, for which we had posted collateral of \$25 million. Substantially all of the collateral posted is in the form of cash or securities AFS. See Note 15, "Guarantee Arrangements, Pledged Assets and Repurchase Agreements," for further details.

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

|                                                                   | One-notch<br>downgrade | Two-notch<br>downgrade |
|-------------------------------------------------------------------|------------------------|------------------------|
| (in millions)                                                     |                        |                        |
| Amount of additional collateral to be posted upon downgrade ..... | \$ —                   | \$ 27                  |

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

|                                                       | June 30, 2026 | December 31, 2025 |
|-------------------------------------------------------|---------------|-------------------|
|                                                       | (in billions) |                   |
| Interest rate:                                        |               |                   |
| Swaps, futures and forwards .....                     | \$ 191.7      | \$ 137.2          |
| Options written .....                                 | .4            | .1                |
| Options purchased .....                               | .4            | —                 |
| Total interest rate .....                             | 192.5         | 137.3             |
| Foreign exchange:                                     |               |                   |
| Swaps, futures and forwards .....                     | 1,349.0       | 1,113.2           |
| Options written .....                                 | 21.9          | 23.8              |
| Options purchased .....                               | 22.0          | 23.8              |
| Spot .....                                            | 51.9          | 34.4              |
| Total foreign exchange .....                          | 1,444.8       | 1,195.2           |
| Commodities, equities and precious metals:            |               |                   |
| Swaps, futures and forwards .....                     | 38.0          | 35.8              |
| Options written .....                                 | 3.3           | 1.7               |
| Options purchased .....                               | 13.3          | 10.9              |
| Total commodities, equities and precious metals ..... | 54.6          | 48.4              |
| Credit derivatives .....                              | 23.9          | 22.5              |
| Other contracts <sup>(1)</sup> .....                  | 1.8           | 1.8               |
| Total .....                                           | \$ 1,717.6    | \$ 1,405.2        |

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

## 8. Fair Value Option

We report our results to HSBC in accordance with HSBC Group accounting and reporting policies ("Group Reporting Basis"), which apply International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). We typically have elected to apply FVO accounting to selected financial instruments to align the measurement attributes of those instruments under U.S. GAAP and the Group Reporting Basis and to simplify the accounting model applied to those financial instruments. We elected to apply FVO accounting to certain commercial loans held for sale, certain fixed-rate long-term debt issuances, all of our hybrid instruments, including structured notes and deposits, and certain client share repurchase transactions. Excluding the fair value movement on FVO liabilities attributable to our own credit spread, which is recorded in other comprehensive income (loss), changes in the fair value of FVO assets and liabilities and the related derivatives (including mark-to-market and realized gains and losses) are reported in gain (loss) on instruments designated at fair value and related derivatives in the consolidated statement of income. See Note 15, "Fair Value Option," in our 2025 Form 10-K for a discussion of our FVO assets and liabilities. There have been no significant changes in our FVO elections since December 31, 2025.

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

|                                                     | Fair Value    | Unpaid Principal Balance | Fair Value Over (Under) Unpaid Principal Balance |
|-----------------------------------------------------|---------------|--------------------------|--------------------------------------------------|
|                                                     | (in millions) |                          |                                                  |
| At June 30, 2026                                    |               |                          |                                                  |
| Commercial loans held for sale <sup>(1)</sup> ..... | \$ 795        | \$ 890                   | \$ (95)                                          |
| Client share repurchase asset .....                 | 137           | 137                      | —                                                |
| Fixed rate long-term debt .....                     | 802           | 775                      | 27                                               |
| Hybrid instruments:                                 |               |                          |                                                  |
| Structured deposits .....                           | 3,752         | 3,372                    | 380                                              |
| Structured notes .....                              | 7,890         | 7,499                    | 391                                              |
| Client share repurchase liability .....             | 137           | 137                      | —                                                |
| At December 31, 2025                                |               |                          |                                                  |
| Commercial loans held for sale <sup>(1)</sup> ..... | \$ 626        | \$ 721                   | \$ (95)                                          |
| Client share repurchase asset .....                 | 20            | 20                       | —                                                |
| Fixed rate long-term debt .....                     | 831           | 791                      | 40                                               |
| Hybrid instruments:                                 |               |                          |                                                  |
| Structured deposits .....                           | 3,570         | 3,260                    | 310                                              |
| Structured notes .....                              | 7,435         | 7,093                    | 342                                              |
| Client share repurchase liability .....             | 20            | 20                       | —                                                |

<sup>(1)</sup> At June 30, 2026 and December 31, 2025, no loans for which FVO has been elected were 90 days or more past due or in nonaccrual status.

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

|                                                                             | Loans Held<br>for Sale | Long-Term<br>Debt | Hybrid<br>Instruments | Total          |
|-----------------------------------------------------------------------------|------------------------|-------------------|-----------------------|----------------|
|                                                                             | (in millions)          |                   |                       |                |
| <b>Three Months Ended June 30, 2026</b>                                     |                        |                   |                       |                |
| Interest rate and other components <sup>(1)</sup>                           | \$ —                   | \$ 8              | \$ (595)              | \$ (587)       |
| Credit risk component <sup>(2)</sup>                                        | (18)                   | —                 | —                     | (18)           |
| Total mark-to-market on financial instruments designated at fair value      | (18)                   | 8                 | (595)                 | (605)          |
| Gain (loss) on related derivatives                                          | —                      | (8)               | 601                   | 593            |
| Gain (loss) on instruments designated at fair value and related derivatives | <u>\$ (18)</u>         | <u>\$ —</u>       | <u>\$ 6</u>           | <u>\$ (12)</u> |
| <b>Three Months Ended June 30, 2025</b>                                     |                        |                   |                       |                |
| Interest rate and other components <sup>(1)</sup>                           | \$ —                   | \$ (5)            | \$ (452)              | \$ (457)       |
| Credit risk component <sup>(2)</sup>                                        | (1)                    | —                 | —                     | (1)            |
| Total mark-to-market on financial instruments designated at fair value      | (1)                    | (5)               | (452)                 | (458)          |
| Gain (loss) on related derivatives                                          | —                      | 7                 | 450                   | 457            |
| Gain (loss) on instruments designated at fair value and related derivatives | <u>\$ (1)</u>          | <u>\$ 2</u>       | <u>\$ (2)</u>         | <u>\$ (1)</u>  |
| <b>Six Months Ended June 30, 2026</b>                                       |                        |                   |                       |                |
| Interest rate and other components <sup>(1)</sup>                           | \$ —                   | \$ 13             | \$ (394)              | \$ (381)       |
| Credit risk component <sup>(2)</sup>                                        | (20)                   | —                 | —                     | (20)           |
| Total mark-to-market on financial instruments designated at fair value      | (20)                   | 13                | (394)                 | (401)          |
| Gain (loss) on related derivatives                                          | —                      | (12)              | 396                   | 384            |
| Gain (loss) on instruments designated at fair value and related derivatives | <u>\$ (20)</u>         | <u>\$ 1</u>       | <u>\$ 2</u>           | <u>\$ (17)</u> |
| <b>Six Months Ended June 30, 2025</b>                                       |                        |                   |                       |                |
| Interest rate and other components <sup>(1)</sup>                           | \$ —                   | \$ (21)           | \$ (264)              | \$ (285)       |
| Credit risk component <sup>(2)</sup>                                        | (8)                    | —                 | —                     | (8)            |
| Total mark-to-market on financial instruments designated at fair value      | (8)                    | (21)              | (264)                 | (293)          |
| Gain (loss) on related derivatives                                          | —                      | 25                | 264                   | 289            |
| Gain (loss) on instruments designated at fair value and related derivatives | <u>\$ (8)</u>          | <u>\$ 4</u>       | <u>\$ —</u>           | <u>\$ (4)</u>  |

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

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

## 9. Accumulated Other Comprehensive Loss

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

| Three Months Ended June 30,                                                                                                | 2026              | 2025              |
|----------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                                                            | (in millions)     |                   |
| <b>Unrealized gains (losses) on investment securities:</b>                                                                 |                   |                   |
| Balance at beginning of period                                                                                             | \$ (1,343)        | \$ (1,543)        |
| Other comprehensive income (loss) for period:                                                                              |                   |                   |
| Net unrealized gains arising during period, net of tax of \$11 million and \$8 million                                     | 36                | 25                |
| Reclassification adjustment for gains realized in net income, net of tax of \$(2) million and \$(1) million <sup>(1)</sup> | (7)               | (5)               |
| Total other comprehensive income (loss) for period                                                                         | 29                | 20                |
| Balance at end of period                                                                                                   | (1,314)           | (1,523)           |
| <b>Unrealized gains (losses) on fair value option liabilities attributable to our own credit spread:</b>                   |                   |                   |
| Balance at beginning of period                                                                                             | 12                | 9                 |
| Other comprehensive income (loss) for period:                                                                              |                   |                   |
| Net unrealized losses arising during period, net of tax of \$(9) million and \$(2) million                                 | (27)              | (7)               |
| Total other comprehensive income (loss) for period                                                                         | (27)              | (7)               |
| Balance at end of period                                                                                                   | (15)              | 2                 |
| <b>Unrealized gains (losses) on derivatives designated as cash flow hedges:</b>                                            |                   |                   |
| Balance at beginning of period                                                                                             | (116)             | (131)             |
| Other comprehensive income (loss) for period:                                                                              |                   |                   |
| Net unrealized gains (losses) arising during period, net of tax of \$5 million and \$(17) million                          | 14                | (49)              |
| Reclassification adjustment for losses realized in net income, net of tax of \$4 million and \$5 million <sup>(2)</sup>    | 11                | 12                |
| Total other comprehensive income (loss) for period                                                                         | 25                | (37)              |
| Balance at end of period                                                                                                   | (91)              | (168)             |
| <b>Pension and postretirement benefit liability:</b>                                                                       |                   |                   |
| Balance at beginning of period                                                                                             | 3                 | 6                 |
| Other comprehensive income (loss) for period:                                                                              |                   |                   |
| Change in unfunded pension and postretirement liability, net of tax of less than \$(1) million and nil                     | (1)               | —                 |
| Total other comprehensive income (loss) for period                                                                         | (1)               | —                 |
| Balance at end of period                                                                                                   | 2                 | 6                 |
| <b>Total accumulated other comprehensive loss at end of period</b>                                                         | <b>\$ (1,418)</b> | <b>\$ (1,683)</b> |

| Six Months Ended June 30,                                                                                                                                                                         | 2026              | 2025              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                                                                                                                                   | (in millions)     |                   |
| <b>Unrealized gains (losses) on investment securities:</b>                                                                                                                                        |                   |                   |
| Balance at beginning of period                                                                                                                                                                    | \$ (1,238)        | \$ (1,732)        |
| Other comprehensive income (loss) for period:                                                                                                                                                     |                   |                   |
| Net unrealized gains (losses) arising during period, net of tax of \$(19) million and \$72 million                                                                                                | (62)              | 215               |
| Reclassification adjustment for gains realized in net income, net of tax of \$(5) million and \$(2) million <sup>(1)</sup>                                                                        | (15)              | (7)               |
| Amortization of net unrealized losses on securities transferred from available-for-sale to held-to-maturity realized in net income, net of tax of less than \$1 million and less than \$1 million | 1                 | 1                 |
| Total other comprehensive income (loss) for period                                                                                                                                                | (76)              | 209               |
| Balance at end of period                                                                                                                                                                          | (1,314)           | (1,523)           |
| <b>Unrealized gains (losses) on FVO liabilities attributable to our own credit spread:</b>                                                                                                        |                   |                   |
| Balance at beginning of period                                                                                                                                                                    | (28)              | 6                 |
| Other comprehensive income (loss) for period:                                                                                                                                                     |                   |                   |
| Net unrealized gains (losses) arising during period, net of tax of \$4 million and \$(1) million                                                                                                  | 13                | (4)               |
| Total other comprehensive income (loss) for period                                                                                                                                                | 13                | (4)               |
| Balance at end of period                                                                                                                                                                          | (15)              | 2                 |
| <b>Unrealized gains (losses) on derivatives designated as cash flow hedges:</b>                                                                                                                   |                   |                   |
| Balance at beginning of period                                                                                                                                                                    | (116)             | (52)              |
| Other comprehensive income (loss) for period:                                                                                                                                                     |                   |                   |
| Net unrealized gains (losses) arising during period, net of tax of less than \$1 million and \$(45) million                                                                                       | 2                 | (136)             |
| Reclassification adjustment for losses realized in net income, net of tax of \$8 million and \$7 million <sup>(2)</sup>                                                                           | 23                | 20                |
| Total other comprehensive income (loss) for period                                                                                                                                                | 25                | (116)             |
| Balance at end of period                                                                                                                                                                          | (91)              | (168)             |
| <b>Pension and postretirement benefit liability:</b>                                                                                                                                              |                   |                   |
| Balance at beginning of period                                                                                                                                                                    | 3                 | 6                 |
| Other comprehensive income (loss) for period:                                                                                                                                                     |                   |                   |
| Change in unfunded pension and postretirement liability, net of tax of less than \$(1) million and nil                                                                                            | (1)               | —                 |
| Total other comprehensive income (loss) for period                                                                                                                                                | (1)               | —                 |
| Balance at end of period                                                                                                                                                                          | 2                 | 6                 |
| <b>Total accumulated other comprehensive loss at end of period</b>                                                                                                                                | <b>\$ (1,418)</b> | <b>\$ (1,683)</b> |

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

<sup>(2)</sup> Amount reclassified to net income is included in net interest income in our consolidated statement of income.

## 10. Fee Income from Contracts with Customers

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

|                                                       | Three Months Ended<br>June 30, |        | Six Months Ended<br>June 30, |          |
|-------------------------------------------------------|--------------------------------|--------|------------------------------|----------|
|                                                       | 2026                           | 2025   | 2026                         | 2025     |
|                                                       | (in millions)                  |        |                              |          |
| Trust and investment management fees .....            | \$ 46                          | \$ 41  | \$ 94                        | \$ 82    |
| Other fees and commissions:                           |                                |        |                              |          |
| Account services .....                                | 84                             | 80     | 166                          | 159      |
| Credit facilities .....                               | 127                            | 71     | 216                          | 148      |
| Credit card fees, net .....                           | 19                             | 17     | 38                           | 31       |
| Other fees <sup>(1)</sup> .....                       | 11                             | 11     | 24                           | 20       |
| Total other fees and commissions <sup>(1)</sup> ..... | 241                            | 179    | 444                          | 358      |
| Servicing and other fees from HSBC affiliates .....   | 119                            | 98     | 221                          | 200      |
| Insurance <sup>(1)</sup> .....                        | —                              | —      | —                            | 1        |
| Total fee income from contracts with customers .....  | 406                            | 318    | 759                          | 641      |
| Other non-fee revenue .....                           | 206                            | 200    | 397                          | 393      |
| Total other revenues <sup>(2)</sup> .....             | \$ 612                         | \$ 518 | \$ 1,156                     | \$ 1,034 |

<sup>(1)</sup> During the fourth quarter of 2025, we began reporting insurance fee income in other fees and commissions in the consolidated statement of income. As a result, we reported \$1 million of insurance fee income in other fees and commissions during the six months ended June 30, 2026 that previously would have been reported in other income (loss).

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

**Credit card fees, net** We recognized interchange fees of \$34 million and \$65 million during the three and six months ended June 30, 2026, respectively, compared with \$30 million and \$58 million during the three and six months ended June 30, 2025, respectively. Credit card rewards program costs totaled \$20 million and \$39 million during the three and six months ended June 30, 2026, respectively, compared with \$18 million and \$37 million during the three and six months ended June 30, 2025, respectively.

### Deferred Fee Income

Information related to deferred fee income on loan commitments, revolving credit facilities and standby letters of credit is included in Note 15, "Guarantee Arrangements, Pledged Assets and Repurchase Agreements," and Note 16, "Fair Value Measurements." Excluding these items, we had deferred fee income related to certain account service fees that are paid upfront and recognized over the service period and annual fees on credit cards which collectively were immaterial at June 30, 2026 and December 31, 2025.

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

## 11. Related Party Transactions

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

|                                                                      | June 30,<br>2026 | December 31,<br>2025 |
|----------------------------------------------------------------------|------------------|----------------------|
|                                                                      | (in millions)    |                      |
| <b>Assets:</b>                                                       |                  |                      |
| Cash and due from banks .....                                        | \$ 329           | \$ 304               |
| Interest bearing deposits with banks .....                           | 8                | 11                   |
| Securities purchased under agreements to resell <sup>(1)</sup> ..... | 1,411            | —                    |
| Trading assets .....                                                 | 10               | 225                  |
| Loans .....                                                          | 6,411            | 6,035                |
| Other <sup>(2)</sup> .....                                           | 639              | 469                  |
| Total assets .....                                                   | <u>\$ 8,808</u>  | <u>\$ 7,044</u>      |
| <b>Liabilities:</b>                                                  |                  |                      |
| Deposits .....                                                       | \$ 9,739         | \$ 11,491            |
| Trading liabilities .....                                            | 254              | 95                   |
| Short-term borrowings .....                                          | 2,554            | 1,960                |
| Long-term debt .....                                                 | 12,138           | 10,137               |
| Other <sup>(2)</sup> .....                                           | 314              | 295                  |
| Total liabilities .....                                              | <u>\$ 24,999</u> | <u>\$ 23,978</u>     |

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

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

|                                                                                   | Three Months Ended<br>June 30, |         | Six Months Ended<br>June 30, |         |
|-----------------------------------------------------------------------------------|--------------------------------|---------|------------------------------|---------|
|                                                                                   | 2026                           | 2025    | 2026                         | 2025    |
| (in millions)                                                                     |                                |         |                              |         |
| <b>Income (Expense):</b>                                                          |                                |         |                              |         |
| Interest income .....                                                             | \$ 85                          | \$ 76   | \$ 165                       | \$ 147  |
| Interest expense .....                                                            | (186)                          | (194)   | (367)                        | (356)   |
| Net interest expense .....                                                        | (101)                          | (118)   | (202)                        | (209)   |
| Trading revenue (expense) .....                                                   | (1,795)                        | (2,049) | (467)                        | (2,533) |
| Servicing and other fees from HSBC affiliates:                                    |                                |         |                              |         |
| HSBC Bank plc .....                                                               | 67                             | 57      | 125                          | 124     |
| HSBC Markets (USA) Inc. ("HMUS") .....                                            | 26                             | 24      | 48                           | 42      |
| Other HSBC affiliates .....                                                       | 26                             | 17      | 48                           | 34      |
| Total servicing and other fees from HSBC affiliates .....                         | 119                            | 98      | 221                          | 200     |
| Gain (loss) on instruments designated at fair value and related derivatives ..... | 600                            | 451     | 396                          | 264     |
| Support services from HSBC affiliates:                                            |                                |         |                              |         |
| HSBC Technology & Services (USA) Inc. ("HTSU") .....                              | (259)                          | (250)   | (512)                        | (476)   |
| HMUS .....                                                                        | (55)                           | (64)    | (109)                        | (119)   |
| Other HSBC affiliates .....                                                       | (169)                          | (142)   | (322)                        | (265)   |
| Total support services from HSBC affiliates .....                                 | (483)                          | (456)   | (943)                        | (860)   |
| Rental income from HSBC affiliates <sup>(1)</sup> .....                           | 13                             | 11      | 26                           | 23      |

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

#### Funding Arrangements with HSBC Affiliates:

We use HSBC affiliates to fund a portion of our borrowing and liquidity needs. At June 30, 2026 and December 31, 2025, long-term debt with affiliates reflected \$12.1 billion and \$10.1 billion, respectively, of borrowings from HSBC North America. The outstanding balance includes:

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

We have a \$4.3 billion uncommitted line of credit with HSBC North America. The available borrowing capacity under this facility is fungible between HSBC USA, HSBC Securities (USA) Inc. and HSBC North America, but total borrowings cannot collectively exceed \$4.3 billion at any time. We had no outstanding borrowing under this credit facility at either June 30, 2026 or December 31, 2025.

