HSBC Holdings plc

Pillar 3 Disclosures at 30 June 2022

HSBC

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Tables

The Group has adopted the EU's regulatory transitional arrangements for IFRS 9 'Financial Instruments'. The application of the transitional arrangements to the disclosures is indicated in the table of contents as follows:

a. Some figures have been prepared on an IFRS 9 transitional basis. Details are provided in the table footnotes.

b. All figures have been prepared on an IFRS 9 transitional basis.

All other tables report numbers on the basis of the full adoption of IFRS 9.

This document should be read in conjunction with the *Interim Report 2022*, which has been published on our website at www.hsbc.com.

Certain defined terms

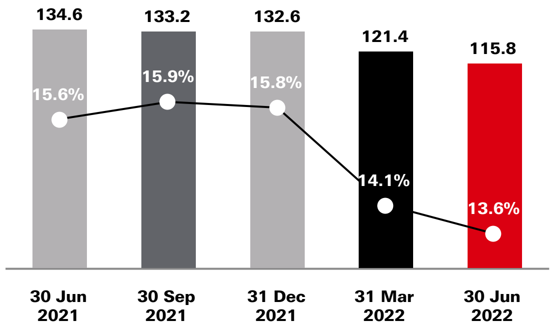
Unless the context requires otherwise, 'HSBC Holdings' means HSBC Holdings plc and 'HSBC', the 'Group', 'we', 'us' and 'our' refer to HSBC Holdings together with its subsidiaries. Within this document the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'. When used in the terms 'shareholders' equity' and 'total shareholders' equity', 'shareholders' means holders of HSBC Holdings ordinary shares and those preference shares and capital securities issued by HSBC Holdings classified as equity. The abbreviations '$m', '$bn' and '$tn' represent millions, billions (thousands of millions) and trillions of US dollars, respectively.

Introduction

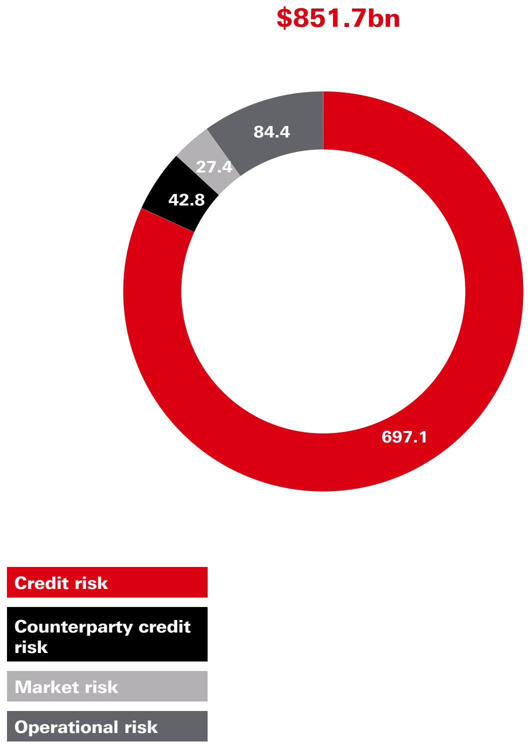
Highlights

Common equity tier 1 ('CET1') ratio of 13.6% decreased by 2.2 percentage points from 31 December 2021. This reflected a reduction in CET1 capital of $16.8bn, which included a $4.8bn valuation loss in equity from financial instruments as yield curves steepened, and a $13.4bn increase in risk-weighted assets ('RWAs') primarily from 1Q22 regulatory changes. The reduction also included the share buy-back of up to $1bn announced at our full-year 2021 results.

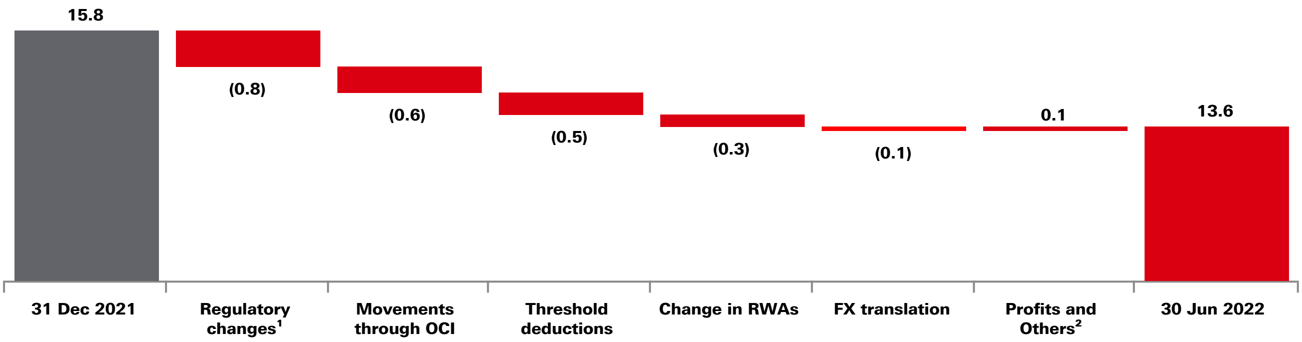
CET1 capital ($bn) and CET1 ratio (%)



Risk-weighted assets by risk type and global business ($bn)



CET 1 ratio movement, %



1 *Regulatory changes include impacts from software capitalisation benefit reversal, IRB repair and the UK's implementation of the CRR II rules; includes $0.5bn of related threshold deductions not included in other movements.*
2 *Profits less dividends accrued and paid, share buy-back announced in February 2022, and other adjustments/movements in CET1.*

Our CET1 ratio will be impacted in 2H22, and is expected to be lower in 3Q22, due to the expected losses on classification of France as held-for-sale in 3Q22 (approximately 30bps), other acquisitions and disposals activity in 2H22 (approximately 5bps), and actual/accrued distributions (net of profits generated). With profit generation and continued RWA actions, we aim to manage back to within our 14% to 14.5% CET1 target range during the first half of 2023. While further share buy-backs remain unlikely in 2022, for future years we expect to return to shareholders excess capital over and above what is required for executing the strategy.

Given the current returns trajectory, we expect a dividend payout ratio of around 50% for 2023 and 2024. We also intend to revert to paying quarterly dividends in 2023, although we expect the quarterly dividend for the first three quarters to initially be reinstated at a lower level than the historical quarterly dividend of $0.10 per share paid up to the end of 2019. In accordance with PRA regulatory guidance, we continue to accrue foreseeable dividend deductions for capital purposes at the maximum of our approved dividend payout ratio of 40-55%.

Regulatory framework for disclosures

We are supervised on a consolidated basis in the UK by the Prudential Regulation Authority ('PRA'), which receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole. Individual banking subsidiaries are directly regulated by their local banking supervisors, which set and monitor their local capital adequacy requirements. In most jurisdictions, non-banking financial subsidiaries are also subject to the supervision and capital requirements of local regulatory authorities.

At a consolidated Group level, capital is calculated for prudential regulatory reporting purposes using the Basel III framework of the Basel Committee on Banking Supervision ('Basel'), as implemented in the UK. Any references to EU regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulation and/or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, including any subsequent amendments. The regulators of Group banking entities outside the EU are at varying stages of implementing the Basel III framework, so the Group may have been subject to local regulations in the first half of 2022 that were on the basis of the Basel I, II or III frameworks.

The Basel Committee's framework is structured around three 'pillars': Pillar 1, minimum capital requirements; Pillar 2, supervisory review process; and Pillar 3, market discipline. The aim of Pillar 3 is to produce disclosures that allow market participants to assess the scope of banks' application of the Basel Committee's framework. It also aims to assess their application of the rules in their jurisdiction, capital conditions, risk exposures and risk management processes, and hence their capital adequacy.

All European legislation that was in place on 31 December 2020 was onshored into UK law, subject to certain amendments.

EU regulations and directives (including including European Banking Authority ('EBA') technical standards technical standards) will continue to be relevant for HSBC's EU subsidiaries.

Pillar 3 disclosures

Our *Pillar 3 Disclosures at 30 June 2022* comprises quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with part Eight of the Capital Requirements Regulation and Directive, as implemented ('CRR II') and the PRA Rulebook, and use the PRA's disclosure templates and instructions which came into force on 1 January 2022. They are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

The Pillar 3 disclosures are governed by the disclosure policy framework approved by the Group Audit Committee.

To give insight into movements during the year, we provide comparative figures, commentary on variances and flow tables for capital requirements. In all tables where the term 'capital requirements' is used, this represents the minimum total capital charge set at 8% of RWAs by article 92 of the Capital Requirements Regulation.

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

Where disclosures have been enhanced, or are new, we do not generally restate or provide comparatives. Wherever specific rows and columns in the tables prescribed are not applicable or immaterial to our activities, we omit them and follow the same approach for comparatives.

Pillar 3 requirements may be met by inclusion in other disclosure media. Where we adopt this approach, references are provided to the relevant pages of the *Interim Report 2022* or to other documents.

Key metrics

Table 1: Key metrics (KM1/IFRS9-FL)

Ref*		At				
		30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
	Available capital ($bn)[1]					
1	Common equity tier 1 ('CET1') capital^	**115.8**	121.4	132.6	133.2	134.6
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**115.4**	121.0	131.8	132.5	133.8
2	Tier 1 capital^	**137.5**	143.9	156.3	156.9	158.3
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**137.1**	143.5	155.5	156.2	157.5
3	Total capital^	**158.5**	165.6	177.8	179.0	181.1
	Total capital as if IFRS 9 transitional arrangements had not been applied	**158.1**	165.2	177.0	178.3	180.3
	Risk-weighted assets ($bn)					
4	Total RWAs^	**851.7**	862.3	838.3	839.2	862.3
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**851.4**	862.0	837.4	838.6	861.5
	Capital ratios (%)[1]					
5	CET1^	**13.6**	14.1	15.8	15.9	15.6
	CET1 as if IFRS 9 transitional arrangements had not been applied	**13.6**	14.0	15.7	15.8	15.5
6	Tier 1^	**16.1**	16.7	18.6	18.7	18.4
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**16.1**	16.6	18.6	18.6	18.3
7	Total capital^	**18.6**	19.2	21.2	21.3	21.0
	Total capital as if IFRS 9 transitional arrangements had not been applied	**18.6**	19.2	21.1	21.3	20.9
	Additional own funds requirements based on Supervisory Review and Evaluation Process ('SREP') as a percentage of RWAs (%)					
UK-7a	Additional CET1 SREP requirements	**1.5**	1.5	N/A	N/A	N/A
UK-7b	Additional additional tier 1 ('AT1') SREP requirements	**0.5**	0.5	N/A	N/A	N/A
UK-7c	Additional tier 2 ('T2') SREP requirements	**0.6**	0.6	N/A	N/A	N/A
UK-7d	Total SREP own funds requirements	**10.6**	10.6	N/A	N/A	N/A
	Combined buffer requirement as a percentage of RWAs (%)					
8	Capital conservation buffer requirement	**2.5**	2.5	2.5	2.5	2.5
9	Institution-specific countercyclical capital buffer (%)	**0.2**	0.2	0.2	0.2	0.2
10	Global systemically important institution buffer	**2.0**	2.0	2.0	2.0	2.0
11	Combined buffer requirement	**4.7**	4.7	4.7	4.7	4.7
UK-11a	Overall capital requirements	**15.4**	15.3	15.4	15.7	15.6
12	CET1 available after meeting the total SREP own funds requirements	**7.6**	8.1	9.8	9.7	9.5
	Leverage ratio^,2,3					
13	Total leverage ratio exposure measure ($bn)	**2,484.2**	2,532.9	N/A	N/A	N/A
14	Leverage ratio (%)	**5.5**	5.7	N/A	N/A	N/A
	Average exposure measure excluding claims on central banks ($bn)	**2,501.3**	2,555.7	N/A	N/A	N/A
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)					
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.5**	5.7	N/A	N/A	N/A
14b	Leverage ratio including claims on central banks (%)^	**4.8**	4.9	N/A	N/A	N/A
14c	Average leverage ratio excluding claims on central banks (%)^	**5.6**	5.7	N/A	N/A	N/A
14d	Average leverage ratio including claims on central banks (%)^	**4.8**	4.9	N/A	N/A	N/A
14e	Countercyclical leverage ratio buffer (%)	**0.1**	0.1	N/A	N/A	N/A
EU-14d	Leverage ratio buffer requirement (%)	**0.8**	0.8	N/A	N/A	N/A
EU-14e	Overall leverage ratio requirements (%)	**4.1**	4.1	N/A	N/A	N/A
	Leverage ratio (under the Capital Requirements Regulation)^,3					
	Total leverage ratio exposure measure ($bn)	**N/A**	N/A	2,962.7	2964.8	2968.5
	Leverage ratio (%)	**N/A**	N/A	5.2	5.2	5.3
	Liquidity coverage ratio ('LCR')[4]					
15	Total high-quality liquid assets ($bn)	**656.6**	694.6	717.0	664.0	659.3
UK-16a	Cash outflows – total weighted value ($bn)	**665.0**	676.3	650.3	661.6	662.4
UK-16b	Cash inflows – total weighted value ($bn)	**173.3**	157.7	132.3	171.4	168.7
16	Total net cash outflow ($bn)	**491.7**	518.6	518.0	490.2	493.7
17	LCR (%)	**134**	134	138	135	134
	Net stable funding ratio ('NSFR')[2,4]					
18	Total available stable funding ($bn)	**1,536.4**	1,596.6	N/A	N/A	N/A
19	Total required stable funding ($bn)	**1,119.3**	1,158.1	N/A	N/A	N/A
20	NSFR (%)	**137**	138	N/A	N/A	N/A

* *The references in this and subsequent tables identify lines prescribed in the relevant PRA template where applicable and where there is a value.*

^ *Figures have been prepared on an IFRS 9 transitional basis.*

1 *Capital figures and ratios are reported on a CRR II transitional basis for capital instruments.*

2 *These disclosures have been implemented from 1 January 2022, and are based on the PRA's disclosure templates and instructions which came into force at that time. N/A in prior periods indicated that the disclosure is new or changed and no comparatives are being provided. NSFR reflects the position as at 30 June and 31 March 2022 as is disclosed based on the PRA guidance that came in effect on 1 January 2022.*

3 *Leverage ratio is calculated using the CRR II end point basis for capital. The comparative leverage exposures and ratios are separately reported based on the Capital Requirements Regulation rues in force at that time and include claims on central banks.*

4 *LCR and NSFR ratio is calculated as at the end of each period rather than using average values. For further details, refer to page 94 of the* Interim Report 2022*.*

The Group is subject to the basic minimum capital requirements set out in Article 92 (1) of CRR, namely that it maintain:

- Common equity tier 1 capital – exceeding 4.5% of risk-weighted assets
- Tier 1 capital (CET1 capital plus AT1 capital) – exceeding 6% of RWAs
- Total capital (Tier 1 capital plus Tier 2 capital) – exceeding 8% of RWAs

Rows UK-7a to UK-7c in the table above show how the Group's additional capital requirement (set by the PRA at 2.6% of RWAs) is allocated to each these tiers of capital. Row UK-7d adds the total of these additional requirements to the CRR minimum requirements to give a total capital SREP requirement of 10.6%.

Rows 8 to 11 set out buffer requirements to which the Group is also subject (and which must be satisfied by CET1). The Group's overall capital requirement in row UK-11a, 15.4%, is the sum of these buffer requirements and the minimum capital requirements calculated above (in Row UK-7d).

IFRS 9 transitional arrangements

We have adopted the regulatory transitional arrangements for IFRS 9 'Financial Instruments', including paragraph four within article 473a of the Capital Requirements Regulation. These transitional arrangements permit banks to add back to their capital base a proportion of the impact that IFRS 9 has upon their loan loss allowances during the first five years of use. The impact of IFRS 9 on loan loss allowances is defined as:

- the increase in loan loss allowances on day one of IFRS 9 adoption; and
- any subsequent increase in expected credit losses ('ECL') in the non-credit-impaired book thereafter.

Any add-back must be tax affected and accompanied by a recalculation of deferred tax, exposure and RWAs. The impact is calculated separately for portfolios using the standardised ('STD') and internal ratings-based ('IRB') approaches. For IRB portfolios, there is no add-back to capital unless loan loss allowances exceed regulatory 12-month expected losses.

The EU's CRR 'Quick Fix' relief package enacted in June 2020 allows the banks to take relief of 75% in 2022 for loan loss allowances recognised since 1 January 2021 on the non-credit-impaired book.

In the current period, the add-back to CET1 capital amounted to \$0.5bn under the STD approach with a tax impact of \$0.1bn. This includes a 25% static add-back of \$0.2bn and a 75% dynamic add-back of \$0.2bn net of tax. At 31 December 2021, the add-back to the capital base under the STD approach was \$1.0bn with a tax impact of \$0.2bn.

Regulatory developments

Capital buffers

In July 2022, the Bank of England's Financial Policy Committee ('FPC') confirmed that it is increasing the UK's countercyclical capital buffer ('CCyB') rate from 1% to 2%. This is the rate that the FPC judges to be suitable for a standard risk environment and will come into effect on 5 July 2023, in line with the usual 12-month implementation period. While the FPC understands the economic outlook has significantly deteriorated since its last CCyB assessment in December 2021, its view is that some of the risks that can amplify the shocks to the economy remain broadly at pre-pandemic levels and so a standard risk environment CCyB is appropriate.

When the standard risk level was calibrated in December 2019, the PRA proposed a reduction to Pillar 2A to ensure that the overall loss-absorbing levels in the system remained unchanged. In March 2020, following the outbreak of the pandemic, the FPC cut the CCyB to 0%. At that time, the PRA announced a temporary increase to the PRA buffer for all firms that received a Pillar 2A reduction. In June, the PRA announced that this increase will be removed with effect from the end of December 2022.

Basel 3.1

In July 2020, the Basel Committee on Banking Supervision ('Basel') completed the reforms to Basel III ('Basel 3.1') when it published the final revisions to the credit valuation adjustment ('CVA') framework. In the UK, a two-stage approach to implementation has been adopted for these changes.

The amendments to the UK's Capital Requirements Regulation ('UK CRR II') represented the first tranche of changes to implement Basel 3.1. This included the changes to the market risk RWA rules under the Fundamental Review of the Trading Book, the standardised approach for measuring counterparty risk, the equity investments in funds rules, the amendments to the large exposures rules, the new leverage ratio rules and the implementation of the net stable funding ratio. With the exception of the changes to the market risk framework, the UK CRR II was implemented on 1 January 2022. The market risk changes will be implemented with the remainder of Basel 3.1.

The remaining elements of Basel 3.1 will be implemented as a second tranche of changes. This includes the changes to the RWA rules on credit risk, operational risk and CVA and the implementation of the output floor. In March 2022, the PRA confirmed that it expects to consult on these changes in the fourth quarter, with a proposed implementation date of 1 January 2025. In formulating this proposal, the PRA has taken into consideration the timing of implementation in other major jurisdictions, such as the EU and the US.

We currently do not foresee a material net impact on initial implementation of the remainder of Basel 3.1. The RWA output floor will be subject to a five-year transitional provision. Any impact from the output floor would be towards the end of the transition period.

In June 2022, the Hong Kong Monetary Authority ('HKMA') published a consultation on the proposed rule amendments for implementing the revised credit risk framework and the new output floor under Basel 3.1. The effective date indicated in the consultation remains 1 July 2023.

The UK's withdrawal from the EU

In 2020, the PRA granted transitional provisions that allowed firms to delay the effect of any rule changes arising from the UK's withdrawal from the EU, with limited exceptions. These transitional provisions ceased to apply in March 2022.

Credit risk

In order to address concerns about the variability and comparability of RWAs under the IRB approach, the EU developed a series of amendments to the framework, known as the IRB repair package. The majority of these were developed and finalised while the UK was a member of the EU and therefore were implemented in the UK by the PRA on 1 January 2022. However, some elements of the EU's package were not in force when the UK ceased to be subject to EU law. These include the EU's technical standards on economic downturns, the EBA's guidelines on credit risk mitigation for the advanced IRB ('A-IRB') approach, and the EU's final technical standards on risk weighting specialised lending exposures.

The PRA has confirmed that it will not implement the technical standards on specialised lending. Similarly, it will not implement the EU's guidelines on credit risk mitigation in the A-IRB approach in 2022, although it may consider reflecting the guidelines as part of its implementation of Basel 3.1.

From 1 January 2022, exposures to UK residential mortgages, excluding those in default, became subject to an exposure-weighted average portfolio risk weight of at least 10%.

Environmental, social and governance ('ESG') risk

Globally, regulators and standard setters continue to publish multiple proposals and papers on ESG topics. Recently there have been sustainability-related disclosure consultations in the EU, US, Canada and Globally through the IFRS foundation.

In March 2022, the International Sustainability Standards Board published a consultation on its first IFRS Sustainability Draft Standards, which propose requirements for disclosures about significant sustainability-related risks and opportunities, including specific requirements for the disclosure of climate-related financial information. The standards build upon the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD') and extend them to sustainability-related risks and opportunities beyond those related to climate. Any finalised guidance would be through national implementation.