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

#### Lending and Derivative Related Arrangements Extended to HSBC Affiliates:

At June 30, 2026 and December 31, 2025, loans to affiliates totaled \$6.4 billion and \$6.0 billion, respectively.

*HMUS and subsidiaries* We have extended loans and lines of credit, some of them uncommitted, to HMUS and its subsidiaries in the amount of \$14.5 billion at both June 30, 2026 and December 31, 2025, of which \$3.2 billion and \$1.8 billion, respectively, was outstanding. The maturities of the outstanding balances range from overnight to three months. Each borrowing is re-evaluated prior to its maturity date and either extended or allowed to mature.

*HSBC North America* Under the \$4.3 billion uncommitted fungible line of credit with HSBC North America as discussed above, there was \$3.2 billion and \$4.2 billion outstanding at June 30, 2026 and December 31, 2025, respectively. The outstanding balance matures in the third quarter of 2026.

We have extended lines of credit to various other HSBC affiliates totaling \$7.3 billion which did not have any outstanding balances at either June 30, 2026 or December 31, 2025.

*Other short-term affiliate lending* In addition to loans and lines extended to affiliates discussed above, from time to time we may extend loans to affiliates which are generally short term in nature. At both June 30, 2026 and December 31, 2025, there were nil of these loans outstanding.

*Derivative contracts* As part of a global HSBC strategy to offset interest rate or other market risks associated with certain securities, debt issues and derivative contracts with unaffiliated third parties, we routinely enter into derivative transactions with HSBC Bank plc and other HSBC affiliates. The notional value of derivative contracts related to these transactions was approximately \$1,018.3 billion and \$794.8 billion at June 30, 2026 and December 31, 2025, respectively. The net credit exposure (defined as the net fair value of derivative assets and liabilities, including any collateral received) related to the contracts was approximately \$36 million and \$228 million at June 30, 2026 and December 31, 2025, respectively. We account for these transactions on a mark-to-market basis, with the change in value of contracts with HSBC affiliates substantially offset by the change in value of related contracts entered into with unaffiliated third parties.

#### **Services Provided Between HSBC Affiliates:**

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

#### **Other Transactions with HSBC Affiliates:**

At both June 30, 2026 and December 31, 2025, we had \$265 million of non-cumulative preferred stock issued and outstanding to HSBC North America. See Note 17, "Preferred Stock," in our 2025 Form 10-K for additional details.

During the second quarter of 2026, we paid a dividend on our common stock of \$0.3 billion from retained earnings to HSBC North America. See Note 13, "Retained Earnings and Regulatory Capital Requirements," for additional details.

## 12. Business Segments

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

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

See Note 21, "Business Segments," in our 2025 Form 10-K for further discussion of the measurement of segment profit, including a description of our segment expense categories, as well as a summary of significant differences between U.S. GAAP and the Group Reporting Basis as they impact our results. There have been no significant changes since December 31, 2025 in the measurement of segment profit or the differences between U.S. GAAP and the Group Reporting Basis impacting our results.

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

|                                                      | Group Reporting Basis Consolidated Amounts |        |          |        |       | Group Reporting Basis Adjustments <sup>(1)</sup> | Group Reporting Basis Reclassifications <sup>(2)</sup> | U.S. GAAP Consolidated Totals |
|------------------------------------------------------|--------------------------------------------|--------|----------|--------|-------|--------------------------------------------------|--------------------------------------------------------|-------------------------------|
|                                                      | IWPB                                       | CIB    | CC       | Total  |       |                                                  |                                                        |                               |
|                                                      | (in millions)                              |        |          |        |       |                                                  |                                                        |                               |
| <b>Three Months Ended June 30, 2026</b>              |                                            |        |          |        |       |                                                  |                                                        |                               |
| Net interest income (expense)                        | \$ 172                                     | \$ 481 | \$ (124) | \$ 529 | \$ 6  | \$ 14                                            | \$ 549                                                 |                               |
| Other operating income                               | 62                                         | 433    | 120      | 615    | (2)   | (1)                                              | 612                                                    |                               |
| Total operating income (expense)                     | 234                                        | 914    | (4)      | 1,144  | 4     | 13                                               | 1,161                                                  |                               |
| Expected credit losses / provision for credit losses | 1                                          | (9)    | —        | (8)    | (30)  | —                                                | (38)                                                   |                               |
|                                                      | 233                                        | 923    | (4)      | 1,152  | 34    | 13                                               | 1,199                                                  |                               |
| Operating expenses:                                  |                                            |        |          |        |       |                                                  |                                                        |                               |
| Direct Costs                                         | 90                                         | 86     | 28       | 204    | N/A   | N/A                                              | N/A                                                    |                               |
| Indirect Costs                                       | 92                                         | 336    | 48       | 476    | N/A   | N/A                                              | N/A                                                    |                               |
| Total operating expenses                             | 182                                        | 422    | 76       | 680    | 10    | 13                                               | 703                                                    |                               |
| Profit (loss) before income tax                      | \$ 51                                      | \$ 501 | \$ (80)  | \$ 472 | \$ 24 | \$ —                                             | \$ 496                                                 |                               |
| <b>Three Months Ended June 30, 2025</b>              |                                            |        |          |        |       |                                                  |                                                        |                               |
| Net interest income (expense)                        | \$ 188                                     | \$ 460 | \$ (85)  | \$ 563 | \$ 6  | \$ (46)                                          | \$ 523                                                 |                               |
| Other operating income                               | 64                                         | 313    | 85       | 462    | —     | 56                                               | 518                                                    |                               |
| Total operating income                               | 252                                        | 773    | —        | 1,025  | 6     | 10                                               | 1,041                                                  |                               |
| Expected credit losses / provision for credit losses | 1                                          | 63     | —        | 64     | (22)  | —                                                | 42                                                     |                               |
|                                                      | 251                                        | 710    | —        | 961    | 28    | 10                                               | 999                                                    |                               |
| Operating expenses:                                  |                                            |        |          |        |       |                                                  |                                                        |                               |
| Direct Costs                                         | 106                                        | 115    | 13       | 234    | N/A   | N/A                                              | N/A                                                    |                               |
| Indirect Costs                                       | 97                                         | 327    | 29       | 453    | N/A   | N/A                                              | N/A                                                    |                               |
| Total operating expenses                             | 203                                        | 442    | 42       | 687    | (1)   | 10                                               | 696                                                    |                               |
| Profit (loss) before income tax                      | \$ 48                                      | \$ 268 | \$ (42)  | \$ 274 | \$ 29 | \$ —                                             | \$ 303                                                 |                               |

|                                                      | Group Reporting Basis Consolidated Amounts |            |          |            | Group Reporting Basis Adjustments <sup>(1)</sup> | Group Reporting Basis Reclassifications <sup>(2)</sup> | U.S. GAAP Consolidated Totals |
|------------------------------------------------------|--------------------------------------------|------------|----------|------------|--------------------------------------------------|--------------------------------------------------------|-------------------------------|
|                                                      | IWPB                                       | CIB        | CC       | Total      |                                                  |                                                        |                               |
|                                                      | (in millions)                              |            |          |            |                                                  |                                                        |                               |
| Six Months Ended June 30, 2026                       |                                            |            |          |            |                                                  |                                                        |                               |
| Net interest income (expense)                        | \$ 362                                     | \$ 966     | \$ (258) | \$ 1,070   | \$ 11                                            | \$ 20                                                  | \$ 1,101                      |
| Other operating income                               | 128                                        | 780        | 251      | 1,159      | (9)                                              | 6                                                      | 1,156                         |
| Total operating income (expense)                     | 490                                        | 1,746      | (7)      | 2,229      | 2                                                | 26                                                     | 2,257                         |
| Expected credit losses / provision for credit losses | 3                                          | 25         | —        | 28         | (18)                                             | —                                                      | 10                            |
|                                                      | 487                                        | 1,721      | (7)      | 2,201      | 20                                               | 26                                                     | 2,247                         |
| Operating expenses:                                  |                                            |            |          |            |                                                  |                                                        |                               |
| Direct Costs                                         | 174                                        | 174        | 54       | 402        | N/A                                              | N/A                                                    | N/A                           |
| Indirect Costs                                       | 194                                        | 670        | 65       | 929        | N/A                                              | N/A                                                    | N/A                           |
| Total operating expenses                             | 368                                        | 844        | 119      | 1,331      | 15                                               | 26                                                     | 1,372                         |
| Profit (loss) before income tax                      | \$ 119                                     | \$ 877     | \$ (126) | \$ 870     | \$ 5                                             | \$ —                                                   | \$ 875                        |
| Balances at end of period:                           |                                            |            |          |            |                                                  |                                                        |                               |
| Total assets                                         | \$ 33,991                                  | \$ 159,053 | \$ 3,581 | \$ 196,625 | \$ (15,917)                                      | \$ —                                                   | \$ 180,708                    |
| Total loans, net                                     | 24,918                                     | 35,715     | —        | 60,633     | 59                                               | 988                                                    | 61,680                        |
| Goodwill                                             | —                                          | 358        | —        | 358        | 100                                              | —                                                      | 458                           |
| Total deposits                                       | 25,424                                     | 97,034     | —        | 122,458    | (2,693)                                          | 7,048                                                  | 126,813                       |
| Six Months Ended June 30, 2025                       |                                            |            |          |            |                                                  |                                                        |                               |
| Net interest income (expense)                        | \$ 374                                     | \$ 933     | \$ (185) | \$ 1,122   | \$ 12                                            | \$ (85)                                                | \$ 1,049                      |
| Other operating income                               | 115                                        | 636        | 181      | 932        | (3)                                              | 105                                                    | 1,034                         |
| Total operating income (expense)                     | 489                                        | 1,569      | (4)      | 2,054      | 9                                                | 20                                                     | 2,083                         |
| Expected credit losses / provision for credit losses | 3                                          | 147        | —        | 150        | 10                                               | —                                                      | 160                           |
|                                                      | 486                                        | 1,422      | (4)      | 1,904      | (1)                                              | 20                                                     | 1,923                         |
| Operating expenses:                                  |                                            |            |          |            |                                                  |                                                        |                               |
| Direct Costs                                         | 192                                        | 225        | 55       | 472        | N/A                                              | N/A                                                    | N/A                           |
| Indirect Costs                                       | 196                                        | 640        | 19       | 855        | N/A                                              | N/A                                                    | N/A                           |
| Total operating expenses                             | 388                                        | 865        | 74       | 1,327      | 9                                                | 20                                                     | 1,356                         |
| Profit (loss) before income tax                      | \$ 98                                      | \$ 557     | \$ (78)  | \$ 577     | \$ (10)                                          | \$ —                                                   | \$ 567                        |
| Balances at end of period:                           |                                            |            |          |            |                                                  |                                                        |                               |
| Total assets                                         | \$ 38,525                                  | \$ 151,215 | \$ 4,243 | \$ 193,983 | \$ (17,616)                                      | \$ —                                                   | \$ 176,367                    |
| Total loans, net                                     | 27,369                                     | 34,566     | —        | 61,935     | (1,684)                                          | 3,334                                                  | 63,585                        |
| Goodwill                                             | —                                          | 358        | —        | 358        | 100                                              | —                                                      | 458                           |
| Total deposits                                       | 27,247                                     | 91,520     | —        | 118,767    | (1,598)                                          | 9,012                                                  | 126,181                       |

N/A Not Applicable

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

### 13. Retained Earnings and Regulatory Capital Requirements

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

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

|                                                   |                                          | June 30, 2026     |                 | December 31, 2025 |                 |
|---------------------------------------------------|------------------------------------------|-------------------|-----------------|-------------------|-----------------|
|                                                   | Well-Capitalized<br>Ratio <sup>(1)</sup> | Capital<br>Amount | Actual<br>Ratio | Capital<br>Amount | Actual<br>Ratio |
| (dollars are in billions)                         |                                          |                   |                 |                   |                 |
| Common equity Tier 1 ratio:                       |                                          |                   |                 |                   |                 |
| HSBC USA .....                                    | 4.5 % <sup>(2)</sup>                     | \$ 13.4           | 12.1 %          | \$ 13.1           | 12.1 %          |
| HSBC Bank USA .....                               | 6.5                                      | 16.0              | 15.9            | 15.6              | 15.9            |
| Tier 1 capital ratio:                             |                                          |                   |                 |                   |                 |
| HSBC USA .....                                    | 6.0                                      | 13.7              | 12.3            | 13.3              | 12.4            |
| HSBC Bank USA .....                               | 8.0                                      | 17.5              | 17.4            | 17.1              | 17.5            |
| Total capital ratio:                              |                                          |                   |                 |                   |                 |
| HSBC USA .....                                    | 10.0                                     | 15.9              | 14.3            | 15.6              | 14.4            |
| HSBC Bank USA .....                               | 10.0                                     | 19.4              | 19.3            | 19.0              | 19.4            |
| Tier 1 leverage ratio:                            |                                          |                   |                 |                   |                 |
| HSBC USA .....                                    | 4.0 <sup>(2)</sup>                       | 13.7              | 7.6             | 13.3              | 7.7             |
| HSBC Bank USA .....                               | 5.0                                      | 17.5              | 10.2            | 17.1              | 10.3            |
| Risk-weighted assets: <sup>(3)</sup>              |                                          |                   |                 |                   |                 |
| HSBC USA .....                                    |                                          | 111.2             |                 | 107.9             |                 |
| HSBC Bank USA .....                               |                                          | 100.8             |                 | 97.8              |                 |
| Adjusted quarterly average assets: <sup>(4)</sup> |                                          |                   |                 |                   |                 |
| HSBC USA .....                                    |                                          | 179.3             |                 | 173.9             |                 |
| HSBC Bank USA .....                               |                                          | 171.5             |                 | 166.2             |                 |

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

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

<sup>(3)</sup> Calculated using the Standardized Approach.

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

During the second quarter of 2026, HSBC USA received a common stock dividend of \$0.3 billion from its subsidiary, HSBC Bank USA, and paid a dividend on its common stock of \$0.3 billion from retained earnings to its parent, HSBC North America.

## 14. Variable Interest Entities

In the ordinary course of business, we have organized or invested in special purpose entities ("SPEs") primarily to facilitate our own and our clients' financing and investing needs. For disclosure purposes, we aggregate SPEs based on the purpose, risk characteristics and business activities of the SPEs. An SPE is a variable interest entity ("VIE") if it lacks sufficient equity investment at risk to finance its activities without additional subordinated financial support or, as a group, the holders of the equity investment at risk lack either a) the power through voting or similar rights to direct the activities of the entity that most significantly impact the entity's economic performance; or b) the obligation to absorb the entity's expected losses, the right to receive the expected residual returns, or both. See Note 2, "Summary of Significant Accounting Policies and New Accounting Pronouncements," and Note 23, "Variable Interest Entities," in our 2025 Form 10-K for further discussion of our accounting policies regarding consolidation of and involvement with VIEs.

At June 30, 2026 and December 31, 2025, our consolidated VIEs were immaterial.

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

|                                                      | Total Assets<br>Held by<br>Unconsolidated<br>VIEs | Carrying Value of Variable<br>Interests Held Reported as |              | Maximum<br>Exposure<br>to Loss |
|------------------------------------------------------|---------------------------------------------------|----------------------------------------------------------|--------------|--------------------------------|
|                                                      |                                                   | Assets                                                   | Liabilities  |                                |
| (in billions)                                        |                                                   |                                                          |              |                                |
| At June 30, 2026                                     |                                                   |                                                          |              |                                |
| Limited partnership investments <sup>(1)</sup> ..... | \$ 8.2                                            | \$ 1.4                                                   | \$ .8        | \$ 1.4                         |
| Asset-backed financing SPEs .....                    | 1.7                                               | 1.2                                                      | —            | 1.2                            |
| Total .....                                          | <u>\$ 9.9</u>                                     | <u>\$ 2.6</u>                                            | <u>\$ .8</u> | <u>\$ 2.6</u>                  |
| At December 31, 2025                                 |                                                   |                                                          |              |                                |
| Limited partnership investments <sup>(1)</sup> ..... | \$ 8.2                                            | \$ 1.3                                                   | \$ .7        | \$ 1.3                         |
| Asset-backed financing SPEs .....                    | .4                                                | .2                                                       | —            | .2                             |
| Total .....                                          | <u>\$ 8.6</u>                                     | <u>\$ 1.5</u>                                            | <u>\$ .7</u> | <u>\$ 1.5</u>                  |

<sup>(1)</sup> The carrying value of variable interests held reported as assets includes low income housing investments which totaled \$1.4 billion and \$1.3 billion at June 30, 2026 and December 31, 2025, respectively.

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

We amortize our low income housing investments in proportion to the allocated tax credits under the proportional amortization method and present the associated tax credits and other tax benefits net of investment amortization in income tax expense in the consolidated statement of income, and in operating activities in the consolidated statement of cash flows. We recognized tax credits and other tax benefits related to low income housing investments of \$46 million and \$94 million during the three and six months ended June 30, 2026, respectively, compared with \$32 million and \$66 million during the three and six months ended June 30, 2025, respectively. Investment amortization expense totaled \$42 million and \$84 million during the three and six months ended June 30, 2026, respectively, compared with \$28 million and \$56 million during the three and six months ended June 30, 2025, respectively. Additionally, non-income-tax-related gains and other returns received, which are recognized in other income (loss) in the consolidated statement of income and in operating activities in the consolidated statement of cash flows, were immaterial during the three and six months ended June 30, 2026 and 2025.