Also in March, the US Securities and Exchange Commission published a consultation on proposals to publish climate-related disclosures required for both domestic and foreign private issuers. The proposed disclosure requirements are largely aligned to TCFD ,and cover the broad areas of governance, strategy, risk management and metrics and targets.

In May 2022, the Bank of England published the results of the 2021 climate biennial exploratory scenario exercise. A key finding was that, while financial institutions operating in the UK had made good progress in some aspects of climate risk management, more work was required to understand and manage their exposures to climate risk.

In June 2022, Basel published final principles for the effective management and supervision of climate-related financial risks aimed at improving both banks' risk management and supervisors' practices related to climate-related financial risks.

Previously, Her Majesty's Treasury had published a roadmap setting out the UK government's path to achieving its long-term ambition to make the financial system more environmentally sustainable and align it with the UK's net zero commitment. As part of this, it will implement a green taxonomy, specifying the criteria that economic activities must meet to be considered environmentally sustainable, which will be subject to consultation in the second half of 2022.

Linkage to the Interim Report

This section demonstrates the links between the Group's audited financial balance sheet and its regulatory counterpart. In addition to this reconciliation, presented here in Table 2, our *Pillar 3 Disclosures at 31 December 2021* also provides:

- an analysis of the regulatory reporting balance sheet by risk type; and
- a reconciliation between accounting valuation and the regulatory measure of exposure.

Structure of the regulatory group

Assets, liabilities and post-acquisition reserves of subsidiaries engaged in insurance activities are excluded from the regulatory consolidation. Our investments in these insurance subsidiaries are recorded at cost and deducted from CET1 capital, subject to thresholds.

The regulatory consolidation also excludes special purpose entities ('SPEs') where significant risk has been transferred to third parties. Exposures to these SPEs are risk weighted as securitisation positions for regulatory purposes. Participating interests in banking associates are proportionally consolidated for regulatory purposes by including our share of assets, liabilities, profits and losses, and RWAs in accordance with the PRA's application of EU legislation. Non-participating significant investments are deducted from capital, subject to thresholds.

For further explanation of the differences between the accounting and regulatory scope of consolidation and their definition of exposure, see pages 9 to 12 of the Pillar 3 Disclosures at 31 December 2021.

Table 2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (UK CC2)

	Ref †	Accounting balance sheet $m	Deconsolidation of insurance/ other entities $m	Consolidation of banking associates $m	Regulatory balance sheet $m
Assets					
Cash and balances at central banks		**363,608**	**(2)**	**315**	**363,921**
Items in the course of collection from other banks		**8,073**	**—**	**—**	**8,073**
Hong Kong Government certificates of indebtedness		**43,866**	**—**	**—**	**43,866**
Trading assets		**217,350**	**(5,056)**	**—**	**212,294**
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss		**45,873**	**(37,846)**	**837**	**8,864**
– *of which: debt securities eligible as tier 2 issued by Group financial sector entities (‘FSEs’) that are outside the regulatory scope of consolidation*	*s*	***—***	***562***	***—***	***562***
Derivatives		**262,923**	**(14)**	**96**	**263,005**
Loans and advances to banks	*l*	**96,429**	**(2,000)**	**1,528**	**95,957**
Loans and advances to customers	*l*	**1,028,356**	**(767)**	**14,643**	**1,042,232**
– *of which: lending eligible as tier 2 to Group FSEs outside the regulatory scope of consolidation*	*s*	***—***	***505***	***—***	***505***
expected credit losses on IRB portfolios	*h*	***(7,702)***	***—***	***—***	***(7,702)***
Reverse repurchase agreements – non-trading		**244,451**	**2,366**	**27**	**246,844**
Financial investments		**430,796**	**(74,220)**	**5,332**	**361,908**
– *of which: lending eligible as tier 2 to Group FSEs outside the regulatory scope of consolidation*	*s*	***—***	***166***	***—***	***166***
Capital invested in insurance and other entities		**—**	**3,288**	**—**	**3,288**
Prepayments, accrued income and other assets		**185,823**	**(7,403)**	**521**	**178,941**
– *of which: retirement benefit assets*	*j*	***8,948***	***—***	***—***	***8,948***
Current tax assets		**1,151**	**(52)**	**4**	**1,103**
Interests in associates and joint ventures		**29,446**	**(410)**	**(5,295)**	**23,741**
– *of which: positive goodwill on acquisition*	*e*	***504***	***(12)***	***—***	***492***
Goodwill and intangible assets	*e*	**21,625**	**(10,895)**	**901**	**11,631**
Deferred tax assets	*f, k*	**5,650**	**90**	**83**	**5,823**
Total assets at 30 Jun 2022		**2,985,420**	**(132,921)**	**18,992**	**2,871,491**
Liabilities and equity					
Hong Kong currency notes in circulation		**43,866**	**—**	**—**	**43,866**
Deposits by banks		**105,275**	**(9)**	**1,446**	**106,712**
Customer accounts		**1,651,301**	**4,681**	**16,018**	**1,672,000**
Repurchase agreements – non-trading		**129,707**	**(36)**	**55**	**129,726**
Items in the course of transmission to other banks		**9,673**	**—**	**—**	**9,673**
Trading liabilities		**80,569**	**—**	**—**	**80,569**
Financial liabilities designated at fair value		**126,006**	**(4,486)**	**—**	**121,520**
– *of which: included in tier 2*	*o, q, i*	***8,791***	***—***	***—***	***8,791***
Derivatives		**251,469**	**(22)**	**86**	**251,533**
– *of which: debt valuation adjustment*	*l*	***157***			***157***
Debt securities in issue		**87,944**	**(652)**	**—**	**87,292**
Accruals, deferred income and other liabilities		**163,600**	**(3,166)**	**896**	**161,330**
Current tax liabilities		**685**	**(154)**	**19**	**550**
Liabilities under insurance contracts		**113,130**	**(113,130)**	**—**	**—**
Provisions		**1,900**	**(33)**	**69**	**1,936**
– *of which: credit-related contingent liabilities and contractual commitments on IRB portfolios*	*h*	***414***	***—***	***—***	***414***
Deferred tax liabilities		**2,894**	**(1,703)**	**2**	**1,193**
Subordinated liabilities		**20,711**	**—**	**418**	**21,129**
– *of which:included in tier 2*	*o, p, q, r*	***18,615***	***—***	***—***	***18,615***
Total liabilities at 30 Jun 2022		**2,788,730**	**(118,710)**	**19,009**	**2,689,029**
Equity					
Called up share capital	*a*	**10,188**	**—**	**—**	**10,188**
Share premium account	*a*	**14,662**	**—**	**—**	**14,662**
Other equity instruments	*m*	**21,691**	**—**	**—**	**21,691**
Other reserves	*c, g*	**(8,576)**	**2,343**	**(7)**	**(6,240)**
Retained earnings	*b, c*	**150,417**	**(15,224)**	**(10)**	**135,183**
Total shareholders’ equity		**188,382**	**(12,881)**	**(17)**	**175,484**
Non-controlling interests	*d, n, q*	**8,308**	**(1,330)**	**—**	**6,978**
Total equity at 30 Jun 2022		**196,690**	**(14,211)**	**(17)**	**182,462**
Total liabilities and equity at 30 Jun 2022		**2,985,420**	**(132,921)**	**18,992**	**2,871,491**

† *The references (a)–(t) identify balance sheet components that are used in the calculation of regulatory capital in ‘Table 3: Composition of regulatory own funds (UK CC1)’. This table shows such items at their accounting values, which may be subject to analysis or adjustment in the calculation of regulatory capital shown in Table 3.*

Treasury risk management

Treasury risk is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements, together with the financial risks arising from the provision of pensions and other post-employment benefits to staff and their dependents. Treasury risk also includes the risk to our earnings or capital due to non-trading book foreign exchange exposures and changes in market interest rates.

The Global Head of Traded and Treasury Risk Management and Risk Analytics is the accountable risk steward for all treasury risks. The Group Treasurer is the risk owner for all treasury risks, with the exception of pension risk, which is co-owned with the Group Head of Performance, Reward and Employee Relations. The Global Treasury function actively manages capital risk, liquidity risk, interest rate risk in the banking book and non-trading book foreign exchange risk on an ongoing basis, supported by the Holdings Asset and Liability Management Committee ('ALCO') and local ALCOs, overseen by Treasury Risk Management and the Risk Management Meeting ('RMM'). Pension risk is overseen by a network of local and regional pension risk management meetings.

A list of the main features of our capital instruments, in accordance with Annex III of Commission Implementing Regulation 1423/2013, is published on our website at www.hsbc.com. The full terms and conditions of our securities are also available on our website at www.hsbc.com.

For further details of our approach to treasury risk management including capital risk, liquidity risk, interest rate in the banking book, non-trading foreign exchange exposure and pension risk, please see page 189 of the Annual Report and Accounts 2021.

Regulatory reporting processes and controls

The quality of regulatory reporting remains a key priority for management and regulators. We are progressing with a comprehensive programme to strengthen our processes, improve consistency, and enhance controls on various aspects of regulatory reporting. We have commissioned a number of independent external reviews, some at the request of our regulators, including one on our credit risk RWA reporting process, which is currently ongoing. These reviews have so far resulted in higher RWAs and changes to LCR through improvements in reporting accuracy. There may be further impacts on some of our regulatory ratios, such as the CET1 and LCR.

Risk to capital and liquidity

Outside the stress testing framework, other risks may be identified that have the potential to affect our RWAs, capital and/or liquidity position. Downside and Upside scenarios are assessed against our management objectives, and mitigating actions are assigned as necessary. We closely monitor future regulatory changes, and continue to evaluate the impact of these upon our capital and liquidity requirements, particularly those related to the UK's implementation of the outstanding measures to be implemented from the Basel III reforms ('Basel 3.1').

Regulatory developments

We closely monitor future regulatory changes and continue to evaluate the impact of these upon our capital requirements. These are discussed in the 'Regulatory developments' section on page 5.

Disposal of retail banking business in France

In relation to the sale of our retail banking business in France, we expect a reduction in the Group's CET1 ratio of approximately 30 basis points ('bps') in the second half of 2022 when classified as held for sale. This impact will be partly offset by the reduction in RWAs upon the estimated completion in 2023.

Own funds

Table 3: Composition of regulatory own funds (UK CC1)

			At	
			30 Jun 2022	31 Dec 2021
		Ref †	**$m**	$m
	Common equity tier 1 ('CET1') capital: instruments and reserves			
1	Capital instruments and the related share premium accounts		**23,445**	23,513
	– ordinary shares	*a*	**23,445**	23,513
2	Retained earnings[2]	*b*	**127,155**	121,059
3	Accumulated other comprehensive income (and other reserves)[2]	*c*	**(5,276)**	8,273
5	Minority interests (amount allowed in consolidated CET1)	*d*	**4,392**	4,186
UK-5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	*b*	**4,938**	5,887
6	**Common equity tier 1 capital before regulatory adjustments**		**154,654**	162,918
	Common equity tier 1 capital: regulatory adjustments			
7	Additional value adjustments[1]		**(1,299)**	(1,217)
8	Intangible assets (net of related deferred tax liability)	*e*	**(11,746)**	(9,123)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	*f*	**(3,272)**	(1,520)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	*g*	**2,124**	170
12	Negative amounts resulting from the calculation of expected loss amounts	*h*	**(2,373)**	(2,020)
13	Any increase in equity that results from securitised assets (negative amount)			
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing[2]	*i*	**(621)**	1,571
15	Defined-benefit pension fund assets	*j*	**(6,638)**	(7,146)
16	Direct and indirect holdings of own CET1 instruments[4]		**(40)**	(40)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)[3]		**(13,709)**	(11,794)
22	Amount exceeding the 17.65% threshold (negative amount)		**(901)**	—
23	*– direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities[3]*		***(646)***	—
25	*– of which: deferred tax assets arising from temporary differences*	*k*	***(255)***	—

Table 3: Composition of regulatory own funds (UK CC1) (continued)

		Ref †	At 30 Jun 2022 $m	At 31 Dec 2021 $m
27	Qualifying AT1 deductions that exceed the additional tier 1 ('AT1') items of the institution (negative amount)			
UK-27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	l	**(399)**	766
28	**Total regulatory adjustments to common equity tier**		**(38,874)**	(30,353)
29	**Common equity tier 1 ('CET1') capital**		**115,780**	132,565
	Additional tier 1 ('AT1') capital: instruments			
30	Capital instruments and the related share premium accounts		**21,691**	22,414
31	– classified as equity under IFRSs	m	**21,691**	22,414
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR		**—**	900
34	Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in CET1) issued by subsidiaries and held by third parties	n	**103**	473
35	– *of which: instruments issued by subsidiaries subject to phase out*		**—**	*406*
	instruments issued by subsidiaries grandfathered under CRR2			
36	**Additional tier 1 capital before regulatory adjustments**		**21,794**	23,787
	Additional tier 1 capital: regulatory adjustments			
37	Direct and indirect holdings of own AT1 instruments[4]		**(60)**	(60)
43	**Total regulatory adjustments to additional tier 1 capital**		**(60)**	(60)
44	**Additional tier 1 capital**		**21,734**	23,727
45	**Tier 1 capital (T1 = CET1 + AT1)**		**137,514**	156,292
	Tier 2 capital: instruments and provisions			
46	Capital instruments and the related share premium accounts[2]	o	**12,278**	11,765
	– *of which: instruments grandfathered under CRR II*			
UK-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2[2]	p	**6,653**	7,140
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in CET1 or AT1) issued by subsidiaries and held by third parties	q, r	**3,347**	4,113
49	– *of row 48: instruments issued by subsidiaries subject to phase out*[2]		**—**	*615*
	– *of row 48: instruments issued by subsidiaries grandfathered under CRR II*	r	***1,303***	*1,264*
51	**Tier 2 capital before regulatory adjustments**		**22,278**	23,018
	Tier 2 capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)		**(40)**	(40)
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	s	**(1,233)**	(1,484)
57	**Total regulatory adjustments to tier 2 capital**		**(1,273)**	(1,524)
58	**Tier 2 capital**		**21,005**	21,494
59	**Total capital (TC = T1 + T2)**		**158,519**	177,786
60	**Total risk-weighted assets**		**851,743**	838,263
	Capital ratios and buffers (%)			
61	Common equity tier 1		**13.59**	15.81
62	Tier 1		**16.15**	18.64
63	Total capital		**18.61**	21.21
64	Institution CET1 overall capital requirement (per Article 92 (1) CRR, plus additional requirement in accordance with point (a) of Article 104(1) CRD, and combined buffer requirement in accordance with Article 128(6) CRD) as a percentage of risk exposure amount)[2]		**10.70**	4.71
65	– capital conservation buffer requirement		**2.50**	2.50
66	– countercyclical buffer requirement		**0.23**	0.21
67a	– Global systemically important institution ('G-SII') buffer		**2.00**	2.00
68	Common equity tier 1 available to meet buffers		**7.61**	9.80
	Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		**2,013**	3,116
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)		**12,414**	14,359
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)		**4,898**	4,812
	Applicable caps on the inclusion of provisions in tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		**2,103**	2,027
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		**3,268**	3,157

Table 3: Composition of regulatory own funds (UK CC1) (continued)

		Ref †	At 30 Jun 2022 $m	31 Dec 2021 $m
	Capital instruments subject to phase out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
82	Current cap on AT1 instruments subject to phase out arrangements		—	1,730
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		—	541
84	Current cap on T2 instruments subject to phase out arrangements		—	894
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		—	444

† *The references (a)–(t) identify balance sheet components in 'Table 2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (UK CC2) ', which is used in the calculation of regulatory capital. This table shows how they contribute to the regulatory capital calculation. Their contribution may differ from their accounting value in Table 2 as a result of adjustment or analysis to apply regulatory definitions of capital.*

1 *Additional value adjustments are calculated on assets measured at fair value.*

2 *These disclosures are based on updated rules implemented from 1 January 2022, are based on the PRA's disclosure templates and instructions which came into force at that time. The presentation of comparatives have been amended only for CRR II grandfathered instruments to align to the updated template's rows and instructions.*

3 *The threshold deduction for significant investments relates to balances recorded on numerous lines on the balance sheet and includes: investments in insurance subsidiaries and non-consolidated associates, other CET1 equity held in financial institutions, and connected funding of a capital nature, etc.*

4 *The minimum deductions for holdings of own CET1, AT1 and T2 instruments are set by the PRA.*

At 30 June 2022, our common equity tier 1 ('CET1') capital ratio decreased to 13.6% from 15.8% at 31 December 2021, reflecting a decrease in CET1 capital of $16.8bn and an increase in RWAs of $13.4bn. The key drivers of the overall fall in our CET1 ratio were:

- a 0.8 percentage point impact from the UK's implementation of new regulatory requirements, which decreased CET1 capital by $3.5bn and increased RWAs by $27.1bn. The changes included new internal ratings-based ('IRB') modelling requirements, the deduction of intangible software assets from CET1 capital, and the new standardised approach to counterparty credit risk exposure;
- a 0.6 percentage point impact from the $4.8bn post-tax fall in the fair value of securities classified as held to collect and sell;
- a 0.3 percentage point impact from other underlying RWA movements (apart from foreign exchange). These are described in the following section; and
- a 0.1 percentage point impact from foreign exchange translation movements, which reduced CET1 capital by $5.7bn and RWAs by $34bn.

These movements were accompanied by a 0.5 percentage point fall in the CET1 ratio due to a $3.6bn increase in threshold deductions from CET1 capital, mainly as a result of these changes and increased deductions for significant investments in financial sector entities (including the acquisition of AXA Singapore).

Profits less an associated increase in deductions for deferred tax, dividends accrued and paid, the share buy-back announced in February 2022, and other movements, added $0.8bn to CET1 capital and 0.1 percentage point to the CET1 ratio.

At 30 June 2022, our Pillar 2A requirement, in accordance with the PRA's Individual Capital Requirement based on a point-in-time assessment, was equivalent to 2.6% of RWAs, of which 1.5% was met by CET1 capital. Throughout the first half of 2022, we complied with the PRA's regulatory capital adequacy requirements.

Leverage ratio

The risk of excessive leverage is managed as part of HSBC's global risk appetite framework and monitored using a leverage ratio metric within our risk appetite statement ('RAS'). The RAS articulates the aggregate level and types of risk that HSBC is willing to accept in its business activities in order to achieve its strategic business objectives.

The RAS is monitored via the risk appetite profile report, which includes comparisons of actual performance against the risk appetite and tolerance thresholds assigned to each metric. This is to ensure that any excessive risk is highlighted, assessed and mitigated appropriately. The risk appetite profile report is presented monthly to the Risk Management Meeting of the Group Executive Committee and the Group Risk Committee.

Our approach to risk appetite is described on page 121 of the Annual Report and Accounts 2021.

Table 4: Summary reconciliation of accounting assets and leverage ratio exposures (UK LR1- LRSum)

		At 30 Jun 2022 $m
1	Total assets as per published financial statements	**2,985,420**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	**(113,929)**
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	**(818)**
4	(Adjustment for exemption of exposures to central banks)	**(407,367)**
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(37,536)**
7	Adjustment for eligible cash pooling transactions	**(4,106)**
8	Adjustment for derivative financial instruments	**(146,871)**
9	Adjustment for securities financing transactions ('SFTs')	**30,068**
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**222,017**
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	**(38,982)**
12	Other adjustments	**(3,664)**
13	**Total leverage ratio exposure**	**2,484,232**

Table 5: Leverage ratio common disclosure (UK LR2-LRCom)

		At 30 Jun 2022 $m
	On-balance sheet exposures (excluding derivatives and securities financing transactions ('SFTs'))	
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**2,287,542**
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	**8,896**
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**(44,720)**
6	(Asset amounts deducted in determining tier 1 capital)	**(38,982)**
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**2,212,736**
	Derivative exposures	
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**68,675**
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**121,954**
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	**(41,559)**
11	Adjusted effective notional amount of written credit derivatives	**93,113**
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**(90,226)**
13	**Total derivative exposures**	**151,957**
	SFT exposures	
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**453,825**
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**(162,509)**
16	Counterparty credit risk exposure for SFT assets	**13,573**
18	**Total securities financing transaction exposures**	**304,889**
	Other off-balance sheet exposures	
19	Off-balance sheet exposures at gross notional amount	**874,340**
20	(Adjustments for conversion to credit equivalent amounts)	**(652,323)**
22	**Total off-balance sheet exposures**	**222,017**
	Capital and total exposures measure	
23	**Tier 1 capital (leverage)**	**137,514**
24	Total exposure measure including claims on central banks	**2,891,599**
UK-24a	(-) Claims on central banks excluded	**(407,367)**
UK-24b	**Total exposure measure excluding claims on central banks**	**2,484,232**
	Leverage ratios	
25	**Leverage ratio excluding claims on central banks (%)**	**5.54**
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.52**
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	**5.54**
UK-25c	Leverage ratio including claims on central banks (%)	**4.76**
26	Regulatory minimum leverage ratio requirement (%)	**3.25**
	Additional leverage ratio disclosure requirements – leverage ratio buffers	
27	Leverage ratio buffer (%)	**0.80**
UK-27a	– *of which:* *G-SII or O-SII additional leverage ratio buffer (%)*	***0.70***
UK-27b	*countercyclical leverage ratio buffer (%)*	***0.10***
	Additional leverage ratio disclosure requirements – disclosure of mean values	
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	**273,180**
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	**291,316**
UK-31	Average total exposure measure including claims on central banks	**2,910,194**
UK-32	Average total exposure measure excluding claims on central banks	**2,501,281**
UK-33	Average leverage ratio including claims on central banks	**4.77**
UK-34	Average leverage ratio excluding claims on central banks	**5.55**

There are no material variances between the leverage ratio as at 30 June 2022 and the average leverage ratio for the quarter.

Table 6: Leverage ratio – split of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (UK LR3-LRSpl)

		At	
		30 Jun 2022	31 Dec 2021
		$m	$m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which[1]:	**1,835,455**	2,338,391
UK-2	Trading book exposures	**182,937**	220,163
UK-3	Banking book exposures, of which:	**1,652,518**	2,118,228
UK-4	Covered bonds	**1,944**	2,029
UK-5	Exposures treated as sovereigns	**347,986**	792,975
UK-6	Exposures to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereigns	**10,028**	11,185
UK-7	Institutions	**69,930**	65,935
UK-8	Secured by mortgages of immovable properties	**385,043**	399,909
UK-9	Retail exposures	**79,833**	90,613
UK-10	Corporates	**542,280**	558,083
UK-11	Exposures in default	**13,520**	13,398
UK-12	Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	**201,954**	184,101

1 *This calculation is in line with the UK leverage rules that were implemented on 1 January 2022, and excludes central bank claims. Comparatives for 2021 are reported based on the disclosure rules in force at that time, and include claims on central banks.*

Capital buffers

Our geographical breakdown and institution-specific countercyclical capital buffer disclosure and G-SIB Indicators Disclosure are published annually on the HSBC website, www.hsbc.com.

Pillar 1 minimum capital requirements and RWA flow

Pillar 1 covers the minimum capital resource requirements for credit risk, counterparty credit risk ('CCR'), equity, securitisation, market risk and operational risk. These requirements are expressed in terms of RWAs.

Risk category	Scope of permissible approaches	Our approach
Credit risk	The Basel Committee's framework applies three approaches of increasing sophistication to the calculation of Pillar 1 credit risk capital requirements. The most basic level, the standardised approach, requires banks to use external credit ratings to determine the risk weightings applied to rated counterparties. Other counterparties are grouped into broad categories, and standardised risk weightings are applied to these categories. The next level, the foundation IRB ('FIRB') approach, allows banks to calculate their credit risk capital requirements on the basis of their internal assessment of a counterparty's probability of default ('PD'), but subjects their quantified estimates of exposure at default ('EAD') and loss given default ('LGD') to standard supervisory parameters. Finally, the advanced IRB ('AIRB') approach allows banks to use their own internal assessment in both determining PD and quantifying EAD and LGD.	For consolidated Group reporting, we have adopted the AIRB approach for the majority of our business. Some portfolios remain on the standardised or FIRB approaches: • pending the issuance of local regulations or model approval; • following supervisory prescription of a non-advanced approach; or • under exemptions from IRB treatment.
Counterparty credit risk	Four approaches to calculating CCR and determining exposure values are defined by the Basel Committee: mark-to-market, original exposure, standardised and internal model method ('IMM'). These exposure values are used to determine capital requirements under one of the credit risk approaches: standardised, FIRB or AIRB.	We use the standardised ,mark-to-market and IMM approaches for CCR. Details of the IMM permission we have received from the PRA can be found in the Financial Services Register on the PRA website. Our aim is to increase the proportion of positions on IMM over time.
Equity	Capital requirements for non-trading book holdings of equity can be assessed under the standardised or IRB approaches. Underlying equity positions within collective investment undertakings must be treated using the IRB equity simple risk-weight approach.	We calculate capital requirements for: • non-trading book equity holdings using the standardised approach; and • underlying equity positions within collective investments undertakings using the IRB equity simple risk-weight approach.
Securitisation	The framework prescribes the following approaches: • internal ratings-based approach ('SEC-IRBA'); • standardised approach ('SEC-SA'); • external ratings-based approach ('SEC-ERBA'); and • internal assessment approach ('IAA').	Under the framework: • Our originated positions are reported under SEC-IRBA. • Our positions in the sponsored Solitaire programme and our investment in third-party positions are reported under SEC-SA and SEC-ERBA. • Our sponsored positions in Regency are reported under IAA. Our IAA approach is audited annually by internal model review and is subject to review by the PRA.
Market risk	Market risk capital requirements can be determined under either the standard rules or the internal models approach ('IMA'). The latter involves the use of internal value at risk ('VaR') models to measure market risks and determine the appropriate capital requirement. In addition to the VaR models, other internal models include stressed VaR, incremental risk charge ('IRC') and comprehensive risk measure.	The market risk capital requirement is measured using internal market risk models, where approved by the PRA, or under the standard rules. Our internal market risk models comprise VaR, stressed VaR and IRC. Non-proprietary details of the scope of our IMA permission are available in the Financial Services Register on the PRA website. We are in compliance with the requirements set out in articles 104 and 105 of the Capital Requirements Regulation.
Operational risk	The Basel Committee allows firms to calculate their operational risk capital requirement under the basic indicator approach, the standardised approach or the advanced measurement approach.	We currently use the standardised approach in determining our operational risk capital requirement. We have in place an operational risk model that is used for economic capital calculation purposes.

Table 7: Overview of risk-weighted exposure amounts (OV1)

		At		
		30 Jun 2022	31 Mar 2022	30 Jun 2022
		RWAs	RWAs	Total own funds requirement[1]
		$m	$m	$m
1	**Credit risk (excluding counterparty credit risk**	**689,208**	693,058	**55,138**
2	– standardised approach[5]	**165,830**	165,254	**13,266**
3	– foundation IRB approach	**81,573**	85,475	**6,526**
4	– slotting approach	**24,777**	22,920	**1,982**
5	– advanced IRB approach	**417,028**	419,409	**33,364**
6	**Counterparty credit risk**	**42,505**	40,723	**3,400**
7	– standardised approach	**11,750**	10,863	**940**
8	– internal model method	**13,978**	14,244	**1,118**
UK-8a	– risk exposure amount for contributions to the default fund of a central counterparty	**571**	538	**46**
UK-8b	– credit valuation adjustment	**3,878**	3,286	**310**
9	– Other CCR[3]	**12,328**	11,792	**986**
15	**Settlement risk**	**321**	145	**26**
16	**Securitisation exposures in the non-trading book**	**7,857**	8,493	**629**
17	– internal ratings-based approach ('SEC-IRBA')	**1,329**	1,580	**106**
18	– external ratings-based approach ('SEC-ERBA') including internal assessment approach ('IAA')[2]	**3,347**	3,769	**268**
19	– standardised approach ('SEC-SA')	**2,856**	2,794	**229**
UK-19a	– 1250%/deduction	**325**	350	**26**
20	**Position, foreign exchange and commodities risks (Market risk)**	**27,438**	32,179	**2,195**
21	– standardised approach	**10,282**	15,250	**822**
22	– internal models approach	**17,156**	16,929	**1,373**
23	**Operational risk**	**84,414**	87,720	**6,753**
UK-23b	– standardised approach	**84,414**	87,720	**6,753**
29	**Total**	**851,743**	862,318	**68,141**
24	– *of which: Amounts below the thresholds for deduction (subject to 250% risk weight)*[4]	***43,445***	*45,295*	***3,476***

1 *'Total own funds requirement' in this table represents the minimum capital charge set at 8% of RWAs by article 92 of the Capital Requirements Regulation.*
2 *External ratings-based approach ('SEC-ERBA') includes internal assessment approach ('IAA').*
3 *Other CCR includes RWAs on securities financing transactions and free deliveries.*
4 *These balances are included in Rows 1 and 2 of the table. The prior period has been restated accordingly.*
5 *These balances include capital requirements for underlying equity exposures within CIUs calculated using the IRB simple risk-weight method.*

Credit risk, including amounts below the thresholds for deduction

Excluding a decrease due to foreign currency translation differences of $22.1bn, RWAs rose by $18.2bn.

A $11.2bn increase in RWAs due to asset size movements was mostly due to corporate loan growth across all our major regions.

Asset quality movements, including credit migration in Asia and downgrades related to exposures in Sri Lanka and Russia, led to a $1.1bn increase in RWAs.

A revised commercial property loan model in Asia was the main cause of a $1.7bn increase of RWAs through model updates.

Changes to methodology and policy led to an RWA increase of $4.1bn during the second quarter of 2022. This was mostly the result of changes in our treatment of small and medium sized enterprises, partly offset by reductions due to risk parameter refinements in Commercial Banking and Global Banking and Markets, mostly in Europe and Asia.

Counterparty credit risk

Counterparty credit risk (including settlement risk) RWAs increased by $2.0bn, largely due to higher exposures in Europe and North America.

Securitisation

Securitisation RWAs fell by $0.6bn, primarily due to asset size reduction, mostly in Europe.

Market risk

Market risk RWAs fell by $4.7bn, reflecting lower structural foreign exchange risk and reduced value at risk and stressed value at risk.

Operational risk

Operational risk RWAs decreased by $3.3bn due to foreign currency translation differences.

Reporting process improvements

Reporting process improvements led to an RWA increase of around $9bn during the second quarter of 2022 (1H22: $12bn increase). This included an $6bn rise in RWAs from data enhancements related to small and medium-sized enterprises (1H22: $8bn).

Table 8: RWA flow statements of credit risk exposures under IRB[1] (CR8)

		Quarter ended			
		30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021
		$m	$m	$m	$m
1	**RWAs at the opening period**	**516,747**	496,271	496,515	509,637
2	Asset size	**6,973**	11,875	3,186	1,928
3	Asset quality	**1,168**	(881)	(1,725)	(6,449)
4	Model updates	**1,748**	—	125	23
5	Methodology and policy	**3,438**	17,352	(1,146)	(2,783)
6	Acquisitions and disposals	**—**	(1,503)	(391)	—
7	Foreign exchange movements	**(18,228)**	(6,367)	(293)	(5,841)
9	**RWAs at the closing period**	**511,846**	516,747	496,271	496,515

1 *Securitisation positions and NCOAs are not included in this table while free deliveries are. Our comparatives have been restated to reflect this.*

Excluding foreign currency translation differences, IRB RWAs increased by $13.3bn in 2Q22. A $7.0bn RWA rise due to asset size movements included CMB and GBM lending growth across regions. A further increase of $1.2bn was due to asset quality movements, mostly in the form of unfavourable credit migration in Asia and sovereign downgrades in Sri Lanka and Russia.

Model updates increased RWAs by $1.7bn, mainly due to a revised commercial property loan model in Asia. Changes to methodology and policy led to an RWA increase of $3.4bn, largely due to data enhancements related to small and medium-sized enterprises, partly offset by reductions from risk parameter refinements.

Table 9: RWA flow statements of CCR exposures under IMM (CCR7)

		Quarter ended	
		30 Jun 2022	31 Mar 2022[1]
		$m	$m
1	**RWAs at the opening period**	**14,244**	12,626
2	Asset size	**(366)**	1,518
3	Credit quality of counterparties	**(105)**	172
4	Model updates (IMM only)	**(46)**	300
5	Methodology and policy (IMM only)	**231**	(372)
9	**RWAs at the closing period**	**13,958**	14,244

1 *31 March 2022 comparatives have been restated to exclude CVA and central counterparty RWAs in line with CRR II changes.*

IMM RWAs fell by $0.3bn in 2Q22 predominantly due to management initiatives and market volatility. This was partly offset by a $0.5bn increase due to a change in the Alpha factor from 1.4 to 1.45.

Table 10: RWA flow statements of market risk exposures under IMA (MR2-B)

		VaR	Stressed VaR	IRC	Other	Total RWAs	Total capital requirements
		$m	$m	$m	$m	$m	$m
1	**RWAs at 1 Apr 2022**	**5,139**	**6,633**	**3,469**	**1,688**	**16,929**	**1,354**
2	Movement in risk levels	**669**	**(445)**	**129**	**(126)**	**227**	**19**
8	**RWAs at 30 Jun 2022**	**5,808**	**6,188**	**3,598**	**1,562**	**17,156**	**1,373**
1	RWAs at 1 Jan 2022	5,202	9,585	3,208	1,594	19,589	1,567
2	Movement in risk levels	(63)	(2,952)	261	94	(2,660)	(213)
8	RWAs at 31 Mar 2022	5,139	6,633	3,469	1,688	16,929	1,354
1	RWAs at 1 Oct 2021	4,952	10,960	4,297	1,441	21,650	1,732
2	Movement in risk levels	250	(1,375)	(1,089)	153	(2,061)	(165)
8	RWAs at 31 Dec 2021	5,202	9,585	3,208	1,594	19,589.0	1,567
1	RWAs at 1 Jul 2021	5,101	8,380	3,641	1,615	18,737	1,499
2	Movement in risk levels	(149)	2,580	656	(174)	2,913	233
8	RWAs at 30 Sep 2021	4,952	10,960	4,297	1,441	21,650	1,732

RWAs under IMA increased by $0.2bn in 2Q22, reflecting a $0.7bn increase in value at risk largely due to higher volatility. This is partly offset by lower stressed value at risk.

Minimum requirement for own funds and eligible liabilities

A requirement for total loss absorbing capacity ('TLAC') in line with the final standards adopted by the Financial Stability Board was implemented via CRR II in June 2019. This includes a minimum requirement for own funds and eligible liabilities ('MREL').

MREL includes own funds and liabilities that can be written down or converted into capital resources in order to absorb losses or recapitalise a bank in the event of its failure. The framework is complemented with disclosure requirements and these disclosures are based on the formats provided in the Basel Committee Standards for Pillar 3 disclosures requirements.

HSBC's preferred resolution strategy is a multiple point of entry ('MPE') bail-in, as determined by the BoE in co-ordination with HSBC's other regulators and members of HSBC's Global Crisis Management Group. This strategy provides flexibility for HSBC to be resolved: (i) through a bail-in at the HSBC Holdings level, which facilitates recapitalisation of operating bank subsidiaries in the Group (as required) through the write-down or conversion to equity of TLAC/MREL issued on an intra-group basis, while restructuring actions are undertaken, with the Group remaining together; and/or (ii) at a resolution group level pursuant to the application of statutory resolution powers by host resolution authorities locally.

HSBC considers that the first option is the optimal strategy to deliver the most effective resolution outcome for its stakeholders, as it should help reduce the risk of disrupting the continuity of critical functions, including cross-border, wholesale services to clients between resolution groups and across the HSBC network, avoid the destruction of value associated with a disorderly and/or sudden break-up of our global business lines, and minimise the risk to public funds.

HSBC issues loss absorbing instruments to external investors from HSBC Holdings in order to ensure loss absorbing capacity is available to support the objectives of a resolution, were such an event to occur. In the event of a resolution of the Group, it is anticipated that the BoE will apply statutory powers to write down or convert to equity the TLAC/MREL issued externally by HSBC Holdings. This would enable operating bank subsidiaries of the Group to be recapitalised, as needed, to support the resolution objectives and maintain the provision of critical functions globally. Recapitalisation of operating bank subsidiaries would be achieved through the write-down, or conversion to equity, of internally issued TLAC/MREL as required. This approach to recapitalising operating bank subsidiaries would aim to allow the Group to stay together in order to help ensure an effective stabilisation of the Group as a whole and the continuity of critical functions, while also facilitating an orderly restructuring process, as needed, to address the cause of failure.

It is anticipated that any resolution of HSBC as a group would be coordinated by the BoE and the PRA as HSBC's home resolution authority and prudential regulator, respectively. HSBC expects that the BoE would coordinate closely with the Group's host resolution authorities outside the UK in the run-up to resolution and would seek to apply our resolution strategy pre-emptively to recapitalise operating bank subsidiaries as needed.

Given the Group's corporate structure, HSBC is overseen by various regulators and resolution authorities. Host resolution authorities outside the UK could also use their statutory resolution powers in respect of the resolution groups for which they are responsible. This may occur, for example, in the event that host resolution authorities felt that holding the Group together may no longer achieve their resolution objectives. The application of these local statutory resolution powers may or may not result in such resolution groups ceasing to be part of the Group, depending on the resolution strategy adopted by the relevant host resolution authority. HSBC's operating bank subsidiaries that are not part of the three resolution groups would be subject to relevant statutory proceedings independently of the rest of the Group, if the conditions to initiating such proceedings were met.

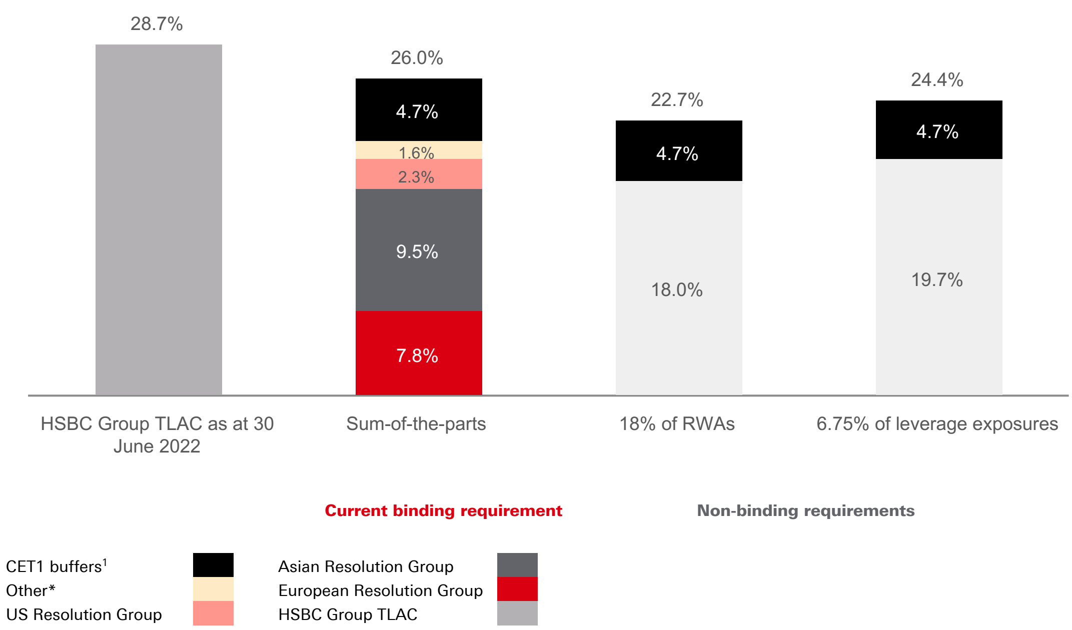
In line with the existing structure and business model, HSBC has three resolution groups – the European resolution group, the Asian resolution group and the US resolution group. There are some smaller entities that fall outside of these resolution groups. The table below lists the resolution groups, the related resolution entities and their material subsidiaries subject to TLAC requirements.

The external MREL requirement applicable in 2022 is the highest of:

- 18% of the Group's consolidated RWAs;
- 6.75% of the Group's consolidated leverage exposure; or
- the sum of all loss absorbing capital ('LAC') requirements and other capital requirements relating to other Group entities or sub-groups.

In its updated MREL Statement of Policy in December 2021, the BoE confirmed that from 1 January 2022 non-CET1 own funds instruments issued to external holders would be only eligible as external or internal MREL if they were issued by a resolution entity. Therefore, since 1 January 2022, non-CET1 own funds instruments issued externally by HSBC Bank plc, HSBC Bank USA NA, The Hongkong and Shanghai Banking Corporation Limited, HSBC Trinkaus and Burkhardt AG, and HSBC Continental Europe SA no longer qualify as external MREL for the Group (or, as applicable, as internal MREL for HSBC Bank plc). This change does not affect the eligibility of such instruments as own funds instruments for other purposes. Further details of our approach to capital management can be found in 'Treasury risk management' on page 89 of the *Interim Report 2022.*

MREL / TLAC position versus requirements as a % of Group RWAs



* *Capital or TLAC requirements relating to other Group entities*

1 *Group CET1 buffers are shown in addition to the MREL requirements. The buffers shown in addition to the RWA, leverage and sum-of-the-parts ('SOTP') TLAC/MREL requirement are calculated in accordance with the PRA Supervisory statement 16/16 updated in December 2020.*

The current binding requirement for the Group is the sum-of-the-parts requirement which is made up of the sum of each resolution group's local regulatory requirements and other group entities' local capital requirements. Including capital buffers this requirement is equivalent to 26.0% of RWA as at 30 June 2022 for which we have a buffer of $23bn.

Resolution group	Resolution entity	Material entity/sub-group
European resolution group	HSBC Holdings plc	HSBC Bank plc
		HSBC UK Bank plc
		HSBC Continental Europe
Asian resolution group	HSBC Asia Holdings Limited	The Hongkong and Shanghai Banking Corporation Limited
		Hang Seng Bank Limited
US resolution group	HSBC North America Holdings Inc	N/A

The tables below summarise the key metrics for the Group's three resolution groups.