**Asset-backed financing SPEs** We have sold portfolios of commercial mortgage loans to third-party buyer-sponsored SPEs and, as part of those transactions, provided senior secured loans to the SPEs to finance portions of the purchase prices. The SPEs are asset-backed financing entities that issued residual beneficial interests to third-party investors. The loans we provided to the SPEs are senior to the residual beneficial interests and are secured by the commercial mortgage loans held by the SPEs. The SPEs are VIEs in which we have variable interests through the loans we hold, which are arm's-length transactions. We do not

have the power to direct the activities that most significantly impact the VIEs' economic performance. In addition, the VIEs are designed such that the residual interest holders absorb any expected loss and/or benefit that could be potentially significant to the VIEs and, therefore, we are not the primary beneficiaries. The maximum exposure to loss shown in the table above represents our recorded investments in the loans as well as any unfunded commitments without consideration of any recovery benefits from the value of the commercial mortgage loans.

### 15. Guarantee Arrangements, Pledged Assets and Repurchase Agreements

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

The following table presents total carrying value and contractual amounts of our sell protection credit derivatives and major off-balance sheet guarantee arrangements. Following the table is a description of the various arrangements. See Note 24, "Guarantee Arrangements, Pledged Assets and Repurchase Agreements," in our 2025 Form 10-K for a more detailed discussion of these arrangements.

|                                                                                | June 30, 2026  |                                     | December 31, 2025 |                                     |
|--------------------------------------------------------------------------------|----------------|-------------------------------------|-------------------|-------------------------------------|
|                                                                                | Carrying Value | Notional / Maximum Exposure to Loss | Carrying Value    | Notional / Maximum Exposure to Loss |
|                                                                                | (in millions)  |                                     |                   |                                     |
| Credit derivatives <sup>(1)(2)</sup>                                           | \$ 64          | \$ 7,910                            | \$ 61             | \$ 6,560                            |
| Financial standby letters of credit, net of participations <sup>(3)(4)</sup>   | —              | 6,028                               | —                 | 5,206                               |
| Performance standby letters of credit, net of participations <sup>(3)(4)</sup> | —              | 4,910                               | —                 | 4,099                               |
| Total                                                                          | <u>\$ 64</u>   | <u>\$ 18,848</u>                    | <u>\$ 61</u>      | <u>\$ 15,865</u>                    |

<sup>(1)</sup> Includes \$1,200 million and \$677 million of notional issued for the benefit of HSBC affiliates at June 30, 2026 and December 31, 2025, respectively.

<sup>(2)</sup> For credit derivatives, the maximum loss is represented by the notional amounts without consideration of mitigating effects from collateral or recourse arrangements.

<sup>(3)</sup> Includes \$1,807 million and \$1,682 million of both financial and performance standby letters of credit issued for the benefit of HSBC affiliates at June 30, 2026 and December 31, 2025, respectively.

<sup>(4)</sup> For standby letters of credit, maximum loss represents losses to be recognized assuming the letters of credit have been fully drawn and the obligors have defaulted with zero recovery.

#### Credit-Risk-Related Guarantees

**Credit derivatives** We manage our credit derivative exposures on a net basis using offsetting hedge positions and, where appropriate, risk transfer through the issuance of structured credit products. As a result, we generally retain a limited net position. The following table summarizes our credit derivative positions:

|                                             | June 30, 2026         |                 | December 31, 2025     |                 |
|---------------------------------------------|-----------------------|-----------------|-----------------------|-----------------|
|                                             | Carrying / Fair Value | Notional        | Carrying / Fair Value | Notional        |
|                                             | (in millions)         |                 |                       |                 |
| Sell-protection credit derivative positions | \$ 64                 | \$ 7,910        | \$ 61                 | \$ 6,560        |
| Buy-protection credit derivative positions  | (121)                 | 16,019          | (141)                 | 15,985          |
| Net position <sup>(1)</sup>                 | <u>\$ (57)</u>        | <u>\$ 8,109</u> | <u>\$ (80)</u>        | <u>\$ 9,425</u> |

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

**Standby letters of credit** Standby letters of credit are subject to our credit approval and collateral processes, and we charge fees for issuing letters of credit commensurate with the client's credit evaluation and nature of any collateral. Included in other liabilities are deferred fees on standby letters of credit amounting to \$59 million and \$71 million at June 30, 2026 and December 31, 2025, respectively. Also included in other liabilities is an allowance for credit losses on unfunded standby letters of credit of \$43 million and \$18 million at June 30, 2026 and December 31, 2025, respectively.

The following table summarizes the credit ratings related to guarantees including the ratings of counterparties against which we sold credit protection and issued standby letters of credit at June 30, 2026 as an indicative proxy of payment risk:

| Notional/Contractual Amounts                       | Average Life<br>(in years) | Credit Ratings of the Obligors |                      |           |
|----------------------------------------------------|----------------------------|--------------------------------|----------------------|-----------|
|                                                    |                            | Investment Grade               | Non-Investment Grade | Total     |
| (dollars are in millions)                          |                            |                                |                      |           |
| Sell-protection credit derivatives: <sup>(1)</sup> |                            |                                |                      |           |
| Single name credit default swaps .....             | 1.0                        | \$ 1,204                       | \$ 348               | \$ 1,552  |
| Index credit derivatives .....                     | 4.4                        | 5,713                          | 645                  | 6,358     |
| Subtotal .....                                     |                            | 6,917                          | 993                  | 7,910     |
| Standby letters of credit <sup>(2)</sup> .....     | 0.8                        | 8,057                          | 2,881                | 10,938    |
| Total .....                                        |                            | \$ 14,974                      | \$ 3,874             | \$ 18,848 |

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

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

Our internal credit ratings are assigned using HSBC's risk rating systems and processes which grade clients based on a scale that ranks their risk of default. These ratings are used for managing risk and determining credit exposure appetite, and consider factors such as the client's operating performance, liquidity, capital structure and debt service ability. We also incorporate qualitative judgment, including industry trends, peer comparisons and management quality. Where available, we compare our internal ratings to external rating agency benchmark data at the time of formal review and monitor on a regular basis.

A non-investment grade rating of a referenced obligor has a negative impact on the fair value of a credit derivative and increases the likelihood that we will be required to perform under the contract. We value credit derivatives using market-based inputs, including observable credit spreads where available. We believe these market indicators provide a more timely measure of payment/performance risk than external credit ratings, which may lag behind changes in market conditions.

#### **Non-Credit-Risk-Related Guarantees and Other Arrangements**

See Note 24, "Guarantee Arrangements, Pledged Assets and Repurchase Agreements," in our 2025 Form 10-K for a discussion of our non-credit-risk-related guarantees and other arrangements. There have been no significant changes in these arrangements since December 31, 2025.

#### **Pledged Assets**

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

|                                                           | June 30,<br>2026 | December 31,<br>2025 |
|-----------------------------------------------------------|------------------|----------------------|
|                                                           | (in billions)    |                      |
| Interest bearing deposits with banks <sup>(1)</sup> ..... | \$ .4            | \$ .7                |
| Trading assets <sup>(2)</sup> .....                       | 4.4              | 4.0                  |
| Securities available-for-sale <sup>(3)</sup> .....        | 14.1             | 14.6                 |
| Securities held-to-maturity <sup>(3)</sup> .....          | 12.8             | 12.7                 |
| Loans <sup>(4)</sup> .....                                | 21.1             | 21.6                 |
| Other assets <sup>(5)</sup> .....                         | 1.0              | .7                   |
| Total .....                                               | <u>\$ 53.8</u>   | <u>\$ 54.3</u>       |

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

<sup>(2)</sup> Trading assets are primarily pledged against liabilities associated with repurchase agreements.

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

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

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

Debt securities pledged as collateral under repurchase agreements that can be sold or repledged by the secured party continue to be reported on the consolidated balance sheet. The fair value of securities available-for-sale that could be sold or repledged was

\$0.4 billion and \$0.0 billion at June 30, 2026 and December 31, 2025, respectively. The fair value of trading assets that could be sold or repledged was \$4.3 billion and \$3.5 billion at June 30, 2026 and December 31, 2025, respectively.

The fair value of collateral we accepted under security resale agreements but was not reported on the consolidated balance sheet was \$7.2 billion and \$11.5 billion at June 30, 2026 and December 31, 2025, respectively. Of this collateral, \$6.6 billion and \$10.8 billion could be sold or repledged at June 30, 2026 and December 31, 2025, respectively, of which \$0.0 billion and \$0.1 billion, respectively, had been sold or repledged as collateral under repurchase agreements or to cover short sales.

### Repurchase Agreements

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

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

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

|                                                   | Gross Amounts<br>Recognized | Gross Amounts<br>Offset in the<br>Balance Sheet <sup>(1)</sup> | Net Amounts<br>Presented in the<br>Balance Sheet | Gross Amounts<br>Not Offset in the<br>Balance Sheet <sup>(2)</sup> | Net Amount <sup>(3)</sup> |
|---------------------------------------------------|-----------------------------|----------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------|---------------------------|
| (in billions)                                     |                             |                                                                |                                                  |                                                                    |                           |
| <b>At June 30, 2026</b>                           |                             |                                                                |                                                  |                                                                    |                           |
| Assets:                                           |                             |                                                                |                                                  |                                                                    |                           |
| Securities purchased under resale agreements..... | \$ 7.3                      | \$ 2.8                                                         | \$ 4.5                                           | \$ 4.5                                                             | \$ —                      |
| Liabilities:                                      |                             |                                                                |                                                  |                                                                    |                           |
| Securities sold under repurchase agreements.....  | \$ 4.8                      | \$ 2.8                                                         | \$ 2.0                                           | \$ 2.0                                                             | \$ —                      |
| <b>At December 31, 2025</b>                       |                             |                                                                |                                                  |                                                                    |                           |
| Assets:                                           |                             |                                                                |                                                  |                                                                    |                           |
| Securities purchased under resale agreements..... | \$ 11.7                     | \$ 2.4                                                         | \$ 9.3                                           | \$ 9.3                                                             | \$ —                      |
| Liabilities:                                      |                             |                                                                |                                                  |                                                                    |                           |
| Securities sold under repurchase agreements.....  | \$ 3.7                      | \$ 2.4                                                         | \$ 1.3                                           | \$ 1.3                                                             | \$ —                      |

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

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

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

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

|                                                                                        | Overnight<br>and<br>Continuous | Up to 30<br>Days | 31 to 90<br>Days | 91 Days to<br>One Year | Greater<br>Than One<br>Year | Total  |
|----------------------------------------------------------------------------------------|--------------------------------|------------------|------------------|------------------------|-----------------------------|--------|
| (in billions)                                                                          |                                |                  |                  |                        |                             |        |
| <b>At June 30, 2026</b>                                                                |                                |                  |                  |                        |                             |        |
| U.S. Treasury, U.S. Government sponsored and<br>U.S. Government agency securities..... | \$ 2.3                         | \$ —             | \$ .5            | \$ 2.0                 | \$ —                        | \$ 4.8 |
| <b>At December 31, 2025</b>                                                            |                                |                  |                  |                        |                             |        |
| U.S. Treasury, U.S. Government sponsored and<br>U.S. Government agency securities..... | \$ 1.4                         | \$ .5            | \$ .7            | \$ 1.1                 | \$ —                        | \$ 3.7 |

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**16. Fair Value Measurements**

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Accounting principles related to fair value measurements provide a framework for measuring fair value that focuses on the exit price that would be received to sell an asset or paid to transfer a liability in the principal market (or in the absence of the principal market, the most advantageous market) accessible in an orderly transaction between willing market participants (the "Fair Value Framework"). See Note 25, "Fair Value Measurements," in our 2025 Form 10-K for further discussion of the Fair Value Framework, including a summary of our major fair value adjustments and a description of the valuation methodologies used for assets and liabilities recorded at fair value. There have been no significant changes in these fair value adjustments or methodologies since December 31, 2025.

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

| June 30, 2026                                                     | Fair Value Measurements on a Recurring Basis |           |          |               |                        |             |
|-------------------------------------------------------------------|----------------------------------------------|-----------|----------|---------------|------------------------|-------------|
|                                                                   | Level 1                                      | Level 2   | Level 3  | Gross Balance | Netting <sup>(1)</sup> | Net Balance |
|                                                                   | (in millions)                                |           |          |               |                        |             |
| Assets:                                                           |                                              |           |          |               |                        |             |
| Trading assets, excluding derivatives:                            |                                              |           |          |               |                        |             |
| U.S. Treasury, U.S. Government agencies and sponsored enterprises | \$ 4,470                                     | \$ 463    | \$ —     | \$ 4,933      | \$ —                   | \$ 4,933    |
| Debt securities issued by foreign entities                        | 1,422                                        | —         | —        | 1,422         | —                      | 1,422       |
| Equity securities                                                 | 19,354                                       | —         | —        | 19,354        | —                      | 19,354      |
| Precious metals trading                                           | —                                            | 1,100     | —        | 1,100         | —                      | 1,100       |
| Derivatives: <sup>(2)</sup>                                       |                                              |           |          |               |                        |             |
| Interest rate contracts                                           | 18                                           | 767       | —        | 785           | —                      | 785         |
| Foreign exchange contracts                                        | —                                            | 12,231    | 9        | 12,240        | —                      | 12,240      |
| Equity contracts                                                  | —                                            | 1,485     | 218      | 1,703         | —                      | 1,703       |
| Precious metals contracts                                         | —                                            | 1,187     | —        | 1,187         | —                      | 1,187       |
| Credit contracts                                                  | —                                            | 133       | —        | 133           | —                      | 133         |
| Other contracts <sup>(3)</sup>                                    | —                                            | —         | 4        | 4             | —                      | 4           |
| Derivatives netting                                               | —                                            | —         | —        | —             | (14,921)               | (14,921)    |
| Total derivatives                                                 | 18                                           | 15,803    | 231      | 16,052        | (14,921)               | 1,131       |
| Securities available-for-sale: <sup>(4)</sup>                     |                                              |           |          |               |                        |             |
| U.S. Treasury, U.S. Government agencies and sponsored enterprises | 15,819                                       | 12,329    | —        | 28,148        | —                      | 28,148      |
| Asset-backed securities                                           | —                                            | 216       | 71       | 287           | —                      | 287         |
| Debt securities issued by foreign entities                        | 4,382                                        | —         | —        | 4,382         | —                      | 4,382       |
| Loans held for sale <sup>(5)</sup>                                | —                                            | 531       | 264      | 795           | —                      | 795         |
| Other assets:                                                     |                                              |           |          |               |                        |             |
| Equity securities                                                 | 21                                           | 128       | —        | 149           | —                      | 149         |
| Equity securities measured at net asset value <sup>(6)</sup>      | —                                            | —         | —        | 107           | —                      | 107         |
| Other <sup>(5)</sup>                                              | —                                            | 137       | —        | 137           | —                      | 137         |
| Total assets                                                      | \$ 45,486                                    | \$ 30,707 | \$ 566   | \$ 76,866     | \$ (14,921)            | \$ 61,945   |
| Liabilities:                                                      |                                              |           |          |               |                        |             |
| Domestic deposits <sup>(5)</sup>                                  | \$ —                                         | \$ 3,183  | \$ 569   | \$ 3,752      | \$ —                   | \$ 3,752    |
| Trading liabilities, excluding derivatives                        | 746                                          | 640       | —        | 1,386         | —                      | 1,386       |
| Derivatives: <sup>(2)</sup>                                       |                                              |           |          |               |                        |             |
| Interest rate contracts                                           | 16                                           | 561       | 2        | 579           | —                      | 579         |
| Foreign exchange contracts                                        | —                                            | 11,623    | 9        | 11,632        | —                      | 11,632      |
| Equity contracts                                                  | —                                            | 1,280     | 160      | 1,440         | —                      | 1,440       |
| Precious metals contracts                                         | —                                            | 1,193     | —        | 1,193         | —                      | 1,193       |
| Credit contracts                                                  | —                                            | 190       | —        | 190           | —                      | 190         |
| Other contracts <sup>(3)</sup>                                    | —                                            | —         | 17       | 17            | —                      | 17          |
| Derivatives netting                                               | —                                            | —         | —        | —             | (13,226)               | (13,226)    |
| Total derivatives                                                 | 16                                           | 14,847    | 188      | 15,051        | (13,226)               | 1,825       |
| Long-term debt <sup>(5)</sup>                                     | —                                            | 5,940     | 2,752    | 8,692         | —                      | 8,692       |
| Other liabilities <sup>(5)</sup>                                  | —                                            | 137       | —        | 137           | —                      | 137         |
| Total liabilities                                                 | \$ 762                                       | \$ 24,747 | \$ 3,509 | \$ 29,018     | \$ (13,226)            | \$ 15,792   |

| December 31, 2025                                                 | Fair Value Measurements on a Recurring Basis |           |          |               |                        |             |
|-------------------------------------------------------------------|----------------------------------------------|-----------|----------|---------------|------------------------|-------------|
|                                                                   | Level 1                                      | Level 2   | Level 3  | Gross Balance | Netting <sup>(1)</sup> | Net Balance |
|                                                                   | (in millions)                                |           |          |               |                        |             |
| Assets:                                                           |                                              |           |          |               |                        |             |
| Trading assets, excluding derivatives:                            |                                              |           |          |               |                        |             |
| U.S. Treasury, U.S. Government agencies and sponsored enterprises | \$ 3,791                                     | \$ 1,349  | \$ —     | \$ 5,140      | \$ —                   | \$ 5,140    |
| Debt securities issued by foreign entities                        | 837                                          | 77        | —        | 914           | —                      | 914         |
| Equity securities                                                 | 15,141                                       | —         | —        | 15,141        | —                      | 15,141      |
| Precious metals trading                                           | —                                            | 196       | —        | 196           | —                      | 196         |
| Derivatives: <sup>(2)</sup>                                       |                                              |           |          |               |                        |             |
| Interest rate contracts                                           | 8                                            | 777       | 1        | 786           | —                      | 786         |
| Foreign exchange contracts                                        | —                                            | 9,572     | 9        | 9,581         | —                      | 9,581       |
| Equity contracts                                                  | —                                            | 1,174     | 85       | 1,259         | —                      | 1,259       |
| Precious metals contracts                                         | —                                            | 1,883     | —        | 1,883         | —                      | 1,883       |
| Credit contracts                                                  | —                                            | 137       | —        | 137           | —                      | 137         |
| Other contracts <sup>(3)</sup>                                    | —                                            | —         | 4        | 4             | —                      | 4           |
| Derivatives netting                                               | —                                            | —         | —        | —             | (12,109)               | (12,109)    |
| Total derivatives                                                 | 8                                            | 13,543    | 99       | 13,650        | (12,109)               | 1,541       |
| Securities available-for-sale: <sup>(4)</sup>                     |                                              |           |          |               |                        |             |
| U.S. Treasury, U.S. Government agencies and sponsored enterprises | 14,277                                       | 11,349    | —        | 25,626        | —                      | 25,626      |
| Asset-backed securities                                           | —                                            | 187       | 76       | 263           | —                      | 263         |
| Debt securities issued by foreign entities                        | 4,141                                        | —         | —        | 4,141         | —                      | 4,141       |
| Loans held for sale <sup>(5)</sup>                                | —                                            | 460       | 166      | 626           | —                      | 626         |
| Other assets:                                                     |                                              |           |          |               |                        |             |
| Equity securities                                                 | —                                            | 131       | —        | 131           | —                      | 131         |
| Equity securities measured at net asset value <sup>(6)</sup>      | —                                            | —         | —        | 112           | —                      | 112         |
| Other <sup>(5)</sup>                                              | —                                            | 20        | —        | 20            | —                      | 20          |
| Total assets                                                      | \$ 38,195                                    | \$ 27,312 | \$ 341   | \$ 65,960     | \$ (12,109)            | \$ 53,851   |
| Liabilities:                                                      |                                              |           |          |               |                        |             |
| Domestic deposits <sup>(5)</sup>                                  | \$ —                                         | \$ 3,193  | \$ 377   | \$ 3,570      | \$ —                   | \$ 3,570    |
| Trading liabilities, excluding derivatives                        | 1,438                                        | 86        | —        | 1,524         | —                      | 1,524       |
| Derivatives: <sup>(2)</sup>                                       |                                              |           |          |               |                        |             |
| Interest rate contracts                                           | 5                                            | 509       | 2        | 516           | —                      | 516         |
| Foreign exchange contracts                                        | —                                            | 8,916     | 8        | 8,924         | —                      | 8,924       |
| Equity contracts                                                  | —                                            | 561       | 74       | 635           | —                      | 635         |
| Precious metals contracts                                         | 2                                            | 2,048     | —        | 2,050         | —                      | 2,050       |
| Credit contracts                                                  | —                                            | 216       | 1        | 217           | —                      | 217         |
| Other contracts <sup>(3)</sup>                                    | —                                            | —         | 17       | 17            | —                      | 17          |
| Derivatives netting                                               | —                                            | —         | —        | —             | (11,341)               | (11,341)    |
| Total derivatives                                                 | 7                                            | 12,250    | 102      | 12,359        | (11,341)               | 1,018       |
| Long-term debt <sup>(5)</sup>                                     | —                                            | 5,912     | 2,354    | 8,266         | —                      | 8,266       |
| Other liabilities <sup>(5)</sup>                                  | —                                            | 20        | —        | 20            | —                      | 20          |
| Total liabilities                                                 | \$ 1,445                                     | \$ 21,461 | \$ 2,833 | \$ 25,739     | \$ (11,341)            | \$ 14,398   |