Table 11.i: Key metrics of the European resolution group[1] (KM2)

		At				
		30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
1	Total loss absorbing capacity ('TLAC') available ($bn)	**87.9**	99.7	107.7	100.0	98.2
1a	Fully loaded ECL accounting model TLAC available ($bn)	**87.8**	99.6	107.6	99.9	98.2
2	Total RWA at the level of the resolution group ($bn)	**272.0**	281.9	270.7	282.7	286.9
3	TLAC as a percentage of RWA (row1/row2) (%)	**32.3**	35.4	39.8	35.4	34.2
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	**32.3**	35.3	39.8	35.3	34.2
4	Leverage exposure measure at the level of the resolution group ($bn)[2]	**909.2**	943.5	1,277.6	1,288.5	1,293.6
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)[2]	**9.7**	10.6	8.4	7.8	7.6
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model Leverage exposure measure (%)[2]	**9.7**	10.5	8.4	7.8	7.6
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	**No**	No	No	No	No
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	**No**	No	No	No	No
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external TLAC if no cap was applied (%)	**N/A**	N/A	N/A	N/A	N/A

Footnotes can be found at the end of table 11.

Table 11.ii: Key metrics of the Asian resolution group[3] (KM2)

		At				
		30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
1	Total loss absorbing capacity ('TLAC') available ($bn)	**103.0**	96.6	101.9	103.0	102.1
1a	Fully loaded ECL accounting model TLAC available ($bn)	**103.0**	96.6	101.9	103.0	102.1
2	Total RWA at the level of the resolution group ($bn)	**414.5**	409.5	404.8	394.0	401.5
3	TLAC as a percentage of RWA (row1/row2) (%)	**24.9**	23.6	25.2	26.2	25.4
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	**24.9**	23.6	25.2	26.2	25.4
4	Leverage exposure measure at the level of the resolution group ($bn)	**1,200.0**	1,207.5	1,177.8	1,174.6	1,166.7
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	**8.6**	8.0	8.7	8.8	8.8
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model Leverage exposure measure (%)	**8.6**	8.0	8.7	8.8	8.8
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	**No**	No	No	No	No
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	**No**	No	No	No	No
6c	If the capped subordination exemption applies, the amount of funding issued that ranks *pari passu* with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks *pari passu* with excluded liabilities and that would be recognised as external TLAC if no cap was applied (%)	**N/A**	N/A	N/A	N/A	N/A

Footnotes can be found at the end of table 11.

Table 11.iii: Key metrics of the US resolution group[4] (KM2)

		At				
		30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
1	Total loss absorbing capacity ('TLAC') available ($bn)	**26.4**	26.6	26.2	27.9	28.8
1a	Fully loaded ECL accounting model TLAC available ($bn)	**26.4**	26.6	26.2	27.9	28.8
2	Total RWA at the level of the resolution group ($bn)[4]	**110.4**	109.5	107.1	109.0	109.7
3	TLAC as a percentage of RWA (row1/row2) (%)[4]	**23.9**	24.3	24.5	25.6	26.2
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	**23.9**	24.3	24.5	25.6	26.2
4	Leverage exposure measure at the level of the resolution group ($bn)[5]	**221.0**	232.1	314.6	318.6	314.6
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)[5]	**11.9**	11.5	8.3	8.7	9.1
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model Leverage exposure measure (%)[5]	**11.9**	11.5	8.3	8.7	9.1
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	**No**	No	No	No	No
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	**No**	No	No	No	No
6c	If the capped subordination exemption applies, the amount of funding issued that ranks *pari passu* with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks *pari passu* with excluded liabilities and that would be recognised as external TLAC if no cap was applied (%)	**N/A**	N/A	N/A	N/A	N/A

1 *The European resolution group reports in accordance with the applicable provisions of the Capital Requirements Regulation as amended by CRR II. Unless otherwise stated, all figures are calculated using the EU's regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation.*

2 *The leverage exposure is calculated in line with the UK leverage rules that were implemented on 1 January 2022, and excludes central bank claims. Comparatives for 2021 are reported based on the disclosure rules in force at that time, and include claims on central banks.*

3 *Reporting for the Asian resolution group follows the Hong Kong Monetary Authority regulatory rules. For the Asian resolution group, there are no IFRS 9 transitional arrangements.*

4 *The US accounting standard corresponding to IFRS 9 is in force with transitional adjustments. Prior leverage exposure and ratios are calculated under the US supplementary leverage ratio rules with Covid-19 relief (excluding US Treasury securities and deposits at the US Federal Reserve Board).*

5 *For the US resolution group, Leverage exposure and ratio for current year are based on 'total assets for the leverage ratio' as reported in the regulatory capital calculations. This is a change based on the US resolution group's new Category IV designation under US tailoring rules. Leverage exposures and ratios for 2021 are calculated under the US supplementary leverage ratio rules with Covid-19 relief (reducing on-balance sheet assets by US treasury securities and deposits at the US Federal Reserve Board.*

As the Bank of England framework includes requirements set on the basis of the Group consolidated position, we present data for both the consolidated Group and the resolution groups in the table below.

The difference between Group CET1 and the aggregate of resolution groups' CET1 is driven by entities that fall outside of the resolution groups and by differences in regulatory frameworks.

Table 12: TLAC composition (TLAC1)

		At 30 Jun 2022				At 31 Dec 2021			
			Resolution group				Resolution group		
		Group[1]	**European[1]**	**Asian[3]**	**US[4]**	Group[1]	European[1]	Asian[3]	US[4]
	Regulatory capital elements of TLAC and adjustments ($bn)								
	Common equity tier 1 capital before adjustments	**115.8**	**111.8**	**59.5**	**15.5**	132.6	118.9	62.2	15.1
	Deduction of CET1 exposures between MPE resolution groups and other group entities	**—**	**102.0**	**—**	**—**	—	101.8	—	—
1	Common equity tier 1 capital ('CET1')	**115.8**	**9.8**	**59.5**	**15.5**	132.6	17.1	62.2	15.1
2	Additional tier 1 capital ('AT1') before TLAC adjustments	**21.7**	**21.6**	**6.9**	**1.8**	23.7	23.4	5.9	1.8
4	Other adjustments	**—**	**8.0**	**—**	**—**	—	6.3	—	—
5	AT1 instruments eligible under the TLAC framework (row 2 minus row 3 minus row 4)	**21.7**	**13.6**	**6.9**	**1.8**	23.7	17.1	5.9	1.8
6	Tier 2 capital ('T2') before TLAC adjustments	**21.0**	**21.9**	**7.9**	**3.3**	21.5	22.5	7.6	3.2
7	Amortised portion of T2 instruments where remaining maturity >1 year	**3.0**	**3.0**	**—**	**—**	2.5	2.5	—	—
8	T2 capital ineligible as TLAC as issued out of subsidiaries to third parties	**3.4**	**3.9**	**—**	**—**	—	—	0.4	—
9	Other adjustments	**—**	**7.0**	**—**	**2.3**	—	6.6	—	2.2
10	T2 instruments eligible under the TLAC framework (row 6 plus row 7 minus row 8 minus row 9)	**20.6**	**14.0**	**7.9**	**1.0**	24.0	18.4	7.2	1.0
11	TLAC arising from regulatory capital	**158.1**	**37.4**	**74.3**	**18.4**	180.3	52.6	75.3	18.0
	Non-regulatory capital elements of TLAC ($bn)								
12	External TLAC instruments issued directly by the bank and subordinated to excluded liabilities	**86.7**	**50.5**	**28.7**	**8.0**	90.5	55.1	26.6	8.3
17	TLAC arising from non-regulatory capital instruments before adjustments	**86.7**	**50.5**	**28.7**	**8.0**	90.5	55.1	26.6	8.3
	Non-regulatory capital elements of TLAC: adjustments ($bn)								
18	TLAC before deductions	**244.8**	**87.9**	**103.0**	**26.4**	270.8	107.7	101.9	26.2
20	Deduction of investments in own other TLAC liabilities	**—**	**—**	**—**	**—**	—	—	—	—
22	TLAC after deductions (row 18 minus row 19 minus row 20 minus row 21)	**244.8**	**87.9**	**103.0**	**26.4**	270.8	107.7	101.9	26.2
	Risk-weighted assets and leverage exposure measure for TLAC purposes ($bn)								
23	Total risk-weighted assets[5]	**851.7**	**272.0**	**414.5**	**110.4**	838.3	270.7	404.8	107.1
24	Leverage exposure measure[2,5]	**2,484.2**	**909.2**	**1,200.0**	**221.0**	2,962.7	1,277.6	1,177.8	314.6
	TLAC ratios and buffers (%)								
25	TLAC (as a percentage of risk-weighted assets)	**28.7**	**32.3**	**24.9**	**23.9**	32.3	39.8	25.2	24.5
26	TLAC (as a percentage of leverage exposure)	**9.9**	**9.7**	**8.6**	**11.9**	9.1	8.4	8.7	8.3
27	CET1 (as a percentage of risk-weighted assets) available after meeting the resolution group's minimum capital and TLAC requirements[4]	**7.5**	**N/A**	**N/A**	**5.9**	9.8	N/A	N/A	6.5
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	**4.7**	**N/A**	**N/A**	**2.5**	4.7	N/A	N/A	2.5
29	– *of which:* *capital conservation buffer requirement*	***2.5***	***N/A***	***N/A***	***2.5***	*2.5*	*N/A*	*N/A*	*2.5*
30	*bank-specific countercyclical buffer requirement*	***0.2***	***N/A***	***N/A***	***N/A***	*0.2*	*N/A*	*N/A*	*N/A*
31	*higher loss absorbency (G-SIB) requirement*	***2.0***	***N/A***	***N/A***	***N/A***	*2.0*	*N/A*	*N/A*	*N/A*

1 *The European resolution group reports in accordance with the applicable provisions of the Capital Requirements Regulation as amended by CRR II. Unless otherwise stated, all figures are calculated using the EU's regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation.*

2 *The leverage exposure is calculated in line with the UK leverage rules that were implemented on 1 January 2022, and excludes central bank claims. Comparatives for 2021 are reported based on the disclosure rules in force at that time, and include claims on central banks.*

3 *Reporting for the Asian resolution group follows the Hong Kong Monetary Authority regulatory rules. For the Asian resolution group, there are no IFRS 9 transitional arrangements.*

4 *The US accounting standard corresponding to IFRS 9 is in force with transitional adjustments.Prior leverage exposure and ratios are calculated under the US supplementary leverage ratio rules with Covid-19 relief (excluding US Treasury securities and deposits at the US Federal Reserve Board).*

5 *For the US resolution group, Leverage exposure and ratio for current year are based on 'total assets for the leverage ratio' as reported in the regulatory capital calculations. This is a change based on US resolution group's new Category IV designation under US tailoring rules. Leverage exposures and ratios for 2021 are calculated under the US supplementary leverage ratio rules with Covid-19 relief (reducing on-balance sheet assets by US treasury securities and deposits at the US Federal Reserve Board).*

6 *For the Group, minimum capital requirement is defined as the sum of Pillar 1 and Pillar 2A capital requirements set by the PRA. The minimum requirements represent the total capital requirement to be met by CET1.*

Creditor ranking at legal entity level

The following tables present information regarding the ranking of creditors in the liability structure of legal entities at 30 June 2022. The tables present the ranking of creditors of HSBC Holdings plc, its resolution entities, and their material sub-group entities. Nominal values are disclosed.

The main features of capital instruments disclosure for the Group, Asia and US resolution groups is published on our website at www.hsbc.com/investors/fixed-income-investors/regulatory-capital-securities.

European resolution group

The European resolution group comprises HSBC Holdings plc, the designated resolution entity, together with its material operating entities – namely HSBC Bank plc and its subsidiaries, and HSBC UK Bank plc and its subsidiaries.

The following tables present information regarding the ranking of creditors of HSBC Holdings plc, HSBC Bank plc and HSBC UK Bank plc.

Table 13: HSBC Holdings plc creditor ranking (TLAC3)

		Creditor ranking ($m)				Sum of 1 to 4
		1 (most junior)	2	3	4 (most senior)	
1	Description of creditor ranking	Ordinary shares[1]	Preference shares, AT1 instruments and certain Subordinated Notes	Subordinated notes	Senior notes and other pari passu liabilities	
2	Total capital and liabilities net of credit risk mitigation	10,188	21,914	22,051	93,125	147,278
3	– of row 2 that are excluded liabilities[2]	—	—	—	421	421
4	Total capital and liabilities less excluded liabilities (row 2 minus row 3)[3]	10,188	21,914	22,051	92,704	146,857
5	– of row 4 that are potentially eligible as TLAC[3]	10,188	21,014	22,051	89,321	142,574
6	– of row 5 with 1 year ≤ residual maturity < 2 years	—	—	2,000	9,254	11,254
7	– of row 5 with 2 years ≤ residual maturity < 5 years	—	—	4,564	41,197	45,761
8	– of row 5 with 5 years ≤ residual maturity < 10 years	—	—	3,758	33,761	37,519
9	– of row 5 with residual maturity ≥ 10 years, but excluding perpetual securities	—	—	11,729	5,109	16,838
10	– of row 5 that are perpetual securities	10,188	21,014	—	—	31,202

1 Excludes the value of share premium and reserves attributable to ordinary shareholders.
2 Excluded liabilities are defined in CRR II Article 72a (2). The current balance mainly relates to accruals for retirement benefits and service company recharges.
3 The difference between rows 4 and 5 relates to TLAC eligible securities of $2,000m which are maturing within one year, pari passu *liabilities of $1,383m and the ineligible internal subordinated notes issued to HSBC Capital Funding (Dollar 1) LP of $900m.*

Table 14: HSBC UK Bank plc creditor ranking (TLAC2)

		Creditor ranking ($m)				Sum of 1 to 4
		1 (most junior)	2	3	4 (most senior)	
1	Is the resolution entity the creditor/investor?[1]	Yes	Yes	Yes	Yes	
2	Description of creditor ranking	Ordinary shares[2]	AT1 instruments	Subordinated loans	Senior subordinated loans	
3	Total capital and liabilities net of credit risk mitigation	—	2,671	3,734	11,908	18,313
4	– of row 3 that are excluded liabilities	—	—	—	—	—
5	Total capital and liabilities less excluded liabilities (row 3 minus row 4)	—	2,671	3,734	11,908	18,313
6	– of row 5 that are eligible as TLAC	—	2,671	3,734	11,908	18,313
7	– of row 6 with 1 year ≤ residual maturity < 2 years	—	—	—	—	—
8	– of row 6 with 2 years ≤ residual maturity < 5 years	—	—	—	4,346	4,346
9	– of row 6 with 5 years ≤ residual maturity < 10 years	—	—	2,943	7,562	10,505
10	– of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	—	—	791	—	791
11	– of row 6 that are perpetual securities	—	2,671	—	—	2,671

1 The entity's capital and TLAC are owned by HSBC Holdings plc.
2 The nominal value of ordinary shares is £50,002. This excludes the value of share premium and reserves attributable to ordinary shareholders.

Table 15: HSBC Bank plc creditor ranking (TLAC2)

		Creditor ranking ($m)				Sum of 1 to 4
		1 (most junior)	2	3	4 (most senior)	
1	Is the resolution entity the creditor/investor?[1]	Yes	Yes	No	Partially	
2	Description of creditor ranking	Ordinary shares[2]	Third dollar preference shares and AT1 instruments	Undated primary capital notes	Subordinated notes and subordinated loans	
3	Total capital and liabilities net of credit risk mitigation	970	5,076	1,550	18,122	25,718
4	– of row 3 that are excluded liabilities	–	–	–	–	–
5	Total capital and liabilities less excluded liabilities (row 3 minus row 4)[3]	970	5,076	1,550	18,122	25,718
6	– of row 5 that are eligible as TLAC	970	5,076	–	14,568	20,614
7	– of row 6 with 1 year ≤ residual maturity < 2 years	–	–	–	1,563	1,563
8	– of row 6 with 2 years ≤ residual maturity < 5 years	–	–	–	2,626	2,626
9	– of row 6 with 5 years ≤ residual maturity < 10 years	–	–	–	9,279	9,279
10	– of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–	1,100	1,100
11	– of row 6 that are perpetual securities	970	5,076	–	–	6,046

1 *The entity's ordinary shares are owned by HSBC Holdings plc.*
2 *Excludes the value of share premium and reserves attributable to ordinary shareholders.*
3 *The difference between row 5 and 6 relates to externally issued non-CET1 own funds. From 1 January 2022, in line with the Bank of England Statement of Policy on MREL (December 2021), non-CET1 own fund instruments issued externally by HSBC Bank plc and its subsidiaries no longer count towards MREL for HSBC Bank plc.*

Asian resolution group

The Asian resolution group comprises HSBC Asia Holdings Ltd, The Hongkong and Shanghai Banking Corporation Limited, Hang Seng Bank Limited and their subsidiaries. HSBC Asia Holdings Ltd is the designated resolution entity. The following table presents information regarding the ranking of creditors of HSBC Asia Holdings Limited.

Table 16: HSBC Asia Holdings Ltd creditor ranking[1] (TLAC3)

		Creditor ranking ($m)				Sum of 1 to 4
		1 (most junior)	2	3	4 (most senior)	
1	Description of creditor ranking	Ordinary shares[2]	AT1 instruments	Tier 2 instruments	LAC loans	
2	Total capital and liabilities net of credit risk mitigation	57,587	6,700	2,427	30,078	96,792
3	– of row 2 that are excluded liabilities	–	–	–	–	–
4	Total capital and liabilities less excluded liabilities (row 2 minus row 3)	57,587	6,700	2,427	30,078	96,792
5	– of row 4 that are potentially eligible as TLAC	57,587	6,700	2,427	30,078	96,792
6	– of row 5 with 1 year ≤ residual maturity < 2 years	–	–	–	5,439	5,439
7	– of row 5 with 2 years ≤ residual maturity < 5 years	–	–	–	10,357	10,357
8	– of row 5 with 5 years ≤ residual maturity < 10 years	–	–	2,427	11,867	14,294
9	– of row 5 with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–	2,415	2,415
10	– of row 5 that are perpetual securities	57,587	6,700	–	–	64,287

1 *The entity's capital and TLAC are held by HSBC Holdings plc.*
2 *Excludes the value of share premium and reserves attributable to ordinary shareholders.*

Within the Asian resolution group, the identified material sub-group entities are The Hongkong and Shanghai Banking Corporation Ltd and Hang Seng Bank Ltd.

The following tables present the make-up of their issued MREL and its ranking on a legal entity basis.

Table 17: The Hongkong and Shanghai Banking Corporation Ltd creditor ranking (TLAC2)

		Creditor ranking ($m)					Sum of 1 to 5
		1 (most junior)	2	3	4	5 (most senior)	
1	Is the resolution entity the creditor/investor?	Yes	Yes	No[1]	Yes	Yes	
2	Description of creditor ranking	Ordinary shares[2]	AT1 instruments	Primary capital notes	Tier 2 instruments	LAC loans	
3	Total capital and liabilities net of credit risk mitigation	22,963	6,700	400	2,427	30,078	62,568
4	– of row 3 that are excluded liabilities	–	–	–	–	–	–
5	Total capital and liabilities less excluded liabilities (row 3 minus row 4)	22,963	6,700	400	2,427	30,078	62,568
6	– of row 5 that are eligible as TLAC	22,963	6,700	–	2,427	30,078	62,168
7	– of row 6 with 1 year ≤ residual maturity < 2 years	–	–	–	–	5,439	5,439
8	– of row 6 with 2 years ≤ residual maturity < 5 years	–	–	–	–	10,357	10,357
9	– of row 6 with 5 years ≤ residual maturity < 10 years	–	–	–	2,427	11,867	14,294
10	– of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–	–	2,415	2,415
11	– of row 6 that are perpetual securities	22,963	6,700	–	–	–	29,663

1 *The company's primary capital notes are held by third parties.*
2 *Excludes the value of share premium and reserves attributable to ordinary shareholders.*

Table 18: Hang Seng Bank Ltd creditor ranking (TLAC2)

		Creditor ranking ($m)			Sum of 1 to 3
		1 (most junior)	2	3 (most senior)	
1	Is the resolution entity the creditor/investor?[1]	No	No	No	
2	Description of creditor ranking	Ordinary shares [2]	AT1 instruments	LAC loans	
3	Total capital and liabilities net of credit risk mitigation	1,231	1,500	3,507	6,238
4	– of row 3 that are excluded liabilities	—	—	—	—
5	Total capital and liabilities less excluded liabilities (row 3 minus row 4)	1,231	1,500	3,507	6,238
6	– of row 5 that are eligible as TLAC	1,231	1,500	3,507	6,238
7	– of row 6 with 1 year ≤ residual maturity < 2 years	—	—	—	—
8	– of row 6 with 2 years ≤ residual maturity < 5 years	—	—	795	795
9	– of row 6 with 5 years ≤ residual maturity < 10 years	—	—	2,712	2,712
10	– of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—
11	– of row 6 that are perpetual securities	1,231	1,500	—	2,731

1 A total of 62.14% of Hang Seng Bank Limited's ordinary share capital is owned by The Hongkong and Shanghai Banking Corporation Limited. Hang Seng Bank Limited's other TLAC eligible securities are directly held by The Hongkong and Shanghai Banking Corporation Limited.
2 Excludes the value of reserves attributable to ordinary shareholders.

US resolution group

The US resolution group comprises HSBC North America Holdings Inc. and its subsidiaries. HSBC North America Holdings Inc. is the designated resolution entity.

The following table presents information regarding the ranking of creditors of HSBC North America Holdings Inc.

Table 19: HSBC North America Holdings Inc. creditor ranking[1] (TLAC3)

		Creditor ranking ($m)				Sum of 1 to 4
		1 (most junior)	2	3	4 (most senior)	
1	Description of creditor ranking	Common stock[2]	Preferred stock	Subordinated loans	Senior unsecured loans and other pari passu liabilities	
2	Total capital and liabilities net of credit risk mitigation	—	1,840	1,000	9,612	12,452
3	– of 2 that are excluded liabilities[3]	—	—	—	250	250
4	Total capital and liabilities less excluded liabilities (row 2 minus row 3)	—	1,840	1,000	9,362	12,202
5	– of row 4 that are potentially eligible as TLAC	—	1,840	1,000	8,000	10,840
6	– of row 5 with 1 year ≤ residual maturity < 2 years	—	—	—	—	—
7	– of row 5 with 2 years ≤ residual maturity < 5 years	—	—	—	2,000	2,000
8	– of row 5 with 5 years ≤ residual maturity < 10 years	—	—	1,000	6,000	7,000
9	– of row 5 with residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—
10	– of row 5 that are perpetual securities	—	1,840	—	—	1,840

1 The entity's capital and TLAC are held by HSBC Overseas Holdings (UK) Limited.
2 The nominal value of common stock is $2. This excludes the value of share premium and reserves attributable to ordinary shareholders.
3 Excluded liabilities consist of 'unrelated liabilities' as defined in the Final US TLAC rules. These mainly represent accrued employee benefit obligations.

Credit risk

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

During 1H2022, for our retail portfolios we adopted the EBA 'Guidelines on the application of definition of default' in line with the PRA's policy statement 'Credit Risk: the definition of default'. This did not have a material impact on our retail portfolios. For wholesale lending this was undertaken during 2021.

There have been no other material changes to our policies and practices, which are described in the *Pillar 3 Disclosures at 31 December 2021*.

Further details of our approach to credit risk may be found in 'Credit Risk' on page 63 of the Interim Report 2022.

Credit quality of assets

Our credit risk profile is diversified across a number of asset classes and geographies with a credit quality profile concentrated in the higher quality bands.

The following table provides information on the gross carrying amount of exposures and related impairment with further details of the IFRS 9 stage, accumulated partial write off and collateral. The IFRS 9 stages have the following characteristics:

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

Credit-impaired (stage 3) exposures are disclosed on pages 163 and 177 of the Annual Report and Accounts 2021 *and page 65 of the* Interim Report 2022.

Table 20: Performing and non-performing exposures and related provisions (CR1)

		Gross carrying amount/ nominal amount[1,2]						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures			Non-performing exposures			Accumulated partial write-off	On performing exposures	On non-performing exposures
			of which: stage 1	*of which: stage 2*		*of which: stage 2*	*of which: stage 3*		*of which: stage 1*	*of which: stage 2*		*of which: stage 2*	*of which: stage 3*			
		$bn	*$bn*	*$bn*	$bn	*$bn*	*$bn*	$bn	*$bn*	*$bn*	$bn	*$bn*	*$bn*	$bn	$bn	$bn
005	Cash balances at central banks and other demand deposits	407.8	*406.7*	*1.1*	0.1	—	*0.1*	—	—	—	—	—	—		—	—
010	**Loans and advances**	1,395.3	*1,258.5*	*132.8*	19.9	—	*19.9*	(4.5)	*(1.2)*	*(3.3)*	(6.9)	—	*(6.9)*	(0.9)	972.6	9.0
020	Central banks	34.4	*33.9*	*0.5*	—	—	—	—	—	—	—	—	—	—	13.9	—
030	General governments	10.8	*10.2*	*0.5*	0.2	—	*0.2*	—	—	—	—	—	—	—	1.5	0.2
040	Credit institutions	133.8	*133.6*	*0.1*	—	—	—	—	—	—	—	—	—	—	92.5	—
050	Other financial corporations	247.3	*239.2*	*4.6*	0.4	—	*0.4*	(0.1)	—	*(0.1)*	(0.1)	—	*(0.1)*	—	162.8	0.1
060	Non-financial corporations	504.5	*405.3*	*98.9*	15.2	—	*15.2*	(2.4)	*(0.6)*	*(1.8)*	(5.8)	—	*(5.8)*	(0.7)	287.6	6.4
070	– *of which: SMEs*[4]	*46.7*	39.8	6.9	*1.5*	—	1.5	*(0.3)*	(0.1)	(0.2)	*(0.4)*	—	(0.4)	—	*37.4*	*1.0*
080	Households	464.5	*436.3*	*28.2*	4.1	—	*4.1*	(2.0)	*(0.6)*	*(1.4)*	(1.0)	—	*(1.0)*	(0.2)	414.3	2.3
090	**Debt securities**	361.7	*358.0*	*2.3*	—	—	—	(0.1)	—	*(0.1)*	—	—	—	—	31.3	—
100	Central banks	28.7	*27.2*	*1.5*	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	286.7	*285.6*	*0.4*	—	—	—	—	—	—	—	—	—	—	29.2	—
120	Credit institutions	27.7	*27.6*	*0.1*	—	—	—	—	—	—	—	—	—	—	2.0	—
130	Other financial corporations	15.5	*15.0*	*0.3*	—	—	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	3.1	*2.6*	—	—	—	—	(0.1)	—	*(0.1)*	—	—	—	—	0.1	—
150	**Off-balance-sheet exposures**	938.8	*633.2*	*26.6*	2.1	—	*1.5*	(0.4)	*(0.1)*	*(0.2)*	(0.2)	—	*(0.1)*		116.3	0.4
160	Central banks	1.0	*1.0*	—	—	—	—	—	—	—	—	—	—		—	—
170	General governments	5.2	*3.5*	*0.1*	—	—	—	—	—	—	—	—	—		—	—
180	Credit institutions	15.9	*10.5*	*0.2*	—	—	—	—	—	—	—	—	—		0.3	—
190	Other financial corporations	145.7	*125.5*	*1.9*	—	—	—	—	—	—	—	—	—		17.8	—
200	Non-financial corporations	532.7	*256.1*	*22.9*	1.9	—	*1.3*	(0.4)	*(0.1)*	*(0.2)*	(0.2)	—	*(0.1)*		53.2	0.4
210	Households	238.3	*236.6*	*1.5*	0.2	—	*0.2*	—	—	—	—	—	—		45.0	—
220	**Total at 30 Jun 2022**	3,103.6	*2,656.4*	*162.8*	22.1	—	*21.5*	(5.0)	*(1.3)*	*(3.6)*	(7.1)	—	*(7.0)*	(0.9)	1,120.2	9.4

Table 20: Performing and non-performing exposures and related provisions (CR1) (continued)

		Gross carrying amount/ nominal amount[1,2,3]						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures			Non-performing			Accu-mulated partial write-off	On perfor-ming expo-sures	On non-perfo-rming expo-sures
			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
		$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn
010	Loans and advances	1,810.9	1,679.3	126.5	19.9	—	19.9	(4.8)	(1.4)	(3.4)	(7.2)	—	(7.2)	(0.9)	987.9	8.6
020	Central banks	458.3	455.7	2.6	—	—	—	—	—	—	—	—	—	—	19.3	—
030	General governments	9.3	8.2	1.1	—	—	—	—	—	—	—	—	—	—	3.1	—
040	Credit institutions	140.2	140.0	0.1	—	—	—	—	—	—	—	—	—	—	90.7	—
050	Other financial corporations	216.4	207.8	4.0	0.4	—	0.4	(0.1)	(0.1)	—	—	—	—	—	153.8	—
060	Non-financial corporations	510.0	407.6	102.1	14.4	—	14.4	(2.8)	(0.7)	(2.1)	(5.9)	—	(5.9)	(0.6)	296.5	5.7
070	– of which: SMEs	59.0	48.5	10.5	0.9	—	0.9	(0.4)	(0.1)	(0.3)	(0.3)	—	(0.3)	—	48.7	0.6
080	Households	476.7	460.0	16.6	5.1	—	5.1	(1.9)	(0.6)	(1.3)	(1.3)	—	(1.3)	(0.3)	424.5	2.9
090	Debt securities	378.5	375.0	1.9	—	—	—	(0.1)	(0.1)	—	—	—	—	—	30.5	—
100	Central banks	33.4	32.7	0.7	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	274.1	273.1	0.3	—	—	—	(0.1)	(0.1)	—	—	—	—	—	6.4	—
120	Credit institutions	32.3	31.7	0.6	—	—	—	—	—	—	—	—	—	—	5.3	—
130	Other financial corporations	35.9	35.3	0.3	—	—	—	—	—	—	—	—	—	—	18.8	—
140	Non-financial corporations	2.8	2.2	—	—	—	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	750.5	628.8	35.8	1.8	—	1.3	(0.5)	(0.2)	(0.2)	(0.2)	—	(0.1)		94.8	0.1
160	Central banks	—	—	—	—	—	—	—	—	—	—	—	—		—	—
170	General governments	3.2	2.3	0.1	—	—	—	—	—	—	—	—	—		—	—
180	Credit institutions	12.5	7.4	0.4	—	—	—	—	—	—	—	—	—		—	—
190	Other financial corporations	106.7	102.1	2.4	—	—	—	—	—	—	—	—	—		5.2	—
200	Non-financial corporations	387.4	278.1	31.1	1.6	—	1.1	(0.4)	(0.1)	(0.2)	(0.2)	—	(0.1)		39.7	0.1
210	Households	240.7	238.9	1.8	0.2	—	0.2	(0.1)	(0.1)	—	—	—	—		49.9	—
220	Total at 31 Dec 2021	2,939.9	2,683.1	164.2	21.7	—	21.2	(5.4)	(1.7)	(3.6)	(7.4)	—	(7.3)	(0.9)	1,113.2	8.7

1 Includes reverse repos and settlement accounts.
2 The staging analysis is non-additive as totals contain instruments not eligible for staging, such as those held at fair value through profit and loss.
3 The counterparty sector classifications of this disclosure have been revised. 31 December 2021 data has been restated to be on a consistent basis with the current period.
4 Reporting process improvements resulted in a reduction in RWA benefits taken on SMEs. The impact of these changes is reflected in the reported RWAs but not yet in the classification of the exposures as SMEs.

Table 21: Maturity of exposures (CR1-A)

		Net exposure value[1]					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
		$m	$m	$m	$m	$m	$m
1	Loans and advances	238,242	942,375	534,176	478,558	—	2,193,351
2	Debt securities	—	165,647	129,273	68,390	—	363,310
3	**Total**	238,242	1,108,022	663,449	546,948	—	2,556,661

Includes on- balance sheet reverse repos and excludes assets held for sale, cash balances with central banks and other demand deposits, securitisation positions and settlement accounts.

Non-performing and forborne exposures

Tables 22 to 25 are presented in accordance with the EBA's 'Guidelines on disclosure of non-performing and forborne exposures'. For our wholesale portfolios, we adopted the EBA 'Guidelines on the application of definition of default' in 2021 and, for our retail portfolios, these guidelines were adopted during H1 2022. Adoption of these guidelines did not have a material impact on our portfolios and comparative disclosures have not been restated.

The EBA defines non-performing exposures as exposures with material amounts that are more than 90 days past due or exposures where the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of collateral, regardless of the existence of any past due amounts or number days past due. Any debtors that are in default for regulatory purposes or impaired under the applicable accounting framework are always considered as non-performing exposures. The *Annual Report and Accounts 2021* definition of stage 3 credit-impaired is aligned to the EBA's definition of non-performing exposures.

Forborne exposures are defined by the EBA as exposures where the bank has made concessions toward a debtor that is experiencing or about to experience financial difficulties in meeting its financial commitments.

In the *Annual Report and Accounts 2021*, forborne exposures are reported as 'renegotiated loans'. Up until 2021 HSBC classed loans as forborne when we modified the contractual payment terms where we had significant concerns about the borrowers' ability to meet contractual payments when due. In 2022 the definition of forborne has been expanded to capture non-payment related concessions. For wholesale portfolio non-payment related concession have been identified from February 2021 when the internal policies where changed. The 31 December 2021 comparatives disclosures have been presented under the prior definition of forborne for the wholesale and retail portfolios.

Forbearance measures consist of concessions towards a debtor that is experiencing or about to experience difficulties in meeting its financial commitments ('financial difficulties').

Under the EBA definition, exposures cease to be reported as forborne if they pass three tests:

- The forborne exposure must have been considered to be performing for a probation period of at least two years.
- Regular payments of more than an insignificant aggregate amount of principal or interest have been made during at least half of the probation period.
- No exposure to the debtor is more than 30 days past due at the end of the probation period.

In the *Annual Report and Accounts 2021*, renegotiated loans retain this classification until maturity or de-recognition. In 2022 the EBA cure criteria have been adopted.

The Prudential Regulation Authority's approach to the European Banking Authority (EBA) Guidelines relating to the management of non-performing exposures (NPEs) and forborne exposures (FBEs) was outlined in a statement published in May 2022.

The PRA acknowledged that, whilst they are not applicable to or in the UK, the prudential aspects of these guidelines broadly represent good credit risk management standards.

It is therefore important to note that, although not obliged to follow the guidelines, we have already embedded, and will continue to maintain, certain thematic elements from the guidelines in our credit practices for these reasons.

Table 22: Credit quality of forborne exposures (CQ1)

		Gross carrying amount/ nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
		Performing forborne	Total	*of which: defaulted*	*of which: impaired*	On performing forborne exposures	On non performing forborne exposures	Total	*of which: forborne non-performing exposures*
		$m	$m	$m	$m	$m	$m	$m	$m
005	**Cash balances at central banks and other demand deposits**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
010	**Loans and advances**	**5,806**	**5,907**	***5,907***	***5,907***	**(285)**	**(1,660)**	**5,235**	***2,913***
020	Central banks	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
030	General governments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
040	Credit institutions	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
050	Other financial corporations	**37**	**10**	***10***	***10***	**(1)**	**(5)**	**1**	***1***
060	Non-financial corporations	**5,319**	**4,622**	***4,622***	***4,622***	**(201)**	**(1,390)**	**4,213**	***2,107***
070	Households	**450**	**1,275**	***1,275***	***1,275***	**(83)**	**(265)**	**1,021**	***806***
080	**Debt securities**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
090	**Loan commitments given**	**167**	**220**	***220***	***220***	**(2)**	**(7)**	**94**	***73***
100	**Total at 30 Jun 2022**	**5,973**	**6,127**	***6,127***	***6,127***	**(287)**	**(1,667)**	**5,329**	***2,986***
005	Cash balances at central banks and other demand deposits	—	—	—	—	—	—	—	—
010	Loans and advances	447	6,972	*6,972*	*6,972*	(22)	(1,724)	3,632	*3,492*
020	Central banks	—	—	—	—	—	—	—	—
030	General governments	—	—	—	—	—	—	—	—
040	Credit institutions	—	—	—	—	—	—	—	—
050	Other financial corporations	35	14	*14*	*14*	—	(5)	3	*1*
060	Non-financial corporations	412	4,710	*4,710*	*4,710*	(22)	(1,320)	2,260	*2,121*
070	Households	—	2,248	*2,248*	*2,248*	—	(398)	1,370	*1,370*
080	Debt securities	—	—	—	—	—	—	—	—
090	Loan commitments given	—	121	*121*	*121*	—	—	—	—
100	Total at 31 Dec 2021	447	7,093	*7,093*	*7,093*	(22)	(1,724)	3,632	*3,492*

Table 23: Quality of non-performing exposures by geography (CQ4)

		Gross carrying/ Nominal amount		Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Total	*of which: defaulted*			
		$m	$m	$m	$m	$m
010	**On balance sheet exposures**	**1,777,001**	***19,931***	**(11,470)**	**—**	**—**
020	United Kingdom	**356,077**	***5,619***	**(2,376)**	**—**	**—**
030	HongKong	**371,046**	***3,081***	**(1,746)**	**—**	**—**
040	United States	**216,015**	***659***	**(322)**	**—**	**—**
070	Other countries	**833,863**	***10,572***	**(7,026)**	**—**	**—**
080	**Off balance sheet exposures**	**940,940**	***2,069***		**(580)**	
90	HongKong	**205,459**	***371***		**(33)**	
100	United Kingdom	**124,068**	***444***		**(116)**	
110	United States	**123,231**	***46***		**(67)**	
140	Other countries	**488,182**	***1,208***	**—**	**(364)**	**—**
150	**Total at 30 Jun 2022**	**2,717,941**	***22,000***	**(11,470)**	**(580)**	**—**

1 *Excludes cash & balances at central banks.*

Table 24: Credit quality of loans and advances to non-financial corporations by industry (CQ5)

		Gross carrying amount		Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Total	*of which: defaulted*		
		$m	$m	$m	$m
010	Agriculture, forestry and fishing	**7,829**	***366***	**(140)**	**—**
020	Mining and quarrying	**10,508**	***339***	**(188)**	**—**
030	Manufacturing	**101,228**	***2,070***	**(1,320)**	**—**
040	Electricity, gas, steam and air conditioning supply	**16,952**	***275***	**(85)**	**—**
050	Water supply	**3,556**	***43***	**(24)**	**—**
060	Construction	**15,159**	***984***	**(572)**	**—**
070	Wholesale and retail trade	**105,153**	***3,048***	**(2,096)**	**—**
080	Transport and storage	**29,420**	***529***	**(289)**	**—**
090	Accommodation and food service activities	**20,608**	***1,217***	**(305)**	**—**
100	Information and communication	**21,762**	***263***	**(139)**	**—**
110	Real estate activities	**117,205**	***3,754***	**(1,903)**	**—**
120	Financial and insurance actvities	**—**	***—***	**—**	**—**
130	Professional, scientific and technical activities	**18,465**	***498***	**(209)**	**—**
140	Administrative and support service activities	**27,778**	***893***	**(472)**	**—**
150	Public administration and defense, compulsory social security	**853**	***—***	**(3)**	**—**
160	Education	**2,473**	***90***	**(58)**	**—**
170	Human health services and social work activities	**4,315**	***140***	**(41)**	**—**
180	Arts, entertainment and recreation	**2,071**	***135***	**(48)**	**—**
190	Other services	**14,369**	***562***	**(281)**	**—**
200	**Total at 30 Jun 2022**	**519,704**	***15,205***	**(8,173)**	**—**

The table below provides information on the value of the collateral obtained by taking possession. The value at initial recognition represents the gross carrying amount of the collateral obtained by taking possession at initial recognition on the balance sheet.

The accumulated negative change represents the accumulated impairment or negative change in fair value since initial recognition of the collateral obtained by taking possession, including amortisation in the case of property, plant and equipment and investment properties.

Table 25: Collateral obtained by taking possession and execution processes (CQ7)

		At 30 Jun 2022		At 31 Dec 2021	
		Collateral obtained by taking possession		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
		$m	$m	$m	$m
1	Property plant and equipment (PP&E)	**—**	**—**	—	—
2	Other than property, plant and equipment	**74.4**	**(8.9)**	71.1	(8.0)
3	Residential immovable property	**62.5**	**(6.4)**	60.3	(5.5)
4	Commercial immovable property	**8.8**	**(0.6)**	7.5	(0.5)
5	Movable property (auto, shipping, etc.)	**—**	**—**	—	—
6	Equity and debt instruments	**—**	**—**	—	—
7	Other	**3.1**	**(1.9)**	3.3	(2.0)
8	**Total**	**74.4**	**(8.9)**	71.1	(8.0)

Defaulted exposures

We have adopted the EBA 'Guidelines on the application of definition of default'.

The accounting definition of impairment and the regulatory definition of default are generally aligned.

Table 26: Changes in the stock of non-performing loans and advances (CR2)

		Half-year to 30 Jun	
		2022	2021
		Gross carrying value	Gross carrying value[2]
		$m	$m
010	**Initial stock of non-performing loans and advances**	**20,021**	20,613
20	Inflows to non-performing portfolios	**5,611**	3,936
30	Outflows from non-performing portfolios	**(1,380)**	(806)
40	Outflows due to write-offs	**(1,280)**	(1,365)
50	Outflow due to other situations[1]	**(2,806)**	(2,444)
60	**Final stock of non-performing loans and advances**	**20,166**	19,934

1 *Other changes include foreign exchange movements, repayments and changes in assets held for sale in default.*
2 *Prior period balances restated to exclude debt securities.*

Risk mitigation

Our approach when granting credit facilities is to do so on the basis of capacity to repay, rather than placing primary reliance on credit risk mitigants. Depending on a customer's standing and the type of product, facilities may be provided unsecured. Mitigation of credit risk is a key aspect of effective risk management and takes many forms.

Our general policy is to promote the use of credit risk mitigation, justified by commercial prudence and capital efficiency. Detailed policies cover the acceptability, structuring and terms with regard to the availability of credit risk mitigation, such as in the form of collateral security. These policies, together with the setting of suitable valuation parameters, are subject to regular review to ensure that they are supported by empirical evidence and continue to fulfil their intended purpose.