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

<sup>(2)</sup> Includes trading derivative assets of \$922 million and \$1,366 million and trading derivative liabilities of \$1,608 million and \$831 million at June 30, 2026 and December 31, 2025, respectively, as well as derivatives held for hedging and other non-qualifying economic hedging activities. See Note 7, "Derivative Financial Instruments," for additional information. Excluding changes in fair value of a derivative instrument associated with a qualifying cash flow hedge, which are recognized initially in other comprehensive income (loss), derivative assets and liabilities are recorded at fair value through net income.

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

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

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

<sup>(6)</sup> Investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. Unfunded commitments associated with these investments were immaterial at June 30, 2026 and December 31, 2025.

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

|                                                                    | Apr. 1,<br>2026   | Total Realized /<br>Unrealized<br>Gains (Losses) | Purch-<br>ases | Issu-<br>ances    | Settle-<br>ments | Transfers<br>Into<br>Level 3 | Transfers<br>Out of<br>Level 3 | Jun. 30,<br>2026  | Current Period<br>Unrealized<br>Gains (Losses)<br>Still Held |
|--------------------------------------------------------------------|-------------------|--------------------------------------------------|----------------|-------------------|------------------|------------------------------|--------------------------------|-------------------|--------------------------------------------------------------|
| (in millions)                                                      |                   |                                                  |                |                   |                  |                              |                                |                   |                                                              |
| Assets:                                                            |                   |                                                  |                |                   |                  |                              |                                |                   |                                                              |
| Derivatives, net: <sup>(1)</sup>                                   |                   |                                                  |                |                   |                  |                              |                                |                   |                                                              |
| Equity contracts .....                                             | \$ (41)           | \$ 163                                           | \$ —           | \$ —              | \$ (34)          | \$ —                         | \$ (30)                        | \$ 58             | \$ 109                                                       |
| Asset-backed securities<br>available-for-sale <sup>(2)</sup> ..... | 76                | (3)                                              | —              | —                 | (2)              | —                            | —                              | 71                | (3)                                                          |
| Loans held for sale <sup>(3)</sup> .....                           | 252               | —                                                | 55             | —                 | (49)             | 6                            | —                              | 264               | —                                                            |
| Total assets .....                                                 | <u>\$ 287</u>     | <u>\$ 160</u>                                    | <u>\$ 55</u>   | <u>\$ —</u>       | <u>\$ (85)</u>   | <u>\$ 6</u>                  | <u>\$ (30)</u>                 | <u>\$ 393</u>     | <u>\$ 106</u>                                                |
| Liabilities:                                                       |                   |                                                  |                |                   |                  |                              |                                |                   |                                                              |
| Domestic deposits <sup>(3)</sup> .....                             | \$ (506)          | \$ (14)                                          | \$ —           | \$ (91)           | \$ 13            | \$ (48)                      | \$ 77                          | \$ (569)          | \$ (7)                                                       |
| Long-term debt <sup>(3)</sup> .....                                | (2,441)           | (186)                                            | —              | (997)             | 522              | (221)                        | 571                            | (2,752)           | (112)                                                        |
| Total liabilities .....                                            | <u>\$ (2,947)</u> | <u>\$ (200)</u>                                  | <u>\$ —</u>    | <u>\$ (1,088)</u> | <u>\$ 535</u>    | <u>\$ (269)</u>              | <u>\$ 648</u>                  | <u>\$ (3,321)</u> | <u>\$ (119)</u>                                              |
| (in millions)                                                      |                   |                                                  |                |                   |                  |                              |                                |                   |                                                              |
|                                                                    | Jan. 1,<br>2026   | Total Realized /<br>Unrealized<br>Gains (Losses) | Purch-<br>ases | Issu-<br>ances    | Settle-<br>ments | Transfers<br>Into<br>Level 3 | Transfers<br>Out of<br>Level 3 | Jun. 30,<br>2026  | Current Period<br>Unrealized<br>Gains (Losses)<br>Still Held |
| Assets:                                                            |                   |                                                  |                |                   |                  |                              |                                |                   |                                                              |
| Derivatives, net: <sup>(1)</sup>                                   |                   |                                                  |                |                   |                  |                              |                                |                   |                                                              |
| Equity contracts .....                                             | \$ 11             | \$ 103                                           | \$ —           | \$ —              | \$ (58)          | \$ 6                         | \$ (4)                         | \$ 58             | \$ 74                                                        |
| Asset-backed securities<br>available-for-sale <sup>(2)</sup> ..... | 76                | (3)                                              | —              | —                 | (2)              | —                            | —                              | 71                | (4)                                                          |
| Loans held for sale <sup>(3)</sup> .....                           | 166               | 2                                                | 145            | —                 | (55)             | 6                            | —                              | 264               | —                                                            |
| Total assets .....                                                 | <u>\$ 253</u>     | <u>\$ 102</u>                                    | <u>\$ 145</u>  | <u>\$ —</u>       | <u>\$ (115)</u>  | <u>\$ 12</u>                 | <u>\$ (4)</u>                  | <u>\$ 393</u>     | <u>\$ 70</u>                                                 |
| Liabilities:                                                       |                   |                                                  |                |                   |                  |                              |                                |                   |                                                              |
| Domestic deposits <sup>(3)</sup> .....                             | \$ (377)          | \$ (16)                                          | \$ —           | \$ (171)          | \$ 23            | \$ (140)                     | \$ 112                         | \$ (569)          | \$ (2)                                                       |
| Long-term debt <sup>(3)</sup> .....                                | (2,354)           | (207)                                            | —              | (1,668)           | 906              | (450)                        | 1,021                          | (2,752)           | (112)                                                        |
| Total liabilities .....                                            | <u>\$ (2,731)</u> | <u>\$ (223)</u>                                  | <u>\$ —</u>    | <u>\$ (1,839)</u> | <u>\$ 929</u>    | <u>\$ (590)</u>              | <u>\$ 1,133</u>                | <u>\$ (3,321)</u> | <u>\$ (114)</u>                                              |

|                                                                    | Apr. 1,<br>2025   | Total Realized /<br>Unrealized<br>Gains (Losses) | Purch-<br>ases | Issu-<br>ances  | Settle-<br>ments | Transfers<br>Into<br>Level 3 | Transfers<br>Out of<br>Level 3 | Jun. 30,<br>2025  | Current Period<br>Unrealized<br>Gains (Losses)<br>Still Held |
|--------------------------------------------------------------------|-------------------|--------------------------------------------------|----------------|-----------------|------------------|------------------------------|--------------------------------|-------------------|--------------------------------------------------------------|
| (in millions)                                                      |                   |                                                  |                |                 |                  |                              |                                |                   |                                                              |
| Assets:                                                            |                   |                                                  |                |                 |                  |                              |                                |                   |                                                              |
| Derivatives, net: <sup>(1)</sup>                                   |                   |                                                  |                |                 |                  |                              |                                |                   |                                                              |
| Equity contracts .....                                             | \$ (30)           | \$ 66                                            | \$ —           | \$ —            | \$ (7)           | \$ (8)                       | \$ (33)                        | \$ (12)           | \$ 35                                                        |
| Asset-backed securities<br>available-for-sale <sup>(2)</sup> ..... | 94                | —                                                | —              | —               | (2)              | —                            | —                              | 92                | —                                                            |
| Loans held for sale <sup>(3)</sup> .....                           | 41                | —                                                | —              | —               | (1)              | 13                           | —                              | 53                | —                                                            |
| Total assets .....                                                 | <u>\$ 105</u>     | <u>\$ 66</u>                                     | <u>\$ —</u>    | <u>\$ —</u>     | <u>\$ (10)</u>   | <u>\$ 5</u>                  | <u>\$ (33)</u>                 | <u>\$ 133</u>     | <u>\$ 35</u>                                                 |
| Liabilities:                                                       |                   |                                                  |                |                 |                  |                              |                                |                   |                                                              |
| Domestic deposits <sup>(3)</sup> .....                             | \$ (295)          | \$ (9)                                           | \$ —           | \$ (75)         | \$ 10            | \$ (175)                     | \$ 124                         | \$ (420)          | \$ (2)                                                       |
| Long-term debt <sup>(3)</sup> .....                                | (1,946)           | (91)                                             | —              | (268)           | 176              | (679)                        | 613                            | (2,195)           | (42)                                                         |
| Total liabilities .....                                            | <u>\$ (2,241)</u> | <u>\$ (100)</u>                                  | <u>\$ —</u>    | <u>\$ (343)</u> | <u>\$ 186</u>    | <u>\$ (854)</u>              | <u>\$ 737</u>                  | <u>\$ (2,615)</u> | <u>\$ (44)</u>                                               |

|                                                                    | Jan. 1,<br>2025   | Total Realized /<br>Unrealized<br>Gains (Losses) | Purch-<br>ases | Issu-<br>ances  | Settle-<br>ments | Transfers<br>Into<br>Level 3 | Transfers<br>Out of<br>Level 3 | Jun. 30,<br>2025  | Current Period<br>Unrealized<br>Gains (Losses)<br>Still Held |
|--------------------------------------------------------------------|-------------------|--------------------------------------------------|----------------|-----------------|------------------|------------------------------|--------------------------------|-------------------|--------------------------------------------------------------|
| (in millions)                                                      |                   |                                                  |                |                 |                  |                              |                                |                   |                                                              |
| Assets:                                                            |                   |                                                  |                |                 |                  |                              |                                |                   |                                                              |
| Derivatives, net: <sup>(1)</sup>                                   |                   |                                                  |                |                 |                  |                              |                                |                   |                                                              |
| Equity contracts .....                                             | \$ (18)           | \$ 25                                            | \$ —           | \$ —            | \$ (14)          | \$ (14)                      | \$ 9                           | \$ (12)           | \$ 22                                                        |
| Asset-backed securities<br>available-for-sale <sup>(2)</sup> ..... | 97                | 1                                                | —              | —               | (6)              | —                            | —                              | 92                | 1                                                            |
| Loans held for sale <sup>(3)</sup> .....                           | 154               | —                                                | 2              | —               | (116)            | 13                           | —                              | 53                | —                                                            |
| Total assets .....                                                 | <u>\$ 233</u>     | <u>\$ 26</u>                                     | <u>\$ 2</u>    | <u>\$ —</u>     | <u>\$ (136)</u>  | <u>\$ (1)</u>                | <u>\$ 9</u>                    | <u>\$ 133</u>     | <u>\$ 23</u>                                                 |
| Liabilities:                                                       |                   |                                                  |                |                 |                  |                              |                                |                   |                                                              |
| Domestic deposits <sup>(3)</sup> .....                             | \$ (291)          | \$ (10)                                          | \$ —           | \$ (90)         | \$ 24            | \$ (243)                     | \$ 190                         | \$ (420)          | \$ (1)                                                       |
| Long-term debt <sup>(3)</sup> .....                                | (2,153)           | (87)                                             | —              | (572)           | 423              | (957)                        | 1,151                          | (2,195)           | (39)                                                         |
| Total liabilities .....                                            | <u>\$ (2,444)</u> | <u>\$ (97)</u>                                   | <u>\$ —</u>    | <u>\$ (662)</u> | <u>\$ 447</u>    | <u>\$ (1,200)</u>            | <u>\$ 1,341</u>                | <u>\$ (2,615)</u> | <u>\$ (40)</u>                                               |

<sup>(1)</sup> Level 3 net derivatives included derivative assets of \$231 million and derivative liabilities of \$188 million at June 30, 2026 and derivative assets of \$147 million and derivative liabilities of \$180 million at June 30, 2025. Gains (losses) on derivatives, net are predominantly included in trading revenue and gain (loss) on instruments designated at fair value and related derivatives in the consolidated statement of income.

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

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

**Significant Transfers Into and Out of Level 3 Measurements** During both the six months ended June 30, 2026 and 2025, we transferred domestic deposits and long-term debt, which we have elected to carry at fair value, from Level 3 to Level 2 as a result of the embedded derivative no longer being unobservable as the derivative option is closer to maturity and the underlying inputs have become more observable. During both the six months ended June 30, 2026 and 2025, we transferred domestic deposits and long-term debt, which we elected to carry at fair value, from Level 2 to Level 3 as a result of a change in the observability of underlying inputs that resulted in the embedded derivative being unobservable.

**Significant Unobservable Inputs for Recurring Fair Value Measurements**

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

**June 30, 2026**

| Financial Instrument Type                                       | Fair Value<br>(in millions) | Valuation Technique(s)                      | Significant Unobservable Inputs                                 | Range of Inputs | Weighted<br>Average <sup>(1)</sup> |
|-----------------------------------------------------------------|-----------------------------|---------------------------------------------|-----------------------------------------------------------------|-----------------|------------------------------------|
| Equity derivative contracts <sup>(2)</sup> ..                   | \$ 58                       | Option pricing model                        | Equity / Equity Index volatility                                | 5% - 149%       | 61%                                |
|                                                                 |                             |                                             | Equity / Equity and Equity / Index correlation                  | 40% - 98%       | 83%                                |
|                                                                 |                             |                                             | Equity forward price                                            | \$0 - \$72,824  | \$3,341                            |
| Asset-backed securities available-for-sale .....                | \$ 71                       | Discounted cash flows                       | Market assumptions related to yields for comparable instruments | 2% - 3%         | 2%                                 |
| Loans held for sale .....                                       | \$ 264                      | Market comparables and internal assumptions | Adjusted market price                                           | 31% - 100%      | 83%                                |
| Domestic deposits (structured deposits) <sup>(2)(3)</sup> ..... | \$ (569)                    | Option adjusted discounted cash flows       | Equity / Equity Index volatility                                | 5% - 66%        | 14%                                |
|                                                                 |                             |                                             | Equity / Equity and Equity / Index correlation                  | 40% - 95%       | 67%                                |
| Long-term debt (structured notes) <sup>(2)(3)</sup> .....       | \$ (2,752)                  | Option adjusted discounted cash flows       | Equity / Equity Index volatility                                | 11% - 86%       | 35%                                |
|                                                                 |                             |                                             | Equity / Equity and Equity / Index correlation                  | 45% - 98%       | 85%                                |
|                                                                 |                             |                                             | Credit default swap spreads                                     | 396bps          | N/A                                |

**December 31, 2025**

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

N/A Not Applicable

- (1) For equity derivatives, structured deposits and structured notes, weighted averages are calculated based on the fair value of the instruments. For all remaining instrument types, weighted averages are calculated based on the notional value of the instruments.
- (2) We are the client-facing entity and, except for structured notes with embedded credit derivative features, we enter into identical but opposite derivatives to transfer the resultant risks to our affiliates. With the exception of counterparty credit risks, we are market risk neutral in substantially all of the structured notes and deposits. The corresponding intra-group derivatives are presented as equity derivatives in the table.
- (3) Structured deposits and structured notes contain embedded derivative features whose fair value measurements contain significant Level 3 inputs. See equity derivatives and credit derivatives below for a discussion of the uncertainty of Level 3 inputs related to structured deposits and structured notes.

**Uncertainty of Significant Level 3 Inputs to Fair Value Measurements**

**Equity derivatives** - For certain equity derivatives, particularly those with long-dated maturities and/or strike values far from at-the-money, volatility can be unobservable. A significant increase (decrease) in the implied volatility would have resulted in a higher (lower) fair value of a long position in the derivative contract. For a derivative referenced to a basket of equities, the fair value measurement is also affected by the correlation of the referenced equities, which can also be unobservable. Correlation measures the relative change in values among two or more variables (i.e., equity pair), which can be positively or negatively correlated. A significant increase (decrease) in the correlation of the referenced variables would have resulted in a higher (lower) fair value of a long position in the derivative contract. In addition, for the majority of unlisted equities and some listed equities, the forward price is unobservable. A significant increase (decrease) in the price would have resulted in a higher (lower) fair value of a long position in the derivative contract.