Table 27: Credit risk mitigation techniques – overview (CR3)

		Exposures unsecured: carrying amount	Exposures secured: carrying amount	*of which: Exposures secured by collateral*	*of which: Exposures secured by financial guarantees*	*of which: Exposures secured by credit derivatives*
		$m	$m	$m	$m	$m
1	Loans and advances	**830,175**	**981,589**	***860,786***	***120,803***	**—**
2	Debt securities	**330,384**	**31,255**	**—**	***31,255***	**—**
3	**Total at 30 Jun 2022**	**1,160,559**	**1,012,844**	***860,786***	***152,058***	**—**
4	– *of which:* *non-performing exposures*	***4,050***	***8,995***	**6,436**	**2,559**	**—**
5	*defaulted*	***4,050***	***8,995***			
1	Loans and advances	822,210	996,510	*869,027*	*127,483*	—
2	Debt securities	347,970	30,451	—	*30,451*	
3	Total at 31 Dec 2021	1,170,180	1,026,961	*869,027*	*157,934*	—
4	– *of which:* *non-performing exposures*	*4,040*	*8,617*	7,205	1,412	—
5	*defaulted*	*4,040*	*8,617*			

1 *Prior period balances have been restated to include reverse repos and settlement balances to align to recent CRR II changes.*

Table 28: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4)

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWAs and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
		$m	$m	$m	$m	$m	%
	Asset classes[1]						
1	Central governments or central banks	**323,660**	**2,154**	**351,739**	**2,159**	**11,294**	**3.19**
2	Regional governments or local authorities	**8,994**	**328**	**12,077**	**34**	**3,073**	**25.38**
3	Public sector entities	**9,233**	**140**	**504**	**4**	**101**	**19.77**
5	International organisations	**1,208**	**—**	**1,149**	**—**	**—**	**—**
6	Institutions	**959**	**3**	**1,055**	**27**	**660**	**60.97**
7	Corporates	**68,763**	**73,948**	**61,889**	**8,756**	**65,592**	**92.85**
8	Retail	**23,535**	**55,913**	**22,618**	**357**	**16,891**	**73.52**
9	Secured by mortgages on immovable property	**32,917**	**777**	**32,917**	**191**	**12,978**	**39.20**
10	Exposures in default	**2,957**	**603**	**2,875**	**177**	**3,970**	**130.08**
11	Exposures associated with particularly high risk	**346**	**73**	**268**	**28**	**444**	**150.00**
14	Collective investment undertakings[2]	**4,028**	**1,223**	**4,028**	**628**	**7,940**	**170.55**
15	Equity	**14,963**	**75**	**14,963**	**75**	**33,657**	**223.81**
16	Other items	**15,357**	**350**	**15,357**	**350**	**9,230**	**58.76**
17	**Total at 30 Jun 2022**	**506,920**	**135,587**	**521,439**	**12,786**	**165,830**	**31.04**
1	Central governments or central banks	337,479	828	356,798	1,414	10,952	3.06
2	Regional governments or local authorities	9,651	269	10,800	57	3,064	28.22
3	Public sector entities	13,656	1,604	13,783	472	56	0.39
5	International organisations	1,005	—	1,005	—	—	—
6	Institutions	902	3	990	21	666	65.93
7	Corporates	66,192	70,566	58,931	8,152	61,662	91.92
8	Retail	19,857	53,362	19,126	401	14,287	73.16
9	Secured by mortgages on immovable property	34,346	844	34,347	238	12,836	37.11
10	Exposures in default	4,006	488	3,913	193	5,110	124.45
11	Exposures associated with particularly high risk	2,493	1,237	2,416	630	4,568	150.00
14	Collective investment undertakings	195	—	195	—	195	100.00
15	Equity	17,309	—	17,309	—	38,879	225.35
16	Other items	12,105	368	12,105	368	8,908	71.42
17	Total at 31 Dec 2021	519,196	129,569	531,718	11,946	161,183	29.65

1 Securitisation positions are not included in this table.

2 These balance include capital requirements for underlying equity exposures within CIUs calculated under the look-through approach using the IRB simple risk-weight method.

Table 29: Standardised approach – exposures by asset classes and risk weights (CR5)

	Risk weight ('RW%')	0	20	35	50	70	75	100	150	250	370	1250	Others	Total credit exposure amount (post-CCF and CRM)	*of which: un-rated*
		$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn
	Asset classes[1]														
1	Central governments or central banks	**349.3**	**0.1**	**—**	**—**	**—**	**—**	**—**	**—**	**4.5**	**—**	**—**	**—**	**353.9**	***4.5***
2	Regional governments or local authorities	**4.8**	**5.9**	**—**	**0.3**	**—**	**—**	**0.6**	**—**	**0.5**	**—**	**—**	**—**	**12.1**	***1.2***
3	Public sector entities	**0.1**	**0.4**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.5**	***0.1***
5	International organisations	**1.1**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1.1**	***0.3***
6	Institutions	**—**	**0.1**	**—**	**0.7**	**—**	**—**	**0.3**	**—**	**—**	**—**	**—**	**—**	**1.1**	***0.3***
7	Corporates	**—**	**4.2**	**0.3**	**3.0**	**0.3**	**—**	**61.6**	**1.2**	**—**	**—**	**—**	**—**	**70.6**	***59.3***
8	Retail	**—**	**—**	**—**	**—**	**—**	**23.0**	**—**	**—**	**—**	**—**	**—**	**—**	**23.0**	***23.0***
9	Secured by mortgages on immovable property	**—**	**—**	**30.9**	**—**	**—**	**—**	**2.2**	**—**	**—**	**—**	**—**	**—**	**33.1**	***33.1***
10	Exposures in default	**—**	**—**	**—**	**—**	**—**	**—**	**1.2**	**1.9**	**—**	**—**	**—**	**—**	**3.1**	***3.1***
11	Exposures associated with particularly high risk	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.3**	**—**	**—**	**—**	**—**	**0.3**	***0.3***
14	Collective investment undertakings[2]	**0.6**	**0.4**	**—**	**0.1**	**—**	**—**	**0.9**	**—**	**—**	**0.2**	**0.1**	**2.4**	**4.7**	***3.6***
15	Equity	**—**	**—**	**—**	**—**	**—**	**—**	**2.6**	**—**	**12.4**	**—**	**—**	**—**	**15.0**	***15.0***
16	Other items	**—**	**8.1**	**—**	**—**	**—**	**—**	**7.6**	**—**	**—**	**—**	**—**	**—**	**15.7**	***15.7***
17	**Total at 30 Jun 2022**	**355.9**	**19.2**	**31.2**	**4.1**	**0.3**	**23.0**	**77.0**	**3.4**	**17.4**	**0.2**	**0.1**	**2.4**	**534.2**	***159.5***
1	Central governments or central banks	353.7	—	—	—	—	—	0.1	—	4.4	—	—	—	358.2	*4.4*
2	Regional governments or local authorities	3.3	6.3	—	0.4	—	—	0.4	—	0.5	—	—	—	10.9	*1.0*
3	Public sector entities	14.1	0.2	—	—	—	—	—	—	—	—	—	—	14.3	*5.1*
5	International organisations	1.0	—	—	—	—	—	—	—	—	—	—	—	1.0	*0.4*
6	Institutions	—	0.1	—	0.5	—	—	0.4	—	—	—	—	—	1.0	*0.3*
7	Corporates	—	4.3	0.4	2.9	0.4	—	57.8	1.3	—	—	—	—	67.1	*56.5*
8	Retail	—	—	—	—	—	19.5	—	—	—	—	—	—	19.5	*19.5*
9	Secured by mortgages on immovable property	—	—	32.4	1.3	—	—	0.9	—	—	—	—	—	34.6	*34.6*
10	Exposures in default	—	—	—	—	—	—	2.1	2.0	—	—	—	—	4.1	*3.0*
11	Exposures associated with particularly high risk	—	—	—	—	—	—	—	3.0	—	—	—	—	3.0	*3.0*
14	Collective investment undertakings	—	—	—	—	—	—	0.2	—	—	—	—	—	0.2	*0.2*
15	Equity	—	—	—	—	—	—	2.9	—	14.4	—	—	—	17.3	*17.3*
16	Other items	—	4.4	—	—	—	—	8.1	—	—	—	—	—	12.5	*12.5*
17	Total at 31 Dec 2021	372.1	15.3	32.8	5.1	0.4	19.5	72.9	6.3	19.3	—	—	—	543.7	*157.8*

1 Securitisation positions are not included in this table.
2 These balances include capital requirements for underlying equity exposures within CIUs calculated using the IRB simple risk-weight method with effect from 1 January 2022.

Table 30: IRB – Credit risk exposures by portfolio and PD range[1] (CR6)

PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post-CRM	Exposure weighted average PD (%)	Number of obligors[4]	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors[3]	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions[3]
	$bn	$bn	%	$bn	%		%	years	$bn	%	$bn	$bn
AIRB – Central government and central banks												
0.00 to <0.15	397.7	2.3	39.5	398.8	0.02	399	42.8	1.7	27.7	7	–	
– 0.00 to <0.10	382.7	1.9	42.9	383.7	0.01	252	42.7	1.7	22.3	6	–	
– 0.10 to <0.15	15.0	0.4	21.8	15.1	0.13	147	45.0	2.2	5.4	36	–	
0.15 to <0.25	2.9	–	40.6	3.1	0.22	27	44.8	1.3	1.2	39	–	
0.25 to <0.50	1.5	–	48.6	1.5	0.37	8	45.0	1.0	0.7	49	–	
0.50 to <0.75	6.3	0.1	68.6	6.4	0.63	86	40.8	1.2	3.9	61	–	
0.75 to <2.50	5.8	–	62.2	5.8	1.43	24	44.7	1.1	5.4	94	0.1	
– 0.75 to <1.75	5.8	–	62.2	5.8	1.43	24	44.7	1.1	5.4	94	0.1	
– 1.75 to <2.5	–	–	–	–	–	–	–	–	–	–	–	
2.50 to <10.00	2.8	0.2	19.7	2.4	7.58	14	44.1	1.3	4.2	173	0.1	
– 2.5 to <5	0.3	–	75.0	0.1	3.20	7	45.0	1.3	0.2	129	–	
– 5 to <10	2.5	0.2	–	2.3	7.85	7	44.1	1.3	4.0	176	0.1	
10.00 to <100.00	2.2	–	–	2.2	19.41	6	45.0	1.0	5.1	231	0.2	
– 10 to <20	1.6	–	–	1.6	13.00	6	45.0	1.1	3.5	219	0.1	
– 20 to <30	–	–	–	–	–	–	–	–	–	–	–	
– 30.00 to <100.00	0.6	–	–	0.6	36.00	–	45.0	1.0	1.6	263	0.1	
100.00 (Default)	0.2	–	30.0	0.2	100.00	3	22.6	3.5	0.3	130	–	
Sub-total	**419.4**	**2.6**	**41.6**	**420.4**	**0.24**	**567**	**42.8**	**1.7**	**48.5**	**12**	**0.4**	**0.1**
AIRB – Institutions												
0.00 to <0.15	69.3	14	30.3	72.8	0.05	3,169	38.8	1.4	10.5	14	–	
– 0.00 to <0.10	57.6	9.7	30.5	59.8	0.04	1,960	38.2	1.3	6.2	10	–	
– 0.10 to <0.15	11.7	4.3	29.7	13.0	0.13	1,209	41.8	1.4	4.3	33	–	
0.15 to <0.25	2.5	2.1	37.6	3.3	0.22	302	44.5	1.2	1.3	41	–	
0.25 to <0.50	0.4	0.4	33.6	0.6	0.37	96	39.0	1.2	0.3	47	–	
0.50 to <0.75	1.0	0.3	41.3	1.1	0.63	109	40.5	1.1	0.7	66	–	
0.75 to <2.50	0.4	0.6	37.0	0.5	1.35	236	42.0	1.6	0.5	99	–	
– 0.75 to <1.75	0.3	0.4	30.6	0.4	1.13	199	41.3	1.4	0.3	87	–	
– 1.75 to <2.5	0.1	0.2	56.7	0.1	2.25	37	45.2	2.6	0.2	154	–	
2.50 to <10.00	0.1	0.1	22.1	0.1	4.78	43	50.1	1.6	0.1	167	–	
– 2.5 to <5	0.1	0.1	22.0	0.1	3.85	30	50.8	1.3	0.1	157	–	
– 5 to <10	–	–	22.1	–	7.61	13	47.9	2.3	–	199	–	
10.00 to <100.00	–	–	90.0	–	12.96	6	48.8	1.8	–	237	–	
– 10 to <20	–	–	90.0	–	12.96	6	48.8	1.8	–	237	–	
– 20 to <30	–	–	–	–	–	–	–	–	–	–	–	
– 30.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	
100.00 (Default)	–	–	–	–	100.00	3	47.9	5.0	–	36	–	
Sub-total	**73.7**	**17.5**	**31.5**	**78.4**	**0.11**	**3,964**	**39.1**	**1.3**	**13.4**	**17**	**–**	**–**
AIRB – Corporate – specialised lending (excluding slotting)[2]												
0.00 to <0.15	3.2	0.4	68.0	3.3	0.09	41	18.3	3.9	0.5	14	–	
– 0.00 to <0.10	2.0	0.2	92.9	2.1	0.07	14	15.4	4.4	0.3	12	–	
– 0.10 to <0.15	1.2	0.2	49.2	1.2	0.13	27	23.4	3.0	0.2	16	–	
0.15 to <0.25	1.1	0.7	39.5	1.3	0.22	46	27.8	3.8	0.5	33	–	
0.25 to <0.50	0.7	0.8	40.0	1.0	0.37	30	26.4	3.7	0.4	43	–	
0.50 to <0.75	0.7	0.9	44.3	1.1	0.63	25	31.6	4.2	0.8	73	–	
0.75 to <2.50	2.4	1.1	37.4	2.4	1.15	53	26.0	4.1	1.4	60	–	
– 0.75 to <1.75	2.3	1.1	37.4	2.3	1.12	49	26.4	4.0	1.4	61	–	
– 1.75 to <2.5	0.1	–	20.0	0.1	2.25	4	13.2	4.6	–	45	–	
2.50 to <10.00	0.4	0.2	51.2	0.3	5.31	12	18.8	4.2	0.2	68	–	
– 2.5 to <5	0.1	–	100.0	–	3.05	6	3.0	4.3	–	8	–	
– 5 to <10	0.3	0.2	50.9	0.3	5.75	6	21.8	4.2	0.2	79	–	
10.00 to <100.00	0.3	0.1	55.7	0.4	23.50	5	25.8	4.2	0.5	136	–	
– 10 to <20	0.3	0.1	45.9	0.3	17.63	2	25.3	4.2	0.4	141	–	
– 20 to <30	–	–	–	–	–	–	–	–	–	–	–	
– 30.00 to <100.00	–	–	82.0	0.1	56.37	3	28.6	4.0	0.1	112	–	
100.00 (Default)	0.2	–	124.3	0.2	100.00	10	22.2	3.6	–	23	0.1	
Sub-total	**9.0**	**4.2**	**44.1**	**10.0**	**3.38**	**222**	**24.0**	**3.9**	**4.3**	**43**	**0.1**	**0.1**

Table 30: IRB – Credit risk exposures by portfolio and PD range[1] (CR6) (continued)

PD scale	On-balance sheet exposures $bn	Off-balance-sheet exposures pre-CCF $bn	Exposure weighted average CCF %	Exposure post-CCF and post-CRM $bn	Exposure weighted average PD (%) %	Number of obligors[4]	Exposure weighted average LGD (%) %	Exposure weighted average maturity (years) years	Risk weighted exposure amount after supporting factors[3] $bn	Density of risk weighted exposure amount %	Expected loss amount $bn	Value adjust-ments and provisions[3] $bn
AIRB – Corporate – SME												
0.00 to <0.15	0.4	0.6	31.2	0.7	0.11	309	33.7	1.9	0.1	20	—	
– 0.00 to <0.10	0.1	0.1	30.0	0.2	0.07	56	31.0	1.4	—	12	—	
– 0.10 to <0.15	0.3	0.5	31.4	0.5	0.13	253	34.7	2.1	0.1	23	—	
0.15 to <0.25	0.7	1.2	30.1	1.2	0.22	876	35.3	1.7	0.3	27	—	
0.25 to <0.50	1.8	1.7	27.7	3.1	0.37	1,087	28.6	1.9	1.0	32	—	
0.50 to <0.75	3.0	1.8	28.0	3.6	0.63	1,116	29.7	1.9	1.7	47	—	
0.75 to <2.50	11.7	4.8	26.6	11.9	1.43	3,591	29.2	1.8	7.2	61	0.1	
– 0.75 to <1.75	8.0	3.4	26.8	9.2	1.19	2,489	29.1	1.8	5.3	58	0.1	
– 1.75 to <2.5	3.7	1.4	25.8	2.7	2.25	1,102	29.4	1.5	1.9	70	—	
2.50 to <10.00	2.6	1.1	26.0	2.8	4.17	1,039	31.3	1.6	2.4	87	—	
– 2.5 to <5	1.9	0.9	26.4	2.1	3.55	747	30.3	1.6	1.7	80	—	
– 5 to <10	0.7	0.2	24.6	0.7	6.23	292	34.8	1.6	0.7	111	—	
10.00 to <100.00	0.3	0.2	30.9	0.3	13.84	161	42.8	1.4	0.5	172	—	
– 10 to <20	0.3	0.2	30.4	0.3	11.93	153	42.8	1.4	0.5	171	—	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30.00 to <100.00	—	—	38.3	—	41.16	8	43.7	2.0	—	185	—	
100.00 (Default)	0.7	0.1	29.4	0.7	100.00	—	33.8	1.6	1.3	179	0.2	
Sub-total	21.2	11.5	27.7	24.3	4.39	8,179	30.2	1.8	14.5	60	0.3	0.2
AIRB – Corporate – Other												
0.00 to <0.15	82.5	156.6	32.6	168.6	0.08	8,034	41.7	2.0	35.2	21	0.1	
– 0.00 to <0.10	56.1	100.6	34.5	113.2	0.05	4,283	40.2	2.1	18.4	16	—	
– 0.10 to <0.15	26.4	56.0	29.2	55.4	0.13	3,751	45.0	1.7	16.8	30	0.1	
0.15 to <0.25	35.0	55.7	30.0	57.7	0.22	5,469	44.1	1.7	23.5	41	0.1	
0.25 to <0.50	26.2	42.4	26.9	41.4	0.37	4,730	42.9	1.7	22.0	53	0.1	
0.50 to <0.75	38.4	37.6	27.9	47.8	0.63	5,614	38.3	1.8	29.7	62	0.1	
0.75 to <2.50	99.2	82.6	27.6	87.0	1.33	41,094	39.0	1.7	76.4	88	0.4	
– 0.75 to <1.75	64.4	54.6	27.5	73.7	1.16	35,536	39.2	1.7	63.4	86	0.3	
– 1.75 to <2.5	34.8	28.0	27.7	13.3	2.24	5,558	37.8	1.6	13.0	98	0.1	
2.50 to <10.00	27.6	21.6	28.5	23.5	4.13	6,867	38.4	1.8	28.4	121	0.4	
– 2.5 to <5	19.3	16.6	27.6	19.0	3.60	4,936	38.0	1.8	21.8	115	0.3	
– 5 to <10	8.3	5.0	32.8	4.5	6.36	1,931	40.3	1.7	6.6	146	0.1	
10.00 to <100.00	7.3	3.7	27.8	5.4	17.37	1,329	42.8	1.8	11.6	214	0.4	
– 10 to <20	6.8	3.5	27.9	5.0	14.76	1,102	43.2	1.8	10.8	216	0.3	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30.00 to <100.00	0.5	0.2	27.5	0.4	46.70	227	38.0	1.7	0.8	192	0.1	
100.00 (Default)	6.3	0.6	33.3	6.4	100.00	1,184	39.1	1.4	5.1	79	3.4	
Sub-total	322.5	400.8	30.2	437.8	2.33	74,321	41.0	1.8	231.9	53	5.0	4.2
Wholesale AIRB – Total at 30 Jun 2022	845.8	436.6	30.3	970.9	1.30	87,253	41.2	1.7	312.6	32	5.8	4.6

Table 30: IRB – Credit risk exposures by portfolio and PD range[1] (CR6) (continued)