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

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

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

**Assets and Liabilities Recorded at Fair Value on a Non-recurring Basis** Certain assets are measured at fair value on a non-recurring basis and, therefore, are not included in the tables above. These assets include (a) loans classified as held for sale reported at the lower of amortized cost or fair value and (b) impaired loans or assets that are written down to fair value based on the valuation of underlying collateral during the period. These instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustment in certain circumstances (e.g., impairment). The following table presents the fair value hierarchy level within which the fair value of the assets has been recorded at June 30, 2026 and December 31, 2025. The gains (losses) during the three and six months ended June 30, 2026 and 2025 are also included.

|                                                     | Non-Recurring Fair Value Measurements at<br>June 30, 2026     |          |         |          | Total Gains (Losses)<br>For the Three Months<br>Ended June 30, 2026 | Total Gains (Losses)<br>For the Six Months<br>Ended June 30, 2026 |
|-----------------------------------------------------|---------------------------------------------------------------|----------|---------|----------|---------------------------------------------------------------------|-------------------------------------------------------------------|
|                                                     | Level 1                                                       | Level 2  | Level 3 | Total    |                                                                     |                                                                   |
|                                                     | (in millions)                                                 |          |         |          |                                                                     |                                                                   |
| Consumer loans <sup>(1)</sup>                       | \$ —                                                          | \$ 91    | \$ —    | \$ 91    | \$ 3                                                                | \$ 3                                                              |
| Commercial loans held for sale <sup>(2)</sup>       | —                                                             | 460      | —       | 460      | (2)                                                                 | (1)                                                               |
| Commercial loans <sup>(3)</sup>                     | —                                                             | —        | 342     | 342      | (15)                                                                | (42)                                                              |
| Total assets at fair value on a non-recurring basis | \$ —                                                          | \$ 551   | \$ 342  | \$ 893   | \$ (14)                                                             | \$ (40)                                                           |
|                                                     | Non-Recurring Fair Value Measurements at<br>December 31, 2025 |          |         |          | Total Gains (Losses)<br>For the Three Months<br>Ended June 30, 2025 | Total Gains (Losses)<br>For the Six Months<br>Ended June 30, 2025 |
|                                                     | Level 1                                                       | Level 2  | Level 3 | Total    |                                                                     |                                                                   |
|                                                     | (in millions)                                                 |          |         |          |                                                                     |                                                                   |
| Consumer loans <sup>(1)</sup>                       | \$ —                                                          | \$ 94    | \$ —    | \$ 94    | \$ 2                                                                | \$ 3                                                              |
| Commercial loans held for sale <sup>(2)</sup>       | —                                                             | 1,277    | —       | 1,277    | —                                                                   | —                                                                 |
| Commercial loans <sup>(3)</sup>                     | —                                                             | —        | 342     | 342      | (15)                                                                | (67)                                                              |
| Total assets at fair value on a non-recurring basis | \$ —                                                          | \$ 1,371 | \$ 342  | \$ 1,713 | \$ (13)                                                             | \$ (64)                                                           |

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

<sup>(2)</sup> Represents loans held for sale where the fair value of the loans was below cost.

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

**Significant Unobservable Inputs for Non-Recurring Fair Value Measurements**

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

At June 30, 2026

| Financial Instrument Type | Fair Value<br>(in millions) | Valuation Technique(s)                                      | Significant Unobservable Inputs | Range of Inputs | Weighted<br>Average <sup>(1)</sup> |
|---------------------------|-----------------------------|-------------------------------------------------------------|---------------------------------|-----------------|------------------------------------|
| Commercial loans .....    | \$ 342                      | Valuation of third-party appraisal on underlying collateral | Loss severity rates             | 4% - 100%       | 33%                                |

At December 31, 2025

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

<sup>(1)</sup> Weighted average is calculated based on the carrying value of the loans.

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

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

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

| June 30, 2026                                                             | Carrying<br>Value | Fair<br>Value | Level 1 | Level 2 | Level 3 |
|---------------------------------------------------------------------------|-------------------|---------------|---------|---------|---------|
|                                                                           | (in billions)     |               |         |         |         |
| Financial assets:                                                         |                   |               |         |         |         |
| Short-term financial assets, net of allowance for credit losses .....     | \$ 24.7           | \$ 24.7       | \$ .8   | \$ 23.9 | \$ —    |
| Federal funds sold and securities purchased under agreements to resell .. | 4.5               | 4.5           | —       | 4.5     | —       |
| Securities held-to-maturity, net of allowance for credit losses .....     | 20.5              | 20.1          | 5.9     | 14.2    | —       |
| Commercial loans, net of allowance for credit losses .....                | 41.3              | 41.9          | —       | —       | 41.9    |
| Commercial loans held for sale .....                                      | .5                | .5            | —       | .5      | —       |
| Consumer loans, net of allowance for credit losses .....                  | 20.4              | 19.5          | —       | —       | 19.5    |
| Financial liabilities:                                                    |                   |               |         |         |         |
| Short-term financial liabilities .....                                    | \$ 9.1            | \$ 9.1        | \$ —    | \$ 9.1  | \$ —    |
| Deposits .....                                                            | 123.1             | 123.0         | —       | 123.0   | —       |
| Long-term debt .....                                                      | 16.6              | 17.0          | —       | 17.0    | —       |

| December 31, 2025                                                         | Carrying<br>Value | Fair<br>Value | Level 1       | Level 2 | Level 3 |
|---------------------------------------------------------------------------|-------------------|---------------|---------------|---------|---------|
|                                                                           |                   |               | (in billions) |         |         |
| Financial assets:                                                         |                   |               |               |         |         |
| Short-term financial assets, net of allowance for credit losses .....     | \$ 23.9           | \$ 23.9       | \$ .8         | \$ 23.1 | \$ —    |
| Federal funds sold and securities purchased under agreements to resell .. | 9.3               | 9.3           | —             | 9.3     | —       |
| Securities held-to-maturity, net of allowance for credit losses .....     | 18.3              | 18.1          | 2.8           | 15.3    | —       |
| Commercial loans, net of allowance for credit losses .....                | 38.9              | 39.7          | —             | —       | 39.7    |
| Commercial loans held for sale .....                                      | 1.3               | 1.3           | —             | 1.3     | —       |
| Consumer loans, net of allowance for credit losses .....                  | 20.5              | 19.8          | —             | —       | 19.8    |
| Financial liabilities:                                                    |                   |               |               |         |         |
| Short-term financial liabilities .....                                    | \$ 7.3            | \$ 7.3        | \$ —          | \$ 7.3  | \$ —    |
| Deposits .....                                                            | 120.5             | 120.5         | —             | 120.5   | —       |
| Long-term debt .....                                                      | 14.8              | 15.1          | —             | 15.1    | —       |

*Lending-related commitments* - The fair value of loan commitments, revolving credit facilities and standby letters of credit are not included in the above table. The majority of the lending-related commitments are not carried at fair value on a recurring basis nor are they actively traded. These instruments generate fees, which approximate those currently charged to originate similar commitments, which are recognized over the term of the commitment period. Deferred fees on loan commitments, revolving credit facilities and standby letters of credit totaled \$175 million and \$205 million at June 30, 2026 and December 31, 2025, respectively.

## 17. *Litigation and Regulatory Matters*

The following supplements, and should be read together with, the disclosure in Note 26, "Litigation and Regulatory Matters," in our 2025 Form 10-K and in Note 17, "Litigation and Regulatory Matters," in our Form 10-Q for the three-month period ended March 31, 2026 (the "2026 First Quarter Form 10-Q"). Only those matters with significant updates and new matters since our disclosure in our 2025 Form 10-K and our 2026 First Quarter Form 10-Q are reported herein.

In addition to the matters described below and in our 2025 Form 10-K and our 2026 First Quarter Form 10-Q, in the ordinary course of business, we are routinely named as defendants in, or as parties to, various legal actions and proceedings relating to activities of our current and/or former operations. These legal actions and proceedings may include claims for substantial or indeterminate compensatory or punitive damages, or for injunctive relief. In the ordinary course of business, we also are subject to governmental and regulatory examinations, information-gathering requests, investigations and proceedings (both formal and informal), certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. In connection with formal and informal inquiries by these regulators, we receive numerous requests, subpoenas and orders seeking documents, testimony and other information in connection with various aspects of our regulated activities.

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

For the legal matters disclosed below, including litigation and governmental and regulatory matters, as well as for the legal matters disclosed in our 2025 Form 10-K and our 2026 First Quarter Form 10-Q, as to which a loss in excess of accrued liability is reasonably possible in future periods and for which there is sufficient currently available information on the basis of which management believes it can make a reliable estimate, we believe a reasonable estimate could be as much as \$100 million for HUSI. The legal matters underlying this estimate of possible loss will change from time to time and actual results may differ significantly from this current estimate. Based on the facts currently known, in respect of each of the disclosed investigations, it is not practicable at this time for us to determine the terms on which these ongoing investigations will be resolved or the timing of such resolution or for us to estimate reliably the amounts, or range of possible amounts, of any fines and/or penalties. As matters progress, it is possible that any fines and/or penalties could be significant.

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

*Silicon Valley Bank ("SVB") Litigation* In May 2026, the court granted defendants' motions to dismiss portions of First Citizens' amended complaint, which had sought to add claims purportedly assigned to First Citizens by the Federal Deposit Insurance Corporation and bring back into the litigation certain claims and defendants dismissed by the court in July 2024. First Citizens' remaining claims are proceeding against HSBC Bank USA and certain other defendants.

### *Investigations*

In 2020, the Competition Commission of South Africa, having initially referred a complaint for proceedings before the South African Competition Tribunal in 2017, filed a revised complaint against HSBC Bank USA and other financial institutions for alleged anti-competitive behavior in the South African foreign exchange market. In January 2024, the South African Competition Appeal Court dismissed HSBC Bank USA from the revised complaint. In June 2026, the South African Constitutional Court confirmed the dismissal of HSBC Bank USA from the revised complaint.

## 18. New Accounting Pronouncements

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

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

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

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

### Forward-Looking Statements

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

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

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

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

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

## Executive Overview

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

**Economic Environment** The U.S. economy continued to grow during the first half of 2026 despite increased economic uncertainty due to the impact of the conflict in the Middle East, including higher energy prices resulting from supply chain disruption, as well as continued pressures from tariffs, inflation and interest rates. U.S. gross domestic product grew at an estimated annual rate of 1.5 percent in the second quarter of 2026, while the personal consumption expenditures price index of 3.7 percent in June 2026 remained above the FRB's target inflation rate. In addition, the total unemployment rate decreased slightly to 4.2 percent in June 2026 compared with 4.4 percent in December 2025. In June 2026, the FRB decided to hold short-term interest rates steady.

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

**Performance, Developments and Trends** The following tables set forth selected financial metrics of HUSI for the six months ended June 30, 2026 and 2025 and at June 30, 2026 and December 31, 2025:

| Six Months Ended June 30,             | 2026                      | 2025   |
|---------------------------------------|---------------------------|--------|
|                                       | (dollars are in millions) |        |
| Net income                            | \$ 681                    | \$ 449 |
| Rate of return on average:            |                           |        |
| Total assets                          | .8 %                      | .5 %   |
| Common equity                         | 11.0                      | 7.3    |
| Tangible common equity <sup>(1)</sup> | 11.4                      | 7.6    |
| Total equity                          | 10.9                      | 7.3    |
| Net interest margin                   | 1.33                      | 1.28   |
| Efficiency ratio                      | 61                        | 65     |

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

| Six Months Ended June 30, | 2026             | 2025                 |
|---------------------------|------------------|----------------------|
|                           | (in millions)    |                      |
| Common equity             | \$ 12,360        | \$ 12,150            |
| Less: Goodwill            | 458              | 458                  |
| Tangible common equity    | \$ 11,902        | \$ 11,692            |
|                           | June 30,<br>2026 | December 31,<br>2025 |

### Additional Select Ratios:

|                                                           |       |       |
|-----------------------------------------------------------|-------|-------|
| Allowance as a percent of loans <sup>(1)</sup>            | .68 % | .74 % |
| Commercial allowance as a percent of loans <sup>(1)</sup> | 1.01  | 1.11  |
| Loans to deposits ratio <sup>(2)</sup>                    | 50    | 49    |
| Common equity Tier 1 capital to risk-weighted assets      | 12.1  | 12.1  |
| Tier 1 capital to risk-weighted assets                    | 12.3  | 12.4  |
| Total capital to risk-weighted assets                     | 14.3  | 14.4  |
| Tier 1 leverage ratio                                     | 7.6   | 7.7   |
| Total equity to total assets                              | 7.1   | 7.2   |

<sup>(1)</sup> Excludes loans held for sale.

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

Net income was \$681 million during the six months ended June 30, 2026 compared with \$449 million during the six months ended June 30, 2025. Income before income tax was \$875 million during the six months ended June 30, 2026 compared with \$567 million during the six months ended June 30, 2025. The increase in income before income tax during the six months ended June 30, 2026 was primarily due to a lower provision for credit losses on our commercial loan portfolio as well as higher

other revenues driven by increases in other fees and commissions, and trading revenue. Also contributing to the increase was higher net interest income, partly offset by higher operating expenses.

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

## Basis of Reporting

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

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

| Six Months Ended June 30,                       | 2026          | 2025          |
|-------------------------------------------------|---------------|---------------|
|                                                 | (in millions) |               |
| Profit before tax – U.S. GAAP .....             | \$ 875        | \$ 567        |
| Adjustments:                                    |               |               |
| Expected credit losses <sup>(1)</sup> .....     | (17)          | 12            |
| Other .....                                     | 12            | (2)           |
| Profit before tax – Group Reporting Basis ..... | <u>\$ 870</u> | <u>\$ 577</u> |

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

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

## Balance Sheet Review

The following section provides a discussion of the significant changes in our balance sheet at June 30, 2026 compared with December 31, 2025.

|                                             |                           | Increase (Decrease) From<br>December 31, 2025 |            |
|---------------------------------------------|---------------------------|-----------------------------------------------|------------|
|                                             | June 30, 2026             | Amount                                        | %          |
|                                             | (dollars are in millions) |                                               |            |
| Period end assets:                          |                           |                                               |            |
| Short-term investments .....                | \$ 29,177                 | \$ (3,985)                                    | (12)%      |
| Loans, net .....                            | 61,680                    | 2,228                                         | 4          |
| Loans held for sale .....                   | 1,305                     | (620)                                         | (32)       |
| Trading assets .....                        | 27,731                    | 4,974                                         | 22         |
| Securities .....                            | 53,306                    | 4,983                                         | 10         |
| All other assets .....                      | 7,509                     | 718                                           | 11         |
|                                             | <u>\$ 180,708</u>         | <u>\$ 8,298</u>                               | <u>5 %</u> |
| Period end liabilities and equity:          |                           |                                               |            |
| Total deposits .....                        | \$ 126,813                | \$ 2,716                                      | 2 %        |
| Trading liabilities .....                   | 2,994                     | 639                                           | 27         |
| Short-term borrowings .....                 | 9,082                     | 1,793                                         | 25         |
| Long-term debt .....                        | 25,305                    | 2,279                                         | 10         |
| Interest, taxes and other liabilities ..... | 3,757                     | 553                                           | 17         |
| Total equity .....                          | 12,757                    | 318                                           | 3          |
|                                             | <u>\$ 180,708</u>         | <u>\$ 8,298</u>                               | <u>5 %</u> |

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

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

Commercial loans increased \$2.3 billion driven by new business activity exceeding paydowns and maturities, including new loans provided to the buyers in connection with the sales of portfolios of commercial mortgage loans during the first half of 2026 as discussed further below. The increase in commercial non-affiliate loans was primarily in the software, diversified financials and insurance industries, partly offset by a decline in the real estate industry.

Consumer loans decreased \$0.1 billion due to net paydowns in residential mortgage loans.

The weighted average loan-to-value ("LTV") ratio for our residential mortgage loan portfolio, excluding mortgage loans held for sale, was 51 percent and 50 percent at June 30, 2026 and December 31, 2025, respectively, with 98 percent and 99 percent, respectively, of the portfolio having an LTV ratio of less than 80 percent. LTVs for residential mortgages are calculated using the loan balance at the reporting date. Current estimated property values are derived from the property's appraised value at the time of loan origination (or, if available, a subsequent revaluation) updated using the most current Federal Housing Finance Agency's House Price Index data available at either a core-based statistical area or state level.

**Loans Held for Sale** Loans held for sale were lower due to a decline in commercial loans held for sale driven by the sales of portfolios of commercial mortgage loans with an aggregate carrying value of \$1.1 billion during the first half of 2026. In connection with these sales, we provided senior secured loans to the buyers for portions of the purchase prices. See Note 6, "Loans Held for Sale," in the accompanying consolidated financial statements for additional information.

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

- Trading securities increased \$4.5 billion primarily due to an increase in equity positions. Trading security positions are primarily held as economic hedges of derivative products issued to clients.
- Precious metal assets increased \$0.9 billion driven by higher client metal lease activity.

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

**All Other Assets** All other assets include, among other items, properties and equipment, net and goodwill. All other assets increased primarily due to increases in assets associated with client share repurchase transactions, outstanding settlement balances related to security sales and low income housing investments.

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

|                                                             |                   | Increase (Decrease) From<br>December 31, 2025 |            |
|-------------------------------------------------------------|-------------------|-----------------------------------------------|------------|
|                                                             | June 30, 2026     | Amount                                        | %          |
| (dollars are in millions)                                   |                   |                                               |            |
| Individuals, partnerships and corporations .....            | \$ 109,694        | \$ 1,330                                      | 1 %        |
| Domestic and foreign banks .....                            | 15,677            | 1,431                                         | 10         |
| U.S. government and states and political subdivisions ..... | 94                | 6                                             | 7          |
| Foreign governments and official institutions .....         | 1,348             | (51)                                          | (4)        |
| Total deposits .....                                        | <u>\$ 126,813</u> | <u>\$ 2,716</u>                               | <u>2 %</u> |

Total deposits increased due to higher commercial deposits reflecting increased business activity, including higher savings deposits from a large corporate client. This increase was partly offset by lower deposits from affiliates.

**Trading Liabilities** See Note 2, "Trading Assets and Liabilities," in the accompanying consolidated financial statements for a summary of our trading liabilities. Trading liabilities increased due to higher derivative liabilities and higher payables for precious metals, partly offset by lower securities sold, not yet purchased.

- Derivative liabilities increased \$0.8 billion mainly from market movements which resulted in higher valuations of foreign exchange and equity derivatives, partly offset by lower valuations of commodity derivatives.
- Payables for precious metals increased \$0.6 billion driven by higher metal lease borrowing to support client activity levels.
- Securities sold, not yet purchased decreased \$0.7 billion due to a decrease in short U.S. Treasury positions primarily related to economic hedges of trading security positions held for Community Reinvestment Act purposes.

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

**Long-Term Debt** Long-term debt increased driven by new debt issuances, including \$3.6 billion of senior debt issued to HSBC North America in the first half of 2026. Total debt issuances during the six months ended June 30, 2026 were \$6.8 billion, of which \$1.6 billion was issued by HSBC Bank USA. This increase was partly offset by debt retirements.

Incremental issuances from our shelf registration statement with the SEC totaled \$3.2 billion of senior structured notes during the six months ended June 30, 2026. Total long-term debt outstanding under this shelf was \$10.4 billion and \$9.9 billion at June 30, 2026 and December 31, 2025, respectively.

Incremental issuances from the HSBC Bank USA Global Bank Note Program totaled nil during the six months ended June 30, 2026. Total debt outstanding under this program was \$1.6 billion and \$1.7 billion at June 30, 2026 and December 31, 2025, respectively.

Borrowings from the Federal Home Loan Bank ("FHLB") totaled \$1.0 billion at both June 30, 2026 and December 31, 2025.

**Interest, Taxes and Other Liabilities** Interest, taxes and other liabilities increased primarily due to increases in outstanding settlement balances related to security purchases, liabilities associated with client share repurchase transactions and low income housing liabilities.

**Total Equity** During the second quarter of 2026, we paid a dividend on our common stock of \$0.3 billion from retained earnings to HSBC North America. See Note 13, "Retained Earnings and Regulatory Capital Requirements," in the accompanying consolidated financial statements for additional details.

## Results of Operations

The following section provides a discussion of the significant changes in our operating results for the six months ended June 30, 2026 compared with the six months ended June 30, 2025.

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

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

| Six Months Ended June 30,                                       | 2026    | 2026 Compared<br>with 2025<br>Increase (Decrease) |          | 2025     |
|-----------------------------------------------------------------|---------|---------------------------------------------------|----------|----------|
|                                                                 |         | Volume                                            | Rate     |          |
| (dollars are in millions)                                       |         |                                                   |          |          |
| Interest income:                                                |         |                                                   |          |          |
| Short-term investments .....                                    | \$ 553  | \$ (179)                                          | \$ (110) | \$ 842   |
| Trading assets .....                                            | 222     | 50                                                | (6)      | 178      |
| Securities .....                                                | 1,024   | 138                                               | (80)     | 966      |
| Commercial loans .....                                          | 1,163   | 13                                                | (140)    | 1,290    |
| Consumer loans .....                                            | 436     | (36)                                              | (6)      | 478      |
| Other .....                                                     | 30      | (2)                                               | (2)      | 34       |
| Total interest income .....                                     | 3,428   | (16)                                              | (344)    | 3,788    |
| Interest expense:                                               |         |                                                   |          |          |
| Deposits .....                                                  | 1,530   | (84)                                              | (236)    | 1,850    |
| Short-term borrowings .....                                     | 213     | 14                                                | (66)     | 265      |
| Long-term debt .....                                            | 560     | 58                                                | (92)     | 594      |
| Other .....                                                     | 24      | 1                                                 | (7)      | 30       |
| Total interest expense .....                                    | 2,327   | (11)                                              | (401)    | 2,739    |
| Net interest income .....                                       | \$1,101 | \$ (5)                                            | \$ 57    | \$ 1,049 |
| Yield on total interest earning assets .....                    | 4.14 %  |                                                   |          | 4.63 %   |
| Cost of total interest bearing liabilities .....                | 3.51    |                                                   |          | 4.06     |
| Interest rate spread .....                                      | .63     |                                                   |          | .57      |
| Benefit from net non-interest paying funds <sup>(1)</sup> ..... | .70     |                                                   |          | .71      |
| Net interest margin on average earning assets .....             | 1.33 %  |                                                   |          | 1.28 %   |

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

Net interest income increased during the six months ended June 30, 2026 primarily due to lower interest expense from deposits, short-term borrowings and long-term debt and higher interest income from securities and trading assets. The overall increase in net interest income was partly offset by lower interest income from short-term investments, commercial loans and consumer loans. Lower yields on interest earning assets and lower rates paid on interest bearing liabilities reflect the impact of lower market rates.

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

- Short-term investments interest income was lower due to lower average balances and lower yields.
- Commercial loans interest income decreased due to lower yields on variable rate loans and newly originated loans.
- Consumer loans interest income decreased primarily due to lower average balances driven by the impact of the residential mortgage loan sale during the fourth quarter of 2025.

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

| Six Months Ended June 30,                           | 2026    | 2025   | Increase (Decrease) |       |
|-----------------------------------------------------|---------|--------|---------------------|-------|
|                                                     |         |        | Amount              | %     |
| (dollars are in millions)                           |         |        |                     |       |
| Loans:                                              |         |        |                     |       |
| Commercial loans:                                   |         |        |                     |       |
| Commercial mortgages <sup>(1)</sup> .....           | \$ (37) | \$ 64  | \$ (101)            | *     |
| Business and corporate banking <sup>(1)</sup> ..... | 58      | 87     | (29)                | (33)  |
| Other commercial .....                              | (1)     | —      | (1)                 | *     |
| Total commercial loans .....                        | 20      | 151    | (131)               | (87)  |
| Consumer loans:                                     |         |        |                     |       |
| Residential mortgages .....                         | (4)     | (8)    | 4                   | 50    |
| Other consumer .....                                | (1)     | (2)    | 1                   | 50    |
| Total consumer loans .....                          | (5)     | (10)   | 5                   | 50    |
| Total loans .....                                   | 15      | 141    | (126)               | (89)  |
| Off-balance sheet credit exposures .....            | (5)     | 19     | (24)                | *     |
| Total provision for credit losses .....             | \$ 10   | \$ 160 | \$ (150)            | (94)% |

\* Percentage change is greater than 100 percent.

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

Our provision for credit losses decreased during the six months ended June 30, 2026 due to a lower provision for credit losses on our commercial loan portfolio and a lower provision for credit losses on off-balance sheet credit exposures.

The provision for credit losses on our commercial loan portfolio decreased \$131 million during the six months ended June 30, 2026. The loss provision in the current year period was driven by downgrades reflecting weakness in the financial condition of certain clients, partly offset by a decline in reserves for risk factors associated with higher risk exposures and improved economic forecasts. In the prior year period, the loss provision was driven by downgrades reflecting weakness in the financial condition of certain clients, including the downgrade of a large commercial mortgage loan, and worsening economic forecasts.

The provision for credit losses on off-balance sheet credit exposures decreased \$24 million during the six months ended June 30, 2026 reflecting a release in reserves compared with a loss provision in the prior year period. The release in the current year period resulted from improved economic forecasts, while the loss provision in the prior year period resulted from worsening economic forecasts.

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

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

| Six Months Ended June 30,                                                        | 2026     | 2025     | Increase (Decrease) |      |
|----------------------------------------------------------------------------------|----------|----------|---------------------|------|
|                                                                                  |          |          | Amount              | %    |
| (dollars are in millions)                                                        |          |          |                     |      |
| Trust and investment management fees.....                                        | \$ 94    | \$ 82    | \$ 12               | 15 % |
| Other fees and commissions.....                                                  | 444      | 358      | 86                  | 24   |
| Trading revenue.....                                                             | 409      | 384      | 25                  | 7    |
| Other securities gains, net.....                                                 | 20       | 9        | 11                  | *    |
| Servicing and other fees from HSBC affiliates.....                               | 221      | 200      | 21                  | 11   |
| Gain (loss) on instruments designated at fair value and related derivatives..... | (17)     | (4)      | (13)                | *    |
| Other income (loss).....                                                         | (15)     | 5        | (20)                | *    |
| Total other revenues.....                                                        | \$ 1,156 | \$ 1,034 | \$ 122              | 12 % |

\* Percentage change is greater than 100 percent.

*Trust and investment management fees* increased during the six months ended June 30, 2026 driven by higher average assets under management.

*Other fees and commissions* were higher during the six months ended June 30, 2026 primarily due to increased fees from loan syndication, commitments and guarantees reflecting higher business activity compared with the prior year period. See Note 10, "Fee Income from Contracts with Customers," in the accompanying consolidated financial statements for additional information including a summary of the components of other fees and commissions.

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

| Six Months Ended June 30,   | 2026                      | 2025   | Amount  | %     |
|-----------------------------|---------------------------|--------|---------|-------|
|                             | (dollars are in millions) |        |         |       |
| Business Activities:        |                           |        |         |       |
| Foreign Exchange .....      | \$ 151                    | \$ 169 | \$ (18) | (11)% |
| Debt Markets .....          | (2)                       | 15     | (17)    | *     |
| Equities .....              | 236                       | 227    | 9       | 4     |
| Markets Treasury .....      | 13                        | (20)   | 33      | *     |
| Other trading .....         | 11                        | (7)    | 18      | *     |
| Total trading revenue ..... | \$ 409                    | \$ 384 | \$ 25   | 7 %   |

\* Percentage change is greater than 100 percent.

Trading revenue increased during the six months ended June 30, 2026 primarily due to higher revenue in Markets Treasury and Other trading, partly offset by lower revenue in Foreign Exchange and Debt Markets.

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

*Other securities gains, net* increased during the six months ended June 30, 2026 primarily due to higher gains from the sale of U.S. Treasury securities. The gross realized gains and losses from sales of securities, which are included as a component of other securities gains, net above, are summarized in Note 3, "Securities," in the accompanying consolidated financial statements.

*Servicing and other fees from HSBC affiliates* increased during the six months ended June 30, 2026 primarily due to higher cost reimbursements associated with shared services performed on behalf of other HSBC affiliates and higher sales commissions from HSBC Bank plc.

*Gain (loss) on instruments designated at fair value and related derivatives* decreased during the six months ended June 30, 2026 attributable primarily to unfavorable fair value adjustments on commercial loans held for sale driven by the weakening of market conditions associated with a single transaction. See Note 8, "Fair Value Option," in the accompanying consolidated financial statements for additional information including a breakout of these amounts by individual component.

*Other income (loss)* decreased during the six months ended June 30, 2026 primarily due to higher losses on the swap agreements entered into in conjunction with previous sales of Visa Inc. ("Visa") Class B common shares ("Class B Shares"), higher valuation losses associated with credit default swap protection, and lower gains from bank owned life insurance. These decreases were partly offset by a gain in the current year period from the exercise of equity warrant assets in connection with an innovation banking client's initial public offering ("IPO").

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

| Six Months Ended June 30,                                            | 2026    | 2025     | Increase (Decrease) |       |
|----------------------------------------------------------------------|---------|----------|---------------------|-------|
|                                                                      |         |          | Amount              | %     |
| (dollars are in millions)                                            |         |          |                     |       |
| Salaries and employee benefits .....                                 | \$ 269  | \$ 309   | \$ (40)             | (13)% |
| Support services from HSBC affiliates .....                          | 943     | 860      | 83                  | 10    |
| Occupancy expense, net .....                                         | 20      | 24       | (4)                 | (17)  |
| Other expenses:                                                      |         |          |                     |       |
| Equipment and software .....                                         | 73      | 66       | 7                   | 11    |
| Marketing .....                                                      | 19      | 13       | 6                   | 46    |
| Outside services .....                                               | 17      | 19       | (2)                 | (11)  |
| Professional fees .....                                              | 20      | 22       | (2)                 | (9)   |
| Federal Deposit Insurance Corporation ("FDIC") assessment fees ..... | 26      | 35       | (9)                 | (26)  |
| Miscellaneous .....                                                  | (15)    | 8        | (23)                | *     |
| Total other expenses .....                                           | 140     | 163      | (23)                | (14)  |
| Total operating expenses .....                                       | \$1,372 | \$ 1,356 | \$ 16               | 1 %   |
| Personnel - average number .....                                     | 1,823   | 2,071    |                     |       |
| Efficiency ratio .....                                               | 61 %    | 65 %     |                     |       |

\* Percentage change is greater than 100 percent.

*Salaries and employee benefits* decreased during the six months ended June 30, 2026 primarily due to lower salaries expense driven by staff reductions related to the simplification of our organizational structure as well as lower severance related costs.

*Support services from HSBC affiliates* increased during the six months ended June 30, 2026 due to higher cost allocations from our technology and support service functions, as well as global resourcing and other global support activities. Contributing to the increase were higher costs associated with our investments in systems infrastructure and new technologies. A summary of the services received from various HSBC affiliates is included in Note 11, "Related Party Transactions," in the accompanying consolidated financial statements.

*Occupancy expense, net* was relatively flat during the six months ended June 30, 2026.

*Other expenses* decreased during the six months ended June 30, 2026 primarily due to higher expense capitalization related to internally developed software and lower deposit insurance assessment fees.

*Efficiency ratio* Our efficiency ratio improved during the six months ended June 30, 2026 due to higher other revenues and higher net interest income, partly offset by higher operating expenses as discussed in detail above.

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

| Six Months Ended June 30,      | 2026                      |        | 2025 |        |
|--------------------------------|---------------------------|--------|------|--------|
|                                | (dollars are in millions) |        |      |        |
| Income before income tax ..... | \$                        | 875    | \$   | 567    |
| Income tax expense .....       |                           | 194    |      | 118    |
| Effective tax rate .....       |                           | 22.2 % |      | 20.8 % |

During the six months ended June 30, 2026, income tax expense and the effective tax rate increased primarily due to higher pre-tax income and a lower deferred State tax benefit from tax law changes in the current year period.

## Segment Results – Group Reporting Basis

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

Our segment results are presented in accordance with HSBC Group accounting and reporting policies, which apply IFRSs as issued by the IASB. As a result, our segment results are prepared and presented using financial information prepared on the Group Reporting Basis. See Note 12, "Business Segments," in the accompanying consolidated financial statements for additional information. There have been no significant changes since December 31, 2025 in the measurement of segment profit or the differences between U.S. GAAP and the Group Reporting Basis impacting our results.

The following section provides a discussion of the significant changes in our segment results for the six months ended June 30, 2026 compared with the six months ended June 30, 2025.

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

| Six Months Ended June 30,                   | 2026   | 2025   | Increase (Decrease) |      |
|---------------------------------------------|--------|--------|---------------------|------|
|                                             |        |        | Amount              | %    |
| (dollars are in millions)                   |        |        |                     |      |
| Net interest income.....                    | \$ 362 | \$ 374 | \$ (12)             | (3)% |
| Other operating income.....                 | 128    | 115    | 13                  | 11   |
| Total operating income <sup>(1)</sup> ..... | 490    | 489    | 1                   | —    |
| Expected credit losses.....                 | 3      | 3      | —                   | —    |
| Net operating income.....                   | 487    | 486    | 1                   | —    |
| Operating expenses.....                     | 368    | 388    | (20)                | (5)  |
| Profit before tax.....                      | \$ 119 | \$ 98  | \$ 21               | 21 % |

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

| Six Months Ended June 30,    | 2026   | 2025   | Increase (Decrease) |      |
|------------------------------|--------|--------|---------------------|------|
|                              |        |        | Amount              | %    |
| (dollars are in millions)    |        |        |                     |      |
| Retail Banking .....         | \$ 280 | \$ 288 | \$ (8)              | (3)% |
| Wealth .....                 | 163    | 160    | 3                   | 2    |
| Other <sup>(2)</sup> .....   | 47     | 41     | 6                   | 15   |
| Total operating income ..... | \$ 490 | \$ 489 | \$ 1                | — %  |

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

Our IWPB segment reported a higher profit before tax during the six months ended June 30, 2026 due to lower operating expenses and higher other operating income, partly offset by lower net interest income.

Net interest income decreased during the six months ended June 30, 2026 primarily due to lower average loan balances driven by the impact of the residential mortgage loan sale during the fourth quarter of 2025.

Other operating income increased during the six months ended June 30, 2026 due to higher investment management fees driven by higher average assets under management and the improved performance of economic hedge positions used to manage interest rate risk. These increases were partly offset by higher losses on the swap agreements entered into in conjunction with previous sales of Visa Class B shares.

Operating expenses decreased during the six months ended June 30, 2026 primarily due to lower expense related to legal matters and lower severance related costs.

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

| Six Months Ended June 30,                   | 2026   | 2025   | Increase (Decrease) |      |
|---------------------------------------------|--------|--------|---------------------|------|
|                                             |        |        | Amount              | %    |
| (dollars are in millions)                   |        |        |                     |      |
| Net interest income.....                    | \$ 966 | \$ 933 | \$ 33               | 4 %  |
| Other operating income.....                 | 780    | 636    | 144                 | 23   |
| Total operating income <sup>(1)</sup> ..... | 1,746  | 1,569  | 177                 | 11   |
| Expected credit losses.....                 | 25     | 147    | (122)               | (83) |
| Net operating income.....                   | 1,721  | 1,422  | 299                 | 21   |
| Operating expenses.....                     | 844    | 865    | (21)                | (2)  |
| Profit before tax.....                      | \$ 877 | \$ 557 | \$ 320              | 57 % |

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

| Six Months Ended June 30,           | 2026     | 2025     | Increase (Decrease) |      |
|-------------------------------------|----------|----------|---------------------|------|
|                                     |          |          | Amount              | %    |
| (dollars are in millions)           |          |          |                     |      |
| Wholesale Transaction Banking ..... | \$ 1,058 | \$ 963   | \$ 95               | 10 % |
| Investment Banking .....            | 140      | 106      | 34                  | 32   |
| Debt and Equity Markets .....       | 113      | 78       | 35                  | 45   |
| Credit and Lending .....            | 144      | 172      | (28)                | (16) |
| Other <sup>(2)</sup> .....          | 291      | 250      | 41                  | 16   |
| Total operating income .....        | \$ 1,746 | \$ 1,569 | \$ 177              | 11 % |

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

Our CIB segment reported a higher profit before tax during the six months ended June 30, 2026 due to higher other operating income, lower expected credit losses, higher net interest income and lower operating expenses.

Revenue increased during the six months ended June 30, 2026 due to higher revenue in Wholesale Transaction Banking, Other, Debt and Equity Markets, and Investment Banking, partly offset by lower revenue in Credit and Lending.

- Wholesale Transaction Banking revenue increased driven by higher net interest income from higher deposit spreads and the favorable impact of higher deposit balances as well as increased fees from guarantees. Also contributing to the increase was higher foreign exchange revenue from market volatility and higher client activity.
- Other revenue increased primarily due to higher earnings on capital and a gain in the current year period from the exercise of equity warrant assets in connection with an innovation banking client's IPO.
- Debt and Equity Markets revenue increased driven by higher balance sheet deployment, improved trading spreads on equities, and lower valuation losses in secondary credit.
- Investment Banking revenue increased primarily due to increased fees from loan syndication and higher net interest income from higher loan balances in leveraged and acquisition finance.
- Credit and Lending revenue decreased primarily due to unfavorable fair value adjustments on certain loans held for sale driven by the weakening of market conditions associated with a single transaction. Also contributing to the decrease were lower net interest income from lower loan balances in corporate lending and compressed loan spreads as well as higher valuation losses associated with credit default swap protection.

Expected credit losses decreased during the six months ended June 30, 2026. The loss provision in the current year period was driven by downgrades reflecting weakness in the financial condition of certain clients, partly offset by a lower loss estimate for risk factors associated with higher risk industry exposures and improved economic forecasts. In the prior year period, the loss provision was driven by downgrades reflecting weakness in the financial condition of certain clients, including the downgrade of a large commercial mortgage loan, and worsening economic forecasts.

Operating expenses decreased during the six months ended June 30, 2026 primarily due to lower salaries expense driven by staff reductions related to the simplification of our organizational structure as well as lower severance related costs. These decreases were partly offset by higher cost allocations from our support service functions.

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

| Six Months Ended June 30,              | 2026     | 2025     | Increase (Decrease) |       |
|----------------------------------------|----------|----------|---------------------|-------|
|                                        |          |          | Amount              | %     |
| (dollars are in millions)              |          |          |                     |       |
| Net interest expense .....             | \$ (258) | \$ (185) | \$ (73)             | (39)% |
| Other operating income .....           | 251      | 181      | 70                  | 39    |
| Total operating income (expense) ..... | (7)      | (4)      | (3)                 | (75)  |
| Expected credit losses .....           | —        | —        | —                   | —     |
| Net operating income (expense) .....   | (7)      | (4)      | (3)                 | (75)  |
| Operating expenses .....               | 119      | 74       | 45                  | 61    |
| Loss before tax .....                  | \$ (126) | \$ (78)  | \$ (48)             | (62)% |

Our CC segment reported a higher loss before tax during the six months ended June 30, 2026 due to higher net interest expense and higher operating expenses, partly offset by higher other operating income.

Net interest expense increased during the six months ended June 30, 2026 reflecting the impact of higher CIB trading balances discussed below as well as higher retained liquidity charges.

Other operating income increased during the six months ended June 30, 2026 primarily due to higher net funding credits associated with CIB trading activities which increased by \$60 million, reflecting higher trading balances. Also contributing to the increase were favorable fair value adjustments on certain investments held for Community Reinvestment Act purposes.

Operating expenses increased during the six months ended June 30, 2026 primarily due to higher cost allocations from our technology and support service functions.

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

## Credit Quality

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

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

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

|                                                  | June 30,<br>2026 | December 31,<br>2025 |
|--------------------------------------------------|------------------|----------------------|
|                                                  | (in millions)    |                      |
| Allowance for credit losses:                     |                  |                      |
| Loans:                                           |                  |                      |
| Commercial loans                                 | \$ 421           | \$ 436               |
| Consumer loans                                   | 2                | 6                    |
| Total loans                                      | 423              | 442                  |
| Total allowance for credit losses                | \$ 423           | \$ 442               |
| Liability for off-balance sheet credit exposures | \$ 161           | \$ 166               |

The total allowance for credit losses decreased \$19 million compared with December 31, 2025 primarily due to a lower allowance for credit losses on our commercial loan portfolio. The decrease in our commercial allowance for credit losses was driven by charge-offs, a decline in reserves for risk factors associated with higher risk exposures and improved economic forecasts. These decreases were partly offset by downgrades reflecting weakness in the financial condition of certain clients.

The liability for off-balance sheet credit exposures decreased \$5 million compared with December 31, 2025.

### ***Analysis of the Allowance for Credit Losses on Loans***

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

|                                               | Amount        | % of<br>Loans to<br>Total<br>Loans | Amount            | % of<br>Loans to<br>Total<br>Loans |
|-----------------------------------------------|---------------|------------------------------------|-------------------|------------------------------------|
|                                               | June 30, 2026 |                                    | December 31, 2025 |                                    |
| (dollars are in millions)                     |               |                                    |                   |                                    |
| Commercial:                                   |               |                                    |                   |                                    |
| Commercial mortgages <sup>(1)</sup>           | \$ 71         | 2 %                                | \$ 108            | 3 %                                |
| Business and corporate banking <sup>(1)</sup> | 350           | 50                                 | 327               | 47                                 |
| Other commercial                              | —             | 15                                 | 1                 | 16                                 |
| Total commercial                              | 421           | 67                                 | 436               | 66                                 |
| Consumer:                                     |               |                                    |                   |                                    |
| Residential mortgages                         | (14)          | 32                                 | (12)              | 33                                 |
| Other consumer                                | 16            | 1                                  | 18                | 1                                  |
| Total consumer                                | 2             | 33                                 | 6                 | 34                                 |
| Total                                         | \$ 423        | 100 %                              | \$ 442            | 100 %                              |

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

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

|                                                 | June 30,<br>2026 | December 31,<br>2025 |
|-------------------------------------------------|------------------|----------------------|
| <b>Ratio of Allowance for credit losses to:</b> |                  |                      |
| Loans: <sup>(1)</sup>                           |                  |                      |
| Commercial:                                     |                  |                      |
| Non-affiliates                                  | 1.19 %           | 1.31 %               |
| Affiliates                                      | —                | —                    |
| Total commercial                                | 1.01             | 1.11                 |
| Consumer                                        | .01              | .03                  |
| Total loans                                     | .68              | .74                  |
| Nonperforming loans: <sup>(1)(2)</sup>          |                  |                      |
| Commercial                                      | 70 %             | 82 %                 |
| Consumer                                        | 1                | 3                    |
| Total nonperforming loans                       | 52               | 59                   |

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

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

See Note 5, "Allowance for Credit Losses," in the accompanying consolidated financial statements for a rollforward of credit losses by loan categories for the six months ended June 30, 2026 and 2025.

The allowance for credit losses on loans as a percentage of total loans held for investment decreased compared with December 31, 2025 due to the decrease in our allowance for credit losses for the reasons discussed above and an increase in total loans held for investment.

The allowance for credit losses on loans as a percentage of nonperforming loans held for investment decreased compared with December 31, 2025 due to an increase in nonperforming loans as discussed further below and the decrease in our allowance for credit losses for the reasons discussed above.

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

|                               | June 30, 2026    |                   | December 31, 2025 |                   |
|-------------------------------|------------------|-------------------|-------------------|-------------------|
|                               | Delinquent Loans | Delinquency Ratio | Delinquent Loans  | Delinquency Ratio |
| (dollars are in millions)     |                  |                   |                   |                   |
| Commercial .....              | \$ 89            | .21 %             | \$ 126            | .32 %             |
| Consumer <sup>(1)</sup> ..... | 157              | .77               | 146               | .71               |
| Total .....                   | <u>\$ 246</u>    | <u>.40</u>        | <u>\$ 272</u>     | <u>.45</u>        |

<sup>(1)</sup> At June 30, 2026 and December 31, 2025, includes \$85 million and \$57 million, respectively, of residential mortgage loans that are carried at the lower of amortized cost or fair value of the collateral less costs to sell.

Our two-months-and-over contractual delinquency ratio decreased 5 basis points compared with December 31, 2025 due to lower delinquent loans in our commercial loan portfolio driven by the collection of a commercial mortgage loan, partly offset by a corporate banking loan which became 60 days past due.

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

|                                                     | Six Months Ended June 30, |                  |                      |                        |                  |                      |
|-----------------------------------------------------|---------------------------|------------------|----------------------|------------------------|------------------|----------------------|
|                                                     | 2026                      |                  |                      | 2025                   |                  |                      |
|                                                     | Net Charge-off Dollars    | Average Loans    | Net Charge-off Ratio | Net Charge-off Dollars | Average Loans    | Net Charge-off Ratio |
| Commercial:                                         |                           |                  |                      |                        |                  |                      |
| Commercial mortgages <sup>(1)</sup> .....           | \$ —                      | \$ 1,197         | — %                  | \$ 27                  | \$ 3,385         | 1.60 %               |
| Business and corporate banking <sup>(1)</sup> ..... | 35                        | 29,772           | .24                  | 39                     | 29,691           | .27                  |
| Other commercial .....                              | —                         | 10,030           | —                    | —                      | 8,901            | —                    |
| Total commercial .....                              | <u>35</u>                 | <u>40,999</u>    | <u>.17</u>           | <u>66</u>              | <u>41,977</u>    | <u>.32</u>           |
| Consumer:                                           |                           |                  |                      |                        |                  |                      |
| Residential mortgages .....                         | (2)                       | 19,654           | (.02)                | (3)                    | 21,440           | (.03)                |
| Other consumer .....                                | 1                         | 732              | .27                  | 1                      | 638              | .31                  |
| Total consumer .....                                | <u>(1)</u>                | <u>20,386</u>    | <u>(.01)</u>         | <u>(2)</u>             | <u>22,078</u>    | <u>(.02)</u>         |
| Total .....                                         | <u>\$ 34</u>              | <u>\$ 61,385</u> | <u>.11</u>           | <u>\$ 64</u>           | <u>\$ 64,055</u> | <u>.20</u>           |

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

Our net charge-off ratio decreased 9 basis points during the six months ended June 30, 2026 due to lower net charge-offs in our commercial loan portfolio driven by loan sales and the deterioration of a few corporate banking loans in the prior year period. Also contributing to the decrease was the recovery of an innovation banking loan in the current year period.

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

|                                  | June 30, 2026                      |                     | December 31, 2025                  |                     |
|----------------------------------|------------------------------------|---------------------|------------------------------------|---------------------|
|                                  | Nonperforming Loans <sup>(1)</sup> | Nonperforming Ratio | Nonperforming Loans <sup>(1)</sup> | Nonperforming Ratio |
| (dollars are in millions)        |                                    |                     |                                    |                     |
| Commercial .....                 | \$ 600                             | 1.44 %              | \$ 533                             | 1.35 %              |
| Consumer <sup>(1)(2)</sup> ..... | 219                                | 1.07                | 219                                | 1.07                |
| Total .....                      | <u>\$ 819</u>                      | <u>1.32</u>         | <u>\$ 752</u>                      | <u>1.26</u>         |

<sup>(1)</sup> See Note 4, "Loans," in the accompanying consolidated financial statements for a breakout of nonaccrual loans and accruing loans contractually 90 days or more past due. At June 30, 2026 and December 31, 2025, total nonperforming loans include \$3 million and \$4 million, respectively, of accruing loans contractually 90 days or more past due.

<sup>(2)</sup> At June 30, 2026 and December 31, 2025, includes \$126 million and \$99 million, respectively, of residential mortgage loans that are carried at the lower of amortized cost or fair value of the collateral less cost to sell.

Our nonperforming loans ratio increased 6 basis points compared with December 31, 2025 due to higher nonperforming loans in our commercial loan portfolio driven by downgrades, partly offset by paydowns and charge-offs.

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

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

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

|                                                                            | June 30, 2026       |                               | December 31, 2025   |                               |
|----------------------------------------------------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|
|                                                                            | Commercial Utilized | Unused Commercial Commitments | Commercial Utilized | Unused Commercial Commitments |
|                                                                            | (in billions)       |                               |                     |                               |
| Diversified financials .....                                               | \$ 10.0             | \$ 11.8                       | \$ 9.3              | \$ 11.1                       |
| Software and services .....                                                | 2.8                 | 7.2                           | 1.8                 | 6.3                           |
| Commercial and professional services .....                                 | 2.7                 | 7.4                           | 2.5                 | 6.9                           |
| Utilities .....                                                            | 2.2                 | 2.6                           | 1.9                 | 2.2                           |
| Capital goods .....                                                        | 2.0                 | 6.8                           | 1.7                 | 6.8                           |
| Consumer services .....                                                    | 1.9                 | 4.2                           | 1.8                 | 3.8                           |
| Retailing .....                                                            | 1.9                 | 4.2                           | 2.4                 | 4.3                           |
| Real estate .....                                                          | 1.8                 | 1.9                           | 2.8                 | 1.8                           |
| Consumer durables and apparel .....                                        | 1.1                 | 3.5                           | 1.6                 | 4.2                           |
| Food, beverage and tobacco .....                                           | .9                  | 2.4                           | .7                  | 2.6                           |
| Insurance .....                                                            | .9                  | 3.4                           | .3                  | 3.2                           |
| Chemicals .....                                                            | .8                  | 4.0                           | 1.1                 | 4.1                           |
| Technology hardware and equipment .....                                    | .8                  | 7.0                           | .5                  | 6.8                           |
| Health care equipment and services .....                                   | .8                  | 3.4                           | .8                  | 3.5                           |
| Energy .....                                                               | .7                  | 6.1                           | 1.0                 | 7.0                           |
| Food and staples retailing .....                                           | .7                  | 1.5                           | .6                  | 1.6                           |
| Metals and mining .....                                                    | .6                  | 1.1                           | .9                  | .5                            |
| Pharmaceuticals, biotechnology and life science .....                      | .6                  | 4.2                           | .3                  | 4.2                           |
| Media and entertainment .....                                              | .3                  | 1.1                           | .3                  | 3.0                           |
| Transportation .....                                                       | .3                  | .3                            | .2                  | .3                            |
| Total commercial credit exposure in top 20 industries <sup>(1)</sup> ..... | 33.8                | 84.1                          | 32.5                | 84.2                          |
| All other industries .....                                                 | 1.5                 | 9.4                           | .8                  | 8.0                           |
| Total commercial credit exposure <sup>(2)</sup> .....                      | \$ 35.3             | \$ 93.5                       | \$ 33.3             | \$ 92.2                       |

<sup>(1)</sup> Based on utilization at June 30, 2026.

<sup>(2)</sup> Excludes commercial credit exposures with affiliates.

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

|                                                             | June 30, 2026        |                       | December 31, 2025    |                       |
|-------------------------------------------------------------|----------------------|-----------------------|----------------------|-----------------------|
|                                                             | Commercial Mortgages | Residential Mortgages | Commercial Mortgages | Residential Mortgages |
| New York State .....                                        | 36 %                 | 27 %                  | 33 %                 | 27 %                  |
| California .....                                            | 5                    | 48                    | 5                    | 48                    |
| North Central United States .....                           | 18                   | 1                     | 11                   | 1                     |
| North Eastern United States, excluding New York State ..... | 3                    | 7                     | 7                    | 7                     |
| Southern United States .....                                | 35                   | 9                     | 43                   | 9                     |
| Western United States, excluding California .....           | 3                    | 8                     | 1                    | 8                     |
| Total .....                                                 | 100 %                | 100 %                 | 100 %                | 100 %                 |

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

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

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

|                                | June 30, 2026 | December 31, 2025 |
|--------------------------------|---------------|-------------------|
|                                | (in billions) |                   |
| Interest-only loans .....      | \$ 4.5        | \$ 4.4            |
| ARM loans <sup>(1)</sup> ..... | 14.6          | 14.8              |

<sup>(1)</sup> During the remainder of 2026 and during 2027, approximately \$0.3 billion and \$1.0 billion, respectively, of the ARM loans will experience their first interest rate reset.

**Credit Risk Associated with Derivative Contracts** Credit risk associated with derivatives represents the net replacement cost of derivative contracts in a receivable position in the event counterparties fail to perform. We manage this risk by monitoring both the current exposure (replacement cost on the measurement date) and the potential future exposure (an estimate of potential changes in contract values over their remaining terms). Counterparties are subject to regular credit review by the Credit Risk function. We mitigate derivative credit risk through legally enforceable master netting agreements and collateral arrangements, with collateral levels determined based on an assessment of counterparty credit risk and/or regulatory requirements.

The table below presents total derivative credit risk exposure calculated under the Basel III Standardized Approach, which includes the net positive mark-to-market of the contracts plus any adjusted potential future exposure as measured based on notional amounts. The regulatory capital rules recognize that enforceable netting agreements and collateral reduce credit risk and, therefore, allow for reduced risk-weighted asset amounts for regulatory capital purposes relative to gross exposures. In addition, many derivative contracts contain provisions that permit early termination or close-out if a counterparty fails to post required collateral. As a result, the potential future exposure for these contracts is often much lower than that derived by the regulatory capital rules.

|                                              | June 30, 2026 | December 31, 2025 |
|----------------------------------------------|---------------|-------------------|
|                                              | (in billions) |                   |
| Risk associated with derivative contracts:   |               |                   |
| Total credit risk exposure .....             | \$ 12.1       | \$ 11.0           |
| Less: collateral held against exposure ..... | 3.9           | 3.3               |
| Net credit risk exposure .....               | \$ 8.2        | \$ 7.7            |

## Liquidity and Capital Resources

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

**Interest Bearing Deposits with Banks** totaled \$23.9 billion and \$23.1 billion at June 30, 2026 and December 31, 2025, respectively, of which \$23.8 billion and \$23.0 billion, respectively, were held with the Federal Reserve Bank. Balances may fluctuate from period to period depending upon our liquidity position at the time and our strategy for deploying liquidity. Surplus interest bearing deposits with the Federal Reserve Bank may be deployed into securities purchased under agreements to resell or other investments depending on market conditions and the opportunity to maximize returns.

**Federal Funds Sold and Securities Purchased under Agreements to Resell** totaled \$4.5 billion and \$9.3 billion at June 30, 2026 and December 31, 2025, respectively. Balances may fluctuate from period to period depending upon our liquidity position at the time and our strategy for deploying liquidity.

**Trading Assets** include securities totaling \$25.7 billion and \$21.2 billion at June 30, 2026 and December 31, 2025, respectively. See "Balance Sheet Review" in this MD&A for further analysis and discussion on trends.

**Securities** include securities available-for-sale and securities held-to-maturity totaling \$53.3 billion and \$48.3 billion at June 30, 2026 and December 31, 2025, respectively. See "Balance Sheet Review" in this MD&A for further analysis and discussion on trends.

**Short-Term Borrowings** totaled \$9.1 billion and \$7.3 billion at June 30, 2026 and December 31, 2025, respectively. See "Balance Sheet Review" in this MD&A for further analysis and discussion on short-term borrowing trends.

**Deposits** totaled \$126.8 billion and \$124.1 billion at June 30, 2026 and December 31, 2025, respectively. See "Balance Sheet Review" in this MD&A for further analysis and discussion on deposit trends.

**Long-Term Debt** totaled \$25.3 billion and \$23.0 billion at June 30, 2026 and December 31, 2025, respectively. See "Balance Sheet Review" in this MD&A for further analysis and discussion on long-term debt trends. The following table presents the maturities of long-term debt at June 30, 2026:

|                 | (in billions)  |
|-----------------|----------------|
| 2026.....       | \$ 1.2         |
| 2027.....       | 3.9            |
| 2028.....       | 5.6            |
| 2029.....       | 4.8            |
| 2030.....       | 3.3            |
| Thereafter..... | 6.5            |
| Total.....      | <u>\$ 25.3</u> |

Under our shelf registration statement with the SEC, we may issue certain securities including debt securities and preferred stock. We qualify as a "well-known seasoned issuer," which allows us to file a registration statement that does not have a limit on issuance capacity. The ability to issue under the registration statement is limited by the authority granted by the Board of Directors. At June 30, 2026, we were authorized to issue up to \$15.0 billion, of which \$4.6 billion was available. HSBC Bank USA has a Global Bank Note Program that provides for the aggregate issuance of \$40.0 billion of subordinated and senior notes, of which \$12.0 billion remained available to be issued at June 30, 2026.

As a member of the FHLB and the Federal Reserve Bank of New York, we have secured borrowing facilities which are collateralized by loans and investment securities. At June 30, 2026, long-term debt included \$1.0 billion of borrowings from the FHLB facility. Based upon the amounts pledged as collateral under these facilities, we have additional borrowing capacity of up to \$34.7 billion.

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

**Common Equity** During the first half of 2026, HSBC USA received a common stock dividend of \$0.3 billion from its subsidiary, HSBC Bank USA, and paid dividends on its common stock of \$0.3 billion from retained earnings to its parent, HSBC North America.

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

|                                                            | June 30,<br>2026 | December 31,<br>2025 |
|------------------------------------------------------------|------------------|----------------------|
| Common equity Tier 1 capital to risk-weighted assets ..... | 12.1 %           | 12.1 %               |
| Tier 1 capital to risk-weighted assets .....               | 12.3             | 12.4                 |
| Total capital to risk-weighted assets .....                | 14.3             | 14.4                 |
| Tier 1 leverage ratio <sup>(1)</sup> .....                 | 7.6              | 7.7                  |

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

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

We are subject to regulatory capital rules issued by U.S. banking regulators including Basel III (the "Basel III rule"). The Basel III rule establishes minimum capital ratios and overall capital adequacy standards for banks and bank holding companies ("BHCs"). HSBC North America, HSBC USA and HSBC Bank USA each calculate their risk-based capital requirements for credit risk under the Basel III Standardized Approach. In 2019, the FRB and the other federal banking agencies jointly finalized rules to implement the Economic Growth, Regulatory Relief and Consumer Protection Act that tailor the application of the enhanced prudential standards for large BHC and foreign banking organizations (the "Tailoring Rules"). Under the Tailoring Rules, HSBC North America and HSBC Bank USA are subject to Category IV standards. For additional discussion of the Basel III rule requirements, the Tailoring Rules and Category IV standards see Part I, "Regulation and Competition - Regulatory Capital and Liquidity Requirements," in our 2025 Form 10-K. We continue to review the composition of our capital structure.

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

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

**Capital Planning and Stress Testing** The FRB requires certain U.S. top-tier BHCs and IHCs, including HSBC North America, to comply with the FRB's capital plan rule and CCAR program, as well as the supervisory stress tests conducted by the FRB. As a Category IV firm, HSBC North America is subject to supervisory stress testing on a biennial basis. For further discussion of capital planning, stress testing and the CCAR process, see Part I, "Regulation and Competition - Regulatory Capital and Liquidity Requirements," in our 2025 Form 10-K.

HSBC North America submitted its 2026 CCAR capital plan in April 2026. Although HSBC North America is subject to the 2026 supervisory stress test, the FRB has extended until October 2027 the deadline for notifying HSBC North America of its

preliminary and final stress capital buffer ("SCB") requirements calculated in 2026. As a result, absent further action from the FRB, HSBC North America will remain subject to its current SCB until the new final SCB requirement is issued in 2027.

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

|                                                              | Actual<br>January 1<br>through<br>June 30, 2026 | Estimated<br>July 1<br>through<br>December 31,<br>2026 | Estimated<br>Full Year<br>2026 |
|--------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------|--------------------------------|
|                                                              | (in billions)                                   |                                                        |                                |
| <b>Increase (decrease) in funding needs:</b>                 |                                                 |                                                        |                                |
| Net change in loans .....                                    | \$ 2                                            | \$ —                                                   | \$ 2                           |
| Net change in short-term investments and securities .....    | 1                                               | 3                                                      | 4                              |
| Net change in trading and other assets .....                 | 5                                               | 2                                                      | 7                              |
| Total funding needs .....                                    | <u>\$ 8</u>                                     | <u>\$ 5</u>                                            | <u>\$ 13</u>                   |
| <b>Increase (decrease) in funding sources:</b>               |                                                 |                                                        |                                |
| Net change in deposits .....                                 | \$ 3                                            | \$ 5                                                   | \$ 8                           |
| Net change in trading and other short-term liabilities ..... | 3                                               | (1)                                                    | 2                              |
| Net change in long-term debt .....                           | 2                                               | 1                                                      | 3                              |
| Total funding sources .....                                  | <u>\$ 8</u>                                     | <u>\$ 5</u>                                            | <u>\$ 13</u>                   |

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

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

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

Commitments to extend credit include arrangements whereby we are contractually obligated to extend credit in the form of loans, participations in loans or similar transactions. At June 30, 2026 and December 31, 2025, we had commitments to extend credit totaling \$100.7 billion and \$99.8 billion, respectively, comprised primarily of commercial commitments related to secured and unsecured loans and lines of credit and, to a lesser extent, consumer commitments. Consumer commitments comprise unused credit card lines, where we have the right to change terms or conditions upon notification to the customer, and commitments to extend credit secured by residential properties, where we have the right to change terms or conditions, for cause, upon notification to the customer. For a summary of guarantees, including standby letters of credit and certain credit derivative transactions, as well as the contractual amounts outstanding at June 30, 2026 and December 31, 2025, see Note 15, "Guarantee Arrangements, Pledged Assets and Repurchase Agreements," in the accompanying consolidated financial statements.

The contractual amounts of these arrangements represent our maximum possible credit exposure in the event we are required to fulfill the maximum obligation under the contractual terms of the guarantee. Many of these commitments and guarantees expire unused or without default. As a result, we believe the contractual amounts are not representative of actual future credit exposure or funding requirements.

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

## Fair Value

**Fair Value Hierarchy** Fair value measurement accounting principles establish a three-tiered fair value hierarchy structure that prioritizes the inputs to determine the fair value of an asset or liability. The fair value guidance distinguishes between inputs that are based on observed market data and unobservable inputs that reflect market participants' assumptions. The determination of the level of fair value hierarchy within which the fair value measurement of an asset or a liability is classified often requires judgment and may change over time as market conditions evolve. See "Fair Value" in MD&A in our 2025 Form 10-K for further discussion of the fair value hierarchy.

At June 30, 2026 and December 31, 2025, our Level 3 assets and liabilities measured at fair value included the following: certain structured deposits and structured notes for which the embedded derivatives have significant unobservable inputs (e.g., volatility or default correlations), certain asset-backed securities, individually assessed commercial loans, derivatives with certain inputs which are unobservable, certain loans held for sale and swap agreements entered into in conjunction with the sales of Visa Class B Shares for which the fair value is dependent upon the final resolution of the related litigation. See Note 16, "Fair Value Measurements," in the accompanying consolidated financial statements for additional information on Level 3 inputs.

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

|                                                                              | June 30,<br>2026          | December 31,<br>2025 |
|------------------------------------------------------------------------------|---------------------------|----------------------|
|                                                                              | (dollars are in billions) |                      |
| Level 3 assets <sup>(1)(2)</sup>                                             | \$ .9                     | \$ .6                |
| Total assets measured at fair value <sup>(1)(3)</sup>                        | 77.8                      | 67.7                 |
| Level 3 liabilities <sup>(1)</sup>                                           | 3.5                       | 2.8                  |
| Total liabilities measured at fair value <sup>(1)</sup>                      | 29.0                      | 25.7                 |
| Level 3 assets as a percent of total assets measured at fair value           | 1 %                       | 1 %                  |
| Level 3 liabilities as a percent of total liabilities measured at fair value | 12 %                      | 11 %                 |

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

<sup>(2)</sup> Includes \$0.6 billion of recurring Level 3 assets and \$0.3 billion of non-recurring Level 3 assets at June 30, 2026. Includes \$0.3 billion of recurring Level 3 assets and \$0.3 billion of non-recurring Level 3 assets at December 31, 2025.

<sup>(3)</sup> Includes \$76.9 billion of assets measured on a recurring basis and \$0.9 billion of assets measured on a non-recurring basis at June 30, 2026. Includes \$66.0 billion of assets measured on a recurring basis and \$1.7 billion of assets measured on a non-recurring basis at December 31, 2025.

**Significant Changes in Fair Value for Level 3 Assets and Liabilities** See Note 16, "Fair Value Measurements," in the accompanying consolidated financial statements for information on additions to and transfers into (out of) Level 3 measurements during the six months ended June 30, 2026 and 2025 as well as for further details including the classification hierarchy associated with assets and liabilities measured at fair value.

## Risk Management

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

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

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

The principal risks associated with our operations include credit risk, treasury risk, market risk, climate risk, resilience risk, regulatory compliance risk, financial crime risk, strategic risk and model risk.

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

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

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

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

HSBC North America is subject to the U.S. liquidity coverage ratio ("LCR") rule, which is a short-term liquidity measure to ensure banks have sufficient High Quality Liquid Assets ("HQLA") to cover net stressed cash outflows over the next 30 days, and both HSBC North America and HSBC Bank USA calculate and report their LCR to U.S. regulators. At both June 30, 2026 and December 31, 2025, HSBC Bank USA's LCR exceeded 100 percent. A LCR of 100 percent or higher reflects an unencumbered HQLA balance that is equal to or exceeds 70 percent of a Category IV firm's liquidity needs for a 30-day liquidity stress scenario. HQLA consists of cash or assets that can be converted into cash at little or no loss of value in private markets.

HSBC North America is also subject to the U.S. net stable funding ratio ("NSFR") rule, which is a longer-term liquidity measure with a 12-month time horizon to ensure a sustainable maturity structure of assets and liabilities, and both HSBC North America and HSBC Bank USA calculate and report their NSFR to U.S. regulators. At both June 30, 2026 and December 31, 2025, HSBC Bank USA's NSFR exceeded 100 percent. A NSFR of 100 percent or more reflects an available stable funding balance from liabilities and capital over the next 12 months that is equal to or exceeds 70 percent of a Category IV firm's required amount of stable funding for assets and off-balance sheet exposures. In addition, under the United Kingdom ("U.K.") Prudential Regulatory Authority ("PRA") based NSFR rule, HSBC USA's NSFR exceeded 100 percent at both June 30, 2026 and December 31, 2025. Under the U.K. PRA NSFR rule, a NSFR of 100 percent or more reflects an available stable funding balance from liabilities and capital over the next 12 months that is equal to or exceeds the required amount of stable funding for assets and off-balance sheet exposures.

Our ability to regularly attract wholesale funds at a competitive cost is enhanced by strong ratings from the major credit rating agencies. The following table reflects the short and long-term credit ratings of HSBC USA and HSBC Bank USA at June 30, 2026:

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

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

In May 2026, Fitch upgraded the long-term debt rating of HSBC Bank USA by one notch to AA from AA- following the publication of its updated bank rating criteria. This rating upgrade reflects Fitch's revised view of increased creditor protection from the HSBC Group's resolution debt buffer. While this rating action did not have a material financial impact on our borrowing costs or liquidity, any future actions could have such an impact.

Although we closely monitor and strive to manage factors influencing our credit ratings, there is no assurance that our credit ratings will not change in the future. At June 30, 2026, none of the ratings on the debt of HSBC USA or HSBC Bank USA from any of the rating agencies were under review for potential downgrade.

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

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

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

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

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

## CONSOLIDATED AVERAGE BALANCES AND INTEREST RATES

The following table summarizes the year-to-date average daily balances of the principal components of assets, liabilities and equity together with their respective interest amounts and rates earned or paid. Net interest margin is calculated by dividing net interest income by the average interest earning assets from which interest income is earned. Loan interest for the six months ended June 30, 2026 and 2025 included fees of \$28 million and \$14 million, respectively.

| Six Months Ended June 30,                                                          | 2026                      |          |        | 2025              |          |        |
|------------------------------------------------------------------------------------|---------------------------|----------|--------|-------------------|----------|--------|
|                                                                                    | Average Balance           | Interest | Rate   | Average Balance   | Interest | Rate   |
|                                                                                    | (dollars are in millions) |          |        |                   |          |        |
| <b>Assets:</b>                                                                     |                           |          |        |                   |          |        |
| Interest bearing deposits with banks                                               | \$ 24,691                 | \$ 432   | 3.53 % | \$ 30,088         | \$ 619   | 4.15 % |
| Federal funds sold and securities purchased under resale agreements <sup>(1)</sup> | 3,008                     | 121      | 8.11   | 6,059             | 223      | 7.42   |
| Trading assets                                                                     | 22,782                    | 222      | 1.97   | 17,694            | 178      | 2.03   |
| Securities                                                                         | 51,664                    | 1,024    | 4.00   | 44,884            | 966      | 4.34   |
| Loans:                                                                             |                           |          |        |                   |          |        |
| Commercial                                                                         | 42,967                    | 1,163    | 5.46   | 42,519            | 1,290    | 6.12   |
| Consumer                                                                           | 20,386                    | 436      | 4.31   | 22,079            | 478      | 4.37   |
| Total loans                                                                        | 63,353                    | 1,599    | 5.09   | 64,598            | 1,768    | 5.52   |
| Other                                                                              | 1,528                     | 30       | 3.96   | 1,647             | 34       | 4.16   |
| Total interest earning assets                                                      | \$ 167,026                | \$ 3,428 | 4.14 % | \$ 164,970        | \$ 3,788 | 4.63 % |
| Allowance for credit losses                                                        | (449)                     |          |        | (589)             |          |        |
| Cash and due from banks                                                            | 583                       |          |        | 621               |          |        |
| Other assets                                                                       | 8,507                     |          |        | 9,036             |          |        |
| <b>Total assets</b>                                                                | <b>\$ 175,667</b>         |          |        | <b>\$ 174,038</b> |          |        |
| <b>Liabilities and Equity:</b>                                                     |                           |          |        |                   |          |        |
| Domestic deposits:                                                                 |                           |          |        |                   |          |        |
| Savings deposits                                                                   | \$ 45,407                 | \$ 479   | 2.13 % | \$ 44,681         | \$ 560   | 2.53 % |
| Time deposits                                                                      | 14,949                    | 288      | 3.89   | 20,990            | 531      | 5.10   |
| Other interest bearing deposits                                                    | 32,950                    | 678      | 4.15   | 32,712            | 655      | 4.04   |
| Foreign deposits                                                                   | 6,477                     | 85       | 2.65   | 6,302             | 104      | 3.33   |
| Total interest bearing deposits                                                    | 99,783                    | 1,530    | 3.09   | 104,685           | 1,850    | 3.56   |
| Short-term borrowings:                                                             |                           |          |        |                   |          |        |
| Securities sold under repurchase agreements <sup>(1)</sup>                         | 2,421                     | 106      | 8.83   | 1,952             | 127      | 13.12  |
| Commercial paper                                                                   | 4,529                     | 92       | 4.10   | 5,093             | 128      | 5.07   |
| Other short-term borrowings                                                        | 1,506                     | 15       | 2.01   | 971               | 10       | 2.08   |
| Total short-term borrowings                                                        | 8,456                     | 213      | 5.08   | 8,016             | 265      | 6.67   |
| Long-term debt                                                                     | 24,066                    | 560      | 4.69   | 21,806            | 594      | 5.49   |
| Total interest bearing debt                                                        | 132,305                   | 2,303    | 3.51   | 134,507           | 2,709    | 4.06   |
| Other                                                                              | 1,505                     | 24       | 3.22   | 1,460             | 30       | 4.14   |
| Total interest bearing liabilities                                                 | \$ 133,810                | \$ 2,327 | 3.51 % | \$ 135,967        | \$ 2,739 | 4.06 % |
| Net interest income/Interest rate spread                                           |                           | \$ 1,101 | .63 %  |                   | \$ 1,049 | .57 %  |
| Noninterest bearing deposits                                                       | 23,676                    |          |        | 19,676            |          |        |
| Other liabilities                                                                  | 5,556                     |          |        | 5,980             |          |        |
| Total equity                                                                       | 12,625                    |          |        | 12,415            |          |        |
| <b>Total liabilities and equity</b>                                                | <b>\$ 175,667</b>         |          |        | <b>\$ 174,038</b> |          |        |
| Net interest margin on average earning assets                                      |                           |          | 1.33 % |                   |          | 1.28 % |

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

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**Item 3. Quantitative and Qualitative Disclosures about Market Risk**


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Omitted pursuant to General Instruction H(2)(c) of Form 10-Q. See Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," in our 2025 Form 10-K.

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**Item 4. Controls and Procedures**


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

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

**Changes in Internal Control over Financial Reporting** There has been no change in HSBC USA's internal control over financial reporting that occurred during the quarter ended June 30, 2026 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II**


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**Item 1. Legal Proceedings**


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

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**Item 5. Other Information**


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

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

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

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

**Activity related to U.S. Executive Order 13224**

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

The HSBC Group has a corporate customer in Asia that, during the second quarter of 2026, received a local currency payment from a corporate entity designated under Executive Order 13224 for the rental of property. The HSBC Group processed this payment to its customer.

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

**Activity related to U.S. Executive Order 13382**

The HSBC Group has an individual customer in Asia that became designated under Executive Order 13382 in the second quarter of 2026. Immediately following the designation, and prior to the accounts being restricted, the HSBC Group processed three local currency payments for its customer.

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

**Other activity**

The HSBC Group has an individual customer in the Middle East that received a local currency check from an insurance company that is owned by the Government of Iran during the second quarter of 2026. The HSBC Group processed the check from the insurance company to its customer.

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

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

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

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**Item 6. Exhibits**


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

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<sup>(1)</sup> Pursuant to Rule 405 of Regulation S-T, includes the following financial information included in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2026, formatted in Inline eXtensible Business Reporting Language ("Inline XBRL"): (i) the Consolidated Statement of Income for the three and six months ended June 30, 2026 and 2025, (ii) the Consolidated Statement of Comprehensive Income for the three and six months ended June 30, 2026 and 2025, (iii) the Consolidated Balance Sheet at June 30, 2026 and December 31, 2025, (iv) the Consolidated Statement of Changes in Equity for the three and six months ended June 30, 2026 and 2025, (v) the Consolidated Statement of Cash Flows for the six months ended June 30, 2026 and 2025, and (vi) the Notes to Consolidated Financial Statements.

**Signatures**

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

Date: August 4, 2026

HSBC USA INC.

By: /s/ ANDREW FULLAM

Andrew Fullam

Chief Financial Officer

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

**Certification of Chief Executive Officer**

I, Jason Henderson, certify that:

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

Date: August 4, 2026

/s/ JASON HENDERSON

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

### **Certification of Chief Financial Officer**

I, Andrew Fullam, certify that:

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

Date: August 4, 2026

/s/ ANDREW FULLAM

Andrew Fullam

Chief Financial Officer

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

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

The certification set forth below is being submitted in connection with the HSBC USA Inc. (the “Company”) Quarterly Report on Form 10-Q for the period ending June 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the “Report”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Jason Henderson, certify that:

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

Date: August 4, 2026

/s/ JASON HENDERSON

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Jason Henderson

Chair of the Board, President  
and Chief Executive Officer

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

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

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

The certification set forth below is being submitted in connection with the HSBC USA Inc. (the “Company”) Quarterly Report on Form 10-Q for the period ending June 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the “Report”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Andrew Fullam, certify that:

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

Date: August 4, 2026

/s/ ANDREW FULLAM

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Andrew Fullam

Chief Financial Officer

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

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