PD scale	On-balance sheet exposures $bn	Off-balance-sheet exposures pre-CCF $bn	Exposure weighted average CCF %	Exposure post CCF and post CRM $bn	Exposure weighted average PD %	Number of obligors[4]	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors[3] $bn	Density of risk weighted exposure amount %	Expected loss amount $bn	Value adjustments and provisions[3] $bn
AIRB – Secured by mortgages on immovable property SME												
0.00 to <0.15	0.3	–	100.0	0.3	0.05	2,045	10.5	–	–	4	–	
– 0.00 to <0.10	0.3	–	100.0	0.3	0.05	1,904	10.2	–	–	4	–	
– 0.10 to <0.15	–	–	–	–	0.13	141	15.0	–	–	5	–	
0.15 to <0.25	–	–	–	–	0.19	117	20.5	–	–	7	–	
0.25 to <0.50	0.4	–	–	0.4	0.38	1,305	17.7	–	–	9	–	
0.50 to <0.75	0.1	–	115.1	0.1	0.63	690	25.9	–	–	21	–	
0.75 to <2.50	0.2	–	128.6	0.2	1.50	1,239	24.5	–	0.1	40	–	
– 0.75 to <1.75	0.1	–	56.8	0.1	1.19	855	14.5	–	–	22	–	
– 1.75 to <2.5	0.1	–	171.0	0.1	2.22	384	47.6	–	0.1	82	–	
2.50 to <10.00	0.3	–	93.1	0.3	4.57	1,650	24.0	–	0.2	67	–	
– 2.5 to <5	0.2	–	90.6	0.2	3.92	1,300	22.9	–	0.1	59	–	
– 5 to <10	0.1	–	94.2	0.1	6.88	350	28.1	–	0.1	96	–	
10.00 to <100.00	–	–	13.7	–	19.13	211	27.7	–	–	127	–	
– 10 to <20	–	–	11.3	–	12.68	151	33.0	–	–	141	–	
– 20 to <30	–	–	34.3	–	25.28	60	22.6	–	–	114	–	
– 30.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	
100.00 (Default)	0.1	–	748.4	0.1	100.00	339	31.9	–	0.1	153	–	
Sub-total	1.4	–	113.5	1.4	4.37	7,596	19.3	–	0.4	30	–	–
AIRB – Secured by mortgages on immovable property non-SME												
0.00 to <0.15	218.9	10.0	82.0	230.5	0.07	1,224,356	14.8	–	24.9	11	–	
– 0.00 to <0.10	178.9	8.0	78.3	188.1	0.06	1,027,106	15.0	–	17.3	9	–	
– 0.10 to <0.15	40.0	2.0	96.5	42.4	0.12	198,175	13.9	–	7.6	18	–	
0.15 to <0.25	47.7	2.1	94.8	49.7	0.20	239,397	15.6	–	8.8	18	–	
0.25 to <0.50	40.3	3.8	44.0	42.0	0.36	203,082	15.7	–	8.9	21	–	
0.50 to <0.75	13.9	0.5	56.0	14.2	0.59	65,787	11.7	–	3.6	25	–	
0.75 to <2.50	22.8	1.2	65.7	23.6	1.30	122,545	12.3	–	7.0	30	0.1	
– 0.75 to <1.75	18.4	1.1	65.3	19.1	1.14	99,638	12.6	–	5.7	30	0.1	
– 1.75 to <2.5	4.4	0.1	69.4	4.5	1.99	23,151	11.1	–	1.3	28	–	
2.50 to <10.00	6.7	0.3	79.1	6.9	4.22	30,936	10.7	–	2.7	40	–	
– 2.5 to <5	5.9	0.2	74.3	6.0	3.81	25,689	10.6	–	2.2	38	–	
– 5 to <10	0.8	0.1	96.8	0.9	7.02	5,319	11.5	–	0.5	54	–	
10.00 to <100.00	1.5	0.1	96.9	1.6	22.19	14,726	17.5	–	2.2	142	0.1	
– 10 to <20	0.7	0.1	100.3	0.8	13.14	10,737	12.6	–	0.8	105	–	
– 20 to <30	0.5	–	70.5	0.5	23.65	1,729	30.3	–	1.1	229	0.1	
– 30.00 to <100.00	0.3	–	106.4	0.3	44.78	2,407	10.3	–	0.3	105	–	
100.00 (Default)	1.8	–	17.9	1.8	100.00	14,569	18.2	–	3.0	169	0.3	
Sub-total	353.6	18.0	73.6	370.3	0.86	1,915,398	14.7	–	61.1	17	0.5	0.3
AIRB – Qualifying revolving retail exposures												
0.00 to <0.15	5.6	73.9	49.6	42.2	0.06	18,206,404	89.8	–	2.0	5	–	
– 0.00 to <0.10	3.6	58.6	51.8	33.9	0.05	14,984,555	89.4	–	1.3	4	–	
– 0.10 to <0.15	2.0	15.3	41.5	8.3	0.12	3,221,849	91.3	–	0.7	9	–	
0.15 to <0.25	1.2	13.7	49.4	7.9	0.20	3,509,791	93.7	–	1.1	14	–	
0.25 to <0.50	2.0	13.3	43.5	7.7	0.36	3,224,488	91.4	–	1.6	20	0.1	
0.50 to <0.75	2.1	4.6	51.1	4.5	0.59	1,287,175	88.1	–	1.4	31	–	
0.75 to <2.50	4.1	7.9	47.0	7.8	1.39	2,349,873	87.4	–	4.3	56	0.1	
– 0.75 to <1.75	3.4	7.1	45.0	6.5	1.23	1,904,250	87.9	–	3.4	52	0.1	
– 1.75 to <2.5	0.7	0.8	64.3	1.3	2.22	445,623	84.8	–	0.9	74	–	
2.50 to <10.00	2.0	1.5	65.5	3.0	4.72	1,062,036	84.2	–	3.7	122	0.2	
– 2.5 to <5	1.2	1.0	71.3	1.9	3.54	734,051	85.1	–	2.0	106	0.1	
– 5 to <10	0.8	0.5	54.9	1.1	6.75	327,985	82.7	–	1.7	148	0.1	
10.00 to <100.00	0.6	0.3	63.5	0.7	27.51	266,724	82.2	–	1.7	227	0.2	
– 10 to <20	0.4	0.2	72.8	0.5	14.27	166,419	81.8	–	1.1	220	0.1	
– 20 to <30	–	–	143.1	–	24.87	39,442	92.3	–	0.2	335	–	
– 30.00 to <100.00	0.2	0.1	33.8	0.2	59.67	60,863	80.1	–	0.4	211	0.1	
100.00 (Default)	0.2	–	60.1	0.2	100.00	211,011	81.0	–	0.3	191	0.1	
Sub-total	17.8	115.2	49.0	74.0	0.98	30,117,502	89.7	–	16.1	22	0.7	0.9

Table 30: IRB – Credit risk exposures by portfolio and PD range[1] (CR6) (continued)

PD scale	On-balance sheet exposures $bn	Off-balance-sheet exposures pre-CCF $bn	Exposure weighted average CCF %	Exposure post CCF and post CRM $bn	Exposure weighted average PD %	Number of obligors[4]	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors[3] $bn	Density of risk weighted exposure amount %	Expected loss amount $bn	Value adjust-ments and provisions[3] $bn
AIRB – Other SME												
0.00 to <0.15	**0.1**	**–**	**97.4**	**0.1**	**0.09**	**31,691**	**33.9**	**–**	**–**	**8**	**–**	
– 0.00 to <0.10	**0.1**	**–**	**101.8**	**0.1**	**0.06**	**10,740**	**24.2**	**–**	**–**	**5**	**–**	
– 0.10 to <0.15	**–**	**–**	**95.0**	**–**	**0.13**	**20,951**	**48.1**	**–**	**–**	**13**	**–**	
0.15 to <0.25	**–**	**–**	**78.9**	**–**	**0.21**	**35,778**	**94.3**	**–**	**–**	**32**	**–**	
0.25 to <0.50	**0.1**	**0.2**	**54.3**	**0.2**	**0.38**	**67,053**	**64.5**	**–**	**0.1**	**34**	**–**	
0.50 to <0.75	**0.2**	**0.3**	**74.5**	**0.4**	**0.61**	**76,179**	**62.9**	**–**	**0.1**	**41**	**–**	
0.75 to <2.50	**3.0**	**1.1**	**56.5**	**1.4**	**1.61**	**457,206**	**73.8**	**–**	**1.1**	**75**	**–**	
– 0.75 to <1.75	**1.7**	**0.7**	**56.8**	**1.0**	**1.38**	**302,579**	**73.9**	**–**	**0.7**	**72**	**–**	
– 1.75 to <2.5	**1.3**	**0.4**	**55.9**	**0.4**	**2.16**	**154,627**	**73.3**	**–**	**0.4**	**83**	**–**	
2.50 to <10.00	**3.7**	**0.6**	**48.2**	**1.1**	**5.09**	**355,946**	**67.7**	**–**	**1.0**	**91**	**0.1**	
– 2.5 to <5	**1.6**	**0.4**	**44.3**	**0.6**	**3.62**	**189,988**	**68.5**	**–**	**0.5**	**92**	**–**	
– 5 to <10	**2.1**	**0.2**	**56.0**	**0.5**	**6.83**	**165,958**	**66.9**	**–**	**0.5**	**91**	**0.1**	
10.00 to <100.00	**1.4**	**0.1**	**50.4**	**0.3**	**20.55**	**129,937**	**78.7**	**–**	**0.4**	**141**	**–**	
– 10 to <20	**0.8**	**0.1**	**46.3**	**0.2**	**14.04**	**75,121**	**80.6**	**–**	**0.2**	**130**	**–**	
– 20 to <30	**0.3**	**–**	**58.8**	**0.1**	**24.91**	**27,065**	**67.9**	**–**	**0.1**	**140**	**–**	
– 30.00 to <100.00	**0.3**	**–**	**66.3**	**–**	**42.78**	**27,751**	**88.9**	**–**	**0.1**	**191**	**–**	
100.00 (Default)	**1.2**	**–**	**47.9**	**0.2**	**100.00**	**44,552**	**45.6**	**–**	**0.1**	**45**	**0.2**	
Sub-total	**9.7**	**2.3**	**56.3**	**3.7**	**10.07**	**1,198,342**	**68.3**	**–**	**2.8**	**77**	**0.3**	**0.4**
AIRB – Other non-SME												
0.00 to <0.15	**9.9**	**18.9**	**10.0**	**12.3**	**0.07**	**431,581**	**10.2**	**–**	**0.4**	**3**	**–**	
– 0.00 to <0.10	**7.3**	**15.3**	**5.4**	**8.4**	**0.04**	**239,659**	**9.3**	**–**	**0.2**	**2**	**–**	
– 0.10 to <0.15	**2.6**	**3.6**	**29.6**	**3.9**	**0.12**	**191,922**	**12.2**	**–**	**0.2**	**5**	**–**	
0.15 to <0.25	**3.3**	**2.9**	**30.2**	**4.5**	**0.21**	**449,029**	**27.9**	**–**	**0.7**	**15**	**–**	
0.25 to <0.50	**6.1**	**4.4**	**15.1**	**6.9**	**0.36**	**261,695**	**14.8**	**–**	**0.7**	**11**	**–**	
0.50 to <0.75	**4.4**	**2.0**	**20.8**	**4.9**	**0.59**	**229,036**	**42.3**	**–**	**1.8**	**37**	**–**	
0.75 to <2.50	**11.6**	**3.7**	**14.1**	**12.2**	**1.38**	**401,263**	**24.9**	**–**	**4.0**	**32**	**–**	
– 0.75 to <1.75	**9.8**	**3.0**	**11.8**	**10.2**	**1.23**	**290,947**	**23.0**	**–**	**2.9**	**28**	**–**	
– 1.75 to <2.5	**1.8**	**0.7**	**23.7**	**2.0**	**2.12**	**113,014**	**34.5**	**–**	**1.1**	**51**	**–**	
2.50 to <10.00	**1.8**	**0.1**	**25.4**	**1.9**	**4.75**	**207,859**	**55.1**	**–**	**1.7**	**91**	**0.1**	
– 2.5 to <5	**1.2**	**0.1**	**28.0**	**1.2**	**3.44**	**149,064**	**58.4**	**–**	**1.1**	**93**	**0.1**	
– 5 to <10	**0.6**	**–**	**17.2**	**0.7**	**7.13**	**59,194**	**49.1**	**–**	**0.6**	**85**	**–**	
10.00 to <100.00	**0.9**	**0.1**	**8.1**	**0.9**	**35.32**	**64,871**	**24.4**	**–**	**0.5**	**56**	**0.1**	
– 10 to <20	**0.2**	**–**	**19.5**	**0.2**	**13.31**	**47,419**	**60.6**	**–**	**0.3**	**139**	**–**	
– 20 to <30	**–**	**–**	**44.9**	**–**	**23.57**	**3,893**	**73.4**	**–**	**–**	**186**	**–**	
– 30.00 to <100.00	**0.7**	**0.1**	**2.7**	**0.7**	**42.93**	**13,718**	**10.9**	**–**	**0.2**	**25**	**0.1**	
100.00 (Default)	**0.2**	**–**	**55.7**	**0.2**	**100.00**	**29,667**	**57.9**	**–**	**0.3**	**167**	**0.1**	
Sub-total	**38.2**	**32.1**	**13.7**	**43.8**	**1.88**	**2,075,001**	**22.9**	**–**	**10.1**	**23**	**0.3**	**0.3**
Retail AIRB – Total at 30 Jun 2022	**420.7**	**167.6**	**45.0**	**493.2**	**1.05**	**35,313,839**	**27.1**	**–**	**90.5**	**18**	**1.8**	**1.9**
FIRB – Central government and central banks												
0.00 to <0.15	**–**	**–**	**75.0**	**0.7**	**0.04**	**–**	**45.0**	**3.6**	**0.2**	**25**	**–**	
– 0.00 to <0.10	**–**	**–**	**75.0**	**0.7**	**0.04**	**–**	**45.0**	**3.6**	**0.2**	**25**	**–**	
– 0.10 to <0.15	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
0.15 to <0.25	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
0.25 to <0.50	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
0.50 to <0.75	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
0.75 to <2.50	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
– 0.75 to <1.75	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
– 1.75 to <2.5	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
2.50 to <10.00	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
– 2.5 to <5	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
– 5 to <10	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
10.00 to <100.00	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
– 10 to <20	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
– 20 to <30	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
– 30.00 to <100.00	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
100.00 (Default)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
Sub-total	**–**	**–**	**75.0**	**0.7**	**0.04**	**–**	**45.0**	**3.6**	**0.2**	**25**	**–**	**–**

Table 30: IRB – Credit risk exposures by portfolio and PD range[1] (CR6) (continued)

PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post-CRM	Exposure weighted average PD (%)	Number of obligors[4]	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors[3]	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions[3]
	$bn	$bn	%	$bn	%		%	years	$bn	%	$bn	$bn
FIRB – Institutions												
0.00 to <0.15	0.1	–	18.0	0.2	0.04	1	45.0	1.5	–	13	–	
– 0.00 to <0.10	0.1	–	15.5	0.2	0.04	1	45.0	1.4	–	11	–	
– 0.10 to <0.15	–	–	19.7	–	0.13	–	45.0	2.7	–	36	–	
0.15 to <0.25	–	–	20.0	–	0.22	–	45.0	0.8	–	32	–	
0.25 to <0.50	0.2	–	–	0.1	0.37	1	45.0	1.9	0.1	57	–	
0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	
0.75 to <2.50	–	–	16.4	–	1.20	3	45.0	0.2	–	76	–	
– 0.75 to <1.75	–	–	16.4	–	1.20	2	45.0	0.2	–	76	–	
– 1.75 to <2.5	–	–	–	–	–	1	–	–	–	–	–	
2.50 to <10.00	–	–	–	–	7.85	1	45.0	1.2	–	171	–	
– 2.5 to <5	–	–	–	–	–	–	–	–	–	–	–	
– 5 to <10	–	–	–	–	7.85	1	45.0	1.2	–	171	–	
10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	
– 10 to <20	–	–	–	–	–	–	–	–	–	–	–	
– 20 to <30	–	–	–	–	–	–	–	–	–	–	–	
– 30.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	
Sub-total	**0.3**	**–**	**18.1**	**0.3**	**0.21**	**6**	**45.0**	**1.6**	**0.1**	**33**	**–**	**–**
FIRB – Corporate – SME												
0.00 to <0.15	0.8	0.3	23.8	0.8	0.13	1,391	40.1	2.6	0.3	30	–	
– 0.00 to <0.10	–	–	52.8	–	0.07	7	45.0	1.9	–	19	–	
– 0.10 to <0.15	0.8	0.3	23.7	0.8	0.13	1,384	40.1	2.6	0.3	30	–	
0.15 to <0.25	2.1	0.9	16.8	2.2	0.22	2,723	38.8	2.3	0.8	36	–	
0.25 to <0.50	2.5	0.7	19.4	2.5	0.37	2,763	38.1	2.6	1.1	46	–	
0.50 to <0.75	2.2	0.6	22.6	2.2	0.63	2,067	38.8	2.5	1.3	60	–	
0.75 to <2.50	3.8	0.9	23.2	3.7	1.35	4,337	38.4	2.4	2.7	74	–	
– 0.75 to <1.75	3.2	0.8	23.7	3.1	1.18	3,647	38.4	2.4	2.2	72	–	
– 1.75 to <2.5	0.6	0.1	20.5	0.6	2.25	690	38.5	2.1	0.5	84	–	
2.50 to <10.00	1.3	0.3	32.4	1.2	4.55	1,566	37.2	2.3	1.2	100	–	
– 2.5 to <5	0.8	0.2	32.9	0.8	3.53	969	36.4	2.4	0.7	90	–	
– 5 to <10	0.5	0.1	31.4	0.4	6.48	597	38.7	2.2	0.5	118	–	
10.00 to <100.00	0.4	0.1	28.1	0.3	15.18	431	38.3	1.8	0.5	153	–	
– 10 to <20	0.4	0.1	28.2	0.3	13.04	384	38.3	1.8	0.5	151	–	
– 20 to <30	–	–	–	–	–	–	–	–	–	–	–	
– 30.00 to <100.00	–	–	25.9	–	40.93	47	38.9	1.7	–	180	–	
100.00 (Default)	0.4	–	33.0	0.4	100.00	–	38.7	5.0	–	–	0.2	
Sub-total	**13.5**	**3.8**	**21.8**	**13.3**	**4.34**	**15,278**	**38.5**	**2.5**	**7.9**	**59**	**0.2**	**0.1**
FIRB – Corporate – Other												
0.00 to <0.15	26.7	37.8	47.7	50.2	0.08	7,518	34.5	1.9	9.4	19	–	
– 0.00 to <0.10	16.0	24.8	50.9	31.4	0.05	2,713	36.5	2.0	5.1	16	–	
– 0.10 to <0.15	10.7	13.0	41.9	18.8	0.13	4,805	31.1	1.8	4.3	23	–	
0.15 to <0.25	10.9	13.8	34.9	16.8	0.22	4,635	36.2	1.9	6.3	38	–	
0.25 to <0.50	9.3	10.7	34.0	12.7	0.37	4,177	37.3	1.8	6.3	50	–	
0.50 to <0.75	7.6	8.9	39.2	11.3	0.63	3,768	35.5	1.8	7.2	64	0.1	
0.75 to <2.50	27.1	22.5	35.2	28.5	1.41	40,815	37.7	1.8	26.4	93	0.2	
– 0.75 to <1.75	19.0	13.9	34.4	23.2	1.22	37,613	37.1	1.8	20.4	88	0.1	
– 1.75 to <2.5	8.1	8.6	39.3	5.3	2.25	3,202	40.0	2.0	6.0	112	0.1	
2.50 to <10.00	9.1	8.1	45.5	10.2	4.35	4,957	37.1	2.2	13.2	129	0.2	
– 2.5 to <5	6.5	5.9	51.2	7.8	3.67	3,820	38.5	2.4	10.2	131	0.1	
– 5 to <10	2.6	2.2	27.7	2.4	6.54	1,137	32.9	1.6	3.0	124	0.1	
10.00 to <100.00	2.9	1.1	38.6	2.3	18.38	946	39.7	1.7	4.6	193	0.2	
– 10 to <20	2.6	1.0	39.2	2.1	12.48	781	40.3	1.7	4.3	202	0.1	
– 20 to <30	–	–	–	–	–	–	–	–	–	–	–	
– 30.00 to <100.00	0.3	0.1	28.2	0.2	68.58	165	34.4	1.5	0.3	119	0.1	
100.00 (Default)	3.7	0.8	46.1	3.8	100.00	1,954	44.2	2.0	–	–	1.7	
Sub-total	**97.3**	**103.7**	**41.4**	**135.8**	**3.86**	**68,770**	**36.3**	**1.9**	**73.4**	**54**	**2.4**	**1.5**
FIRB – Total at 30 Jun 2022	**111.1**	**107.5**	**40.8**	**150.1**	**3.88**	**84,054**	**36.5**	**2.0**	**81.6**	**54**	**2.6**	**1.6**

Table 30: IRB – Credit risk exposures by portfolio and PD range[1] (CR6) (continued)

PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post-CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	$bn	$bn	%	$bn	%		%	years	$bn	%	$bn	$bn
AIRB – Central government and central banks												
0.00 to <0.15	417.2	2.4	38.8	418.7	0.02	414	43.0	1.7	27.9	7	—	
0.15 to <0.25	3.2	—	37.7	3.1	0.22	22	44.7	1.5	1.2	39	—	
0.25 to <0.50	1.1	—	48.6	1.1	0.37	6	45.0	1.1	0.5	47	—	
0.50 to <0.75	4.9	0.2	64.0	5.1	0.63	73	44.5	1.2	3.2	63	—	
0.75 to <2.50	8.5	—	50.3	8.4	1.29	41	42.0	1.2	7.0	82	0.1	
2.50 to <10.00	2.8	0.2	12.2	2.4	6.36	19	43.9	1.1	3.6	150	0.1	
10.00 to <100.00	0.8	—	30.0	0.7	12.41	3	38.4	1.7	1.3	177	—	
Sub-total	438.5	2.8	40.5	439.5	0.11	578	43.0	1.7	44.7	10	0.2	
AIRB – Institutions												
0.00 to <0.15	65.9	13.6	31.4	69.6	0.05	3,247	39.3	1.3	9.5	14	—	
0.15 to <0.25	2.5	1.6	36.7	3.1	0.22	312	45.4	1.2	1.3	40	—	
0.25 to <0.50	0.5	0.3	26.6	0.6	0.37	102	39.7	0.9	0.3	45	—	
0.50 to <0.75	1.1	0.2	47.9	1.2	0.63	120	40.7	1.2	0.8	67	—	
0.75 to <2.50	0.5	0.5	41.3	0.6	1.24	143	40.5	1.8	0.6	90	—	
2.50 to <10.00	0.1	0.2	35.3	0.1	4.99	55	27.3	1.8	0.1	86	—	
10.00 to <100.00	—	—	57.1	—	15.66	3	55.3	3.8	—	281	—	
100.00 (Default)	—	—	25.4	—	100.00	3	48.8	3.1	—	35	—	
Sub-total	70.6	16.4	32.4	75.2	0.12	3,985	39.6	1.3	12.6	17	—	—
AIRB – Corporate – specialised lending (excluding slotting)[2]												
0.00 to <0.15	2.5	0.5	62.0	2.7	0.09	42	20.4	3.8	0.4	15	—	
0.15 to <0.25	1.1	1.0	44.8	1.5	0.22	43	24.2	3.6	0.4	27	—	
0.25 to <0.50	1.5	1.3	41.4	2.0	0.37	42	24.4	3.5	0.8	39	—	
0.50 to <0.75	0.8	1.0	41.6	1.2	0.63	27	28.8	3.7	0.7	59	—	
0.75 to <2.50	1.5	0.8	36.7	1.5	1.32	43	19.2	4.3	0.7	52	—	
2.50 to <10.00	0.3	—	—	0.2	4.25	17	27.1	3.2	0.2	91	—	
10.00 to <100.00	—	—	99.4	—	30.50	4	33.2	4.4	0.1	145	—	
100.00 (Default)	0.2	—	96.9	0.2	100.00	9	22.5	4.0	—	6	0.1	
Sub-total	7.9	4.6	44.2	9.3	3.33	227	23.0	3.8	3.3	35	0.1	0.1
AIRB – Corporate – SME												
0.00 to <0.15	0.9	0.8	29.5	1.8	0.10	390	39.2	2.0	0.3	19	—	
0.15 to <0.25	1.4	1.8	30.3	2.3	0.22	1,130	38.0	1.8	0.6	26	—	
0.25 to <0.50	2.1	1.9	27.3	3.6	0.37	1,305	29.5	1.9	1.0	27	—	
0.50 to <0.75	4.2	1.9	29.5	4.7	0.63	1,438	29.2	2.0	1.7	35	—	
0.75 to <2.50	16.7	6.8	28.7	17.1	1.43	5,011	29.2	1.8	8.0	47	0.1	
2.50 to <10.00	4.0	1.7	25.9	4.0	4.06	1,521	33.0	1.5	3.0	74	0.1	
10.00 to <100.00	0.3	0.2	30.1	0.3	19.19	153	33.8	1.3	0.3	113	—	
100.00 (Default)	—	—	—	—	100.00	—	59.5	2.1	—	132	—	
Sub-total	29.6	15.1	28.6	33.8	1.50	10,948	30.9	1.8	14.9	44	0.2	0.1
AIRB – Corporate – Other												
0.00 to <0.15	85.0	152.0	37.3	181.2	0.08	7,264	39.3	1.9	36.1	20	0.1	
0.15 to <0.25	31.5	59.8	30.3	54.1	0.22	4,864	42.8	1.6	20.8	39	0.1	
0.25 to <0.50	25.7	41.1	26.9	40.1	0.37	4,327	42.3	1.7	20.4	51	0.1	
0.50 to <0.75	39.1	38.7	29.4	48.3	0.63	5,317	38.7	1.7	29.2	60	0.1	
0.75 to <2.50	100.1	84.9	28.9	90.6	1.33	41,482	37.9	1.8	73.9	82	0.5	
2.50 to <10.00	27.6	26.4	28.5	25.3	4.23	7,501	36.7	1.9	28.6	113	0.4	
10.00 to <100.00	6.4	4	30.9	5.9	29.88	1,382	27.5	2.2	7.2	122	0.5	
100.00 (Default)	5.4	0.5	29.8	5.5	100.00	1,245	41.4	1.4	4.0	72	3.0	
Sub-total	320.8	407.4	32.5	451.0	2.27	73,382	39.4	1.8	220.2	49	4.8	4.2
Wholesale AIRB – Total at 31 Dec 2021	867.4	446.3	32.6	1,008.8	1.15	89,120	40.5	1.7	295.7	29	5.3	4.4

Table 30: IRB – Credit risk exposures by portfolio and PD range[1] (CR6) (continued)

PD scale	On-balance sheet exposures $bn	Off-balance-sheet exposures pre-CCF $bn	Exposure weighted average CCF %	Exposure post-CCF and post-CRM $bn	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years) years	Risk weighted exposure amount after supporting factors $bn	Density of risk weighted exposure amount %	Expected loss amount $bn	Value adjust-ments and provisions $bn
AIRB – Secured by mortgages on immovable property SME												
0.00 to <0.15	0.4	0.0	100.0	0.4	0.05	2,064	10.9	0.0	0.0	4	0.0	
0.15 to <0.25	0.0	0.0	100.0	0.0	0.19	111	18.0	0.0	0.0	8	0.0	
0.25 to <0.50	0.4	0.0	0.0	0.4	0.38	1,253	17.3	0.0	0.0	9	0.0	
0.50 to <0.75	0.1	0.0	116.5	0.1	0.62	667	25.9	0.0	0.0	21	0.0	
0.75 to <2.50	0.2	0.0	146.9	0.2	1.56	1,222	23.0	0.0	0.1	37	0.0	
2.50 to <10.00	0.3	0.0	89.9	0.3	4.65	1,780	24.5	0.0	0.3	64	0.0	
10.00 to <100.00	0.0	0.0	13.8	0.0	18.04	259	31.5	0.0	0.0	136	0.0	
100.00 (Default)	0.1	0.0	211.4	0.1	100.00	476	37.0	0.0	0.1	142	0.0	
Sub-total	1.5	0.0	113.5	1.5	5.44	7,832	19.7	0.0	0.5	32	0.0	0.0
AIRB – Secured by mortgages on immovable property non-SME												
0.00 to <0.15	226.8	11.0	84.5	240.2	0.07	760,950	15.3	—	19.8	8	—	
0.15 to <0.25	47.9	2.3	94.8	50.4	0.20	273,831	15.6	—	7.4	15	—	
0.25 to <0.50	40.4	3.7	45.9	42.2	0.35	256,644	16.8	—	8.1	19	—	
0.50 to <0.75	15.4	0.6	60.8	15.8	0.58	107,540	11.6	—	3.3	21	—	
0.75 to <2.50	24.8	1.3	69.6	25.8	1.31	198,075	12.9	—	7.5	29	0.1	
2.50 to <10.00	7.0	0.3	81.3	7.2	4.35	52,632	10.8	—	2.6	36	—	
10.00 to <100.00	2.1	—	100.8	2.2	20.78	19,213	16.6	—	2.6	117	0.1	
100.00 (Default)	2.5	0.1	76.6	2.6	100.00	23,365	23.4	—	2.2	88	0.6	
Sub-total	366.9	19.3	76.6	386.4	1.08	1,692,250	15.2	—	53.5	14	0.8	0.4
AIRB – Qualifying revolving retail exposures												
0.00 to <0.15	6.2	76.8	50.1	44.6	0.06	14,828,217	88.8	—	1.9	4	—	
0.15 to <0.25	1.4	15.4	49.9	8.9	0.20	3,944,228	93.3	0.0	1.3	14	0	
0.25 to <0.50	2.2	14.0	43.5	8.2	0.36	3,011,770	91.0	0.0	1.6	20	0.0	
0.50 to <0.75	2.3	4.8	51.1	4.8	0.59	1,165,392	87.5	0.0	1.3	27	0.0	
0.75 to <2.50	4.4	7.9	47.3	8.1	1.40	2,618,959	86.7	0.0	4.1	49	0.1	
2.50 to <10.00	2.3	1.6	68.2	3.4	4.73	978,321	83.8	—	3.7	111	0.2	
10.00 to <100.00	0.6	0.3	65.2	0.8	29.14	309,714	83.2	—	1.6	207	0.2	
100.00 (Default)	0.2	—	58.0	0.2	100.00	99,874	82.0	—	0.5	234	0.2	
Sub-total	19.6	120.8	49.4	79.0	1.06	26,956,475	89.0	—	16.0	20	0.7	0.9
AIRB – Other SME												
0.00 to <0.15	0.1	0.1	68.2	0.1	0.09	48,114	51.7	—	—	11	—	
0.15 to <0.25	—	0.1	49.1	0.1	0.21	31,033	94.9	—	—	32	—	
0.25 to <0.50	0.1	0.3	63.0	0.3	0.37	86,299	80.3	—	0.1	41	—	
0.50 to <0.75	0.2	0.3	81.9	0.4	0.61	66,714	64.2	—	0.2	42	—	
0.75 to <2.50	4.6	1.6	49.6	1.7	1.56	281,045	69.3	—	1.2	74	—	
2.50 to <10.00	3.20	0.70	66.8	1.4	5.04	175,899	49.5	—	1.10	79	0.1	
10.00 to <100.00	2.40	0.20	51.0	0.3	19.92	90,415	57.7	—	0.40	112	—	
100.00 (Default)	0.60	—	25.4	0.2	100.00	30,580	45.5	—	0.10	40	0.2	
Sub-total	11.2	3.3	57.7	4.5	9.18	810,099	61.1	—	3.1	69	0.3	0.3
AIRB – Other non-SME												
0.00 to <0.15	10.2	19.5	10.2	12.9	0.07	662,125	9.1	—	0.4	3	—	
0.15 to <0.25	4.5	2.7	32.4	5.7	0.21	563,877	35.8	—	1.0	18	—	
0.25 to <0.50	7.2	5.1	19.2	8.3	0.37	377,649	15.7	—	0.9	11	—	
0.50 to <0.75	5.7	2.1	15.1	6.1	0.61	249,265	34.2	—	1.8	30	—	
0.75 to <2.50	11.6	3.3	3.7	11.8	1.35	374,692	27.9	—	4.2	36	—	
2.50 to <10.00	2.3	0.6	29.2	2.5	4.13	241,490	50.0	—	2.1	82	0.1	
10.00 to <100.00	0.4	0.1	16.1	0.4	27.59	100,212	58.9	—	0.6	134	0.1	
100.00 (Default)	0.3	—	47.5	0.3	100.00	43,129	66.1	—	0.4	153	0.2	
Sub-total	42.2	33.4	13.4	48.0	1.52	2,612,439	24.1	—	11.4	24	0.4	0.4
Retail AIRB - Total at 31 Dec 2021	441.4	176.8	45.7	519.4	1.20	32,079,095	27.6	—	84.5	16	2.2	2.0

Table 30: IRB – Credit risk exposures by portfolio and PD range[1] (CR6) (continued)

PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post-CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	$bn	$bn	%	$bn	%		%	years	$bn	%	$bn	$bn
FIRB – Central government and central banks												
0.00 to <0.15	—	—	75.0	0.5	0.04	1	45.0	4.1	0.1	26	—	
Sub-total	—	—	75.0	0.5	0.04	1	45.0	4.1	0.1	26	—	0
FIRB – Institutions												
0.00 to <0.15	0.1	—	16.5	0.2	0.05	2	45.0	1.1	—	12	—	
0.15 to <0.25	—	—	20.0	—	0.22	1	45.0	1.0	—	34	—	
0.25 to <0.50	0.3	—	—	0.2	0.37	1	45.0	2.7	0.1	66	—	
0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
0.75 to <2.50	—	—	0.2	—	1.27	3	45.0	0.6	—	79	—	
Sub-total	0.4	—	16.8	0.4	0.23	7	45.0	1.8	0.1	40	—	0
FIRB – Corporate – SME												
0.00 to <0.15	0.8	0.3	25.1	0.8	0.13	1,189	40.0	2.7	0.2	27	—	
0.15 to <0.25	2.1	0.8	17.4	2.1	0.22	2,454	39.0	2.4	0.7	32	—	
0.25 to <0.50	2.4	0.8	20.4	2.4	0.37	2,699	38.4	2.5	1	41	—	
0.50 to <0.75	2.1	0.6	21.3	2.1	0.63	2,129	38.1	2.8	1.2	56	—	
0.75 to <2.50	4.7	1.2	27.4	4.3	1.36	5,381	38.4	2.5	3.1	72	—	
2.50 to <10.00	1.6	0.4	29.0	1.4	4.71	2,144	37.6	2.4	1.4	102	—	
10.00 to <100.00	0.5	0.1	48.5	0.5	17.86	690	38.5	2.3	0.8	164	0.1	
Sub-total	14.2	4.2	23.9	13.6	1.72	16,686	38.5	2.5	8.4	61	0.1	0.1
FIRB – Corporate – Other												
0.00 to <0.15	23.1	43.1	48.0	47.2	0.08	6,432	35.1	2.0	9.1	19	—	
0.15 to <0.25	11.7	16.4	38.6	18.1	0.22	4,651	36.9	1.9	6.9	38	—	
0.25 to <0.50	9.8	12	33.2	13.8	0.37	4,136	33.7	1.9	6.5	47	—	
0.50 to <0.75	8.6	9.1	38.4	11.6	0.63	4,110	36.0	1.8	7.4	63	—	
0.75 to <2.50	26.3	26.6	38.3	33.1	1.46	42,713	37.8	2.1	30.5	93	0.2	
2.50 to <10.00	12.8	9.1	46.4	14.2	4.75	5,918	35.3	1.9	18.7	131	0.3	
10.00 to <100.00	2.2	1.3	36.1	1.8	17.24	1,060	38.6	2.1	3.8	209	0.1	
100.00 (Default)	4.7	0.8	41.1	4.6	100.00	2,001	43.5	2.0	—	—	2.1	
Sub-total	99.2	118.4	42.1	144.4	4.38	71,021	36.2	2.0	82.9	57	2.7	2
FIRB – Total at 31 Dec 2021	113.8	122.6	41.5	158.9	4.12	87,715	36.5	2.0	91.5	58	2.8	2.1

1 Securitisation positions and NCOAs are not included in this table.
2 Slotting exposures are disclosed in Table 33: Specialised lending and equity exposures under the simple risk-weight approach (CR10).
3 Figures have been prepared on an IFRS 9 transitional basis.
4 For current period, single obligor with multiple ratings/PD are counted separately for every PD band. We count the number of obligors on the basis of our exposure to the original counterparty (reported in the first two columns of this table). Where exposure is subject to risk-transfer to another party, to avoid duplication, we do not count the exposure again after risk transfer.

Table 31: IRB – Effect on the RWA of credit derivatives used as CRM techniques (CR7)

		At 30 Jun 2022		At 31 Dec 2021	
		Pre-credit derivatives RWAs	**Actual RWAs**	Pre-credit derivatives RWAs	Actual RWAs
		$m	**$m**	$m	$m
1	**Exposures under FIRB**	**82,152**	**81,573**	92,056	91,567
2	Central governments and central banks	**164**	**164**	136	136
3	Institutions	**107**	**107**	140	140
4	Corporates	**81,881**	**81,302**	91,780	91,291
4.1	*– of which: SMEs*	***7,866***	***7,866***	*8,362*	*8,362*
5	**Exposures under AIRB**[1]	**428,699**	**427,974**	403,793	403,056
6	Central governments and central banks	**48,486**	**48,486**	44,693	44,693
7	Institutions	**13,446**	**13,435**	12,607	12,607
8	Corporates	**276,252**	**275,538**	262,014	261,277
8.1	*– of which: SMEs*	***14,506***	***14,506***	*14,928*	*14,928*
8.2	*– of which: Specialised lending*	***29,075***	***29,075***	*26,100*	*26,100*
9	Retail	**90,515**	**90,515**	84,479	84,479
9.1	*– of which: Retail – SMEs – Secured by immovable property collateral*	***433***	***433***	*480*	*480*
9.2	*– of which: Retail – non-SMEs – Secured by immovable property collateral*	***61,121***	***61,121***	*53,450*	*53,450*
9.3	*– of which: Retail – qualifying revolving*	***16,051***	***16,051***	*16,004*	*16,004*
9.4	*– of which: Retail – SMEs – Other*	***2,838***	***2,838***	*3,138*	*3,138*
9.5	*– of which: Retail – non-SMEs – Other*	***10,072***	***10,072***	*11,407*	*11,407*
20	**Total (including FIRB exposures and AIRB exposures)**	**510,851**	**509,547**	495,849	494,623

1 Non-credit obligation assets are not included in this table, prior period has been presented accordingly.

Table 32: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A)

			Funded credit Protection (FCP)								
				Part of exposures covered by Other eligible collateral (%)				Part of exposures covered by Other funded credit protection (%)			
AIRB		**Total exposures**	**Part of exposures covered by financial collateral**	**Total**	**Part of exposures covered by Immovable property collateral**	**Part of exposures covered by receivables**	**Part of exposures covered by other physical collateral**	**Total**	**Part of exposures covered by cash on deposit**	**Part of exposures covered by life insurance policies**	**Part of exposures covered by instruments held by a third party**
		$bn	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
1	Central governments and central banks	**420.5**	**6.13**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2	Institutions	**79.3**	**3.82**	**0.72**	**0.07**	**0.30**	**0.36**	**–**	**–**	**–**	**–**
3	Corporates	**516.9**	**4.07**	**20.84**	**15.30**	**2.38**	**3.16**	**0.20**	**–**	**0.20**	**–**
3.1	*– of which: Corporates – SMEs*	***24.4***	***3.72***	***72.14***	***64.29***	***2.82***	***5.03***	***1.76***	***–***	***1.76***	***–***
3.2	*Corporates – specialised lending*	***48.5***	***0.33***	***–***	***–***	***–***	***–***	***–***	***–***	***–***	***–***
3.3	*Corporates – other*	***444.0***	***4.50***	***20.30***	***14.28***	***2.61***	***3.41***	***0.13***	***–***	***0.13***	***–***
4	Retail	**499.4**	**4.95**	**49.19**	**48.70**	**–**	**0.49**	**–**	**–**	**–**	**–**
4.1	*– of which: Retail – immovable property SMEs*	***1.4***	***0.91***	***94.31***	***93.94***	***0.36***	***–***	***–***	***–***	***–***	***–***
4.2	*Retail – immovable property non-SMEs*	***371.6***	***0.07***	***65.09***	***65.09***	***–***	***–***	***–***	***–***	***–***	***–***
4.3	*Retail – qualifying revolving*	***74.0***	***–***	***–***	***–***	***–***	***–***	***–***	***–***	***–***	***–***
4.4	*Retail – other SMEs*	***10.7***	***1.09***	***1.41***	***–***	***0.01***	***1.39***	***–***	***–***	***–***	***–***
4.5	*Retail – other non-SMEs*	***41.7***	***58.36***	***5.56***	***–***	***–***	***5.56***	***–***	***–***	***–***	***–***
5	**Total at 30 Jun 2022**	**1,516.1**	**4.92**	**23.35**	**21.26**	**0.83**	**1.26**	**0.07**	**–**	**0.07**	**–**
FIRB											
1	Central governments and central banks	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2	Institutions	**0.3**	**–**	**2.14**	**–**	**2.14**	**–**	**–**	**–**	**–**	**–**
3	Corporates	**154.7**	**14.36**	**16.74**	**11.92**	**3.60**	**1.22**	**–**	**–**	**–**	**–**
3.1	*– of which: Corporates – SMEs*	***14.4***	***0.59***	***59.20***	***43.30***	***12.55***	***3.35***	***–***	***–***	***–***	***–***
3.2	*Corporates – specialised lending*	***–***	***–***	***–***	***–***	***–***	***–***	***–***	***–***	***–***	***–***
3.3	*Corporates – other*	***140.3***	***15.77***	***12.39***	***8.71***	***2.69***	***1.00***	***–***	***–***	***–***	***–***
4	**Total at 30 Jun 2022**	**155.0**	**14.33**	**16.71**	**11.89**	**3.60**	**1.21**	**–**	**–**	**–**	**–**

Table 32: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) (continued)

		Unfunded credit Protection		Credit risk mitigation methods in the calculation of RWAs	
AIRB		Part of exposures covered by guarantees	Part of exposures covered by credit derivatives	RWA post- all CRM assigned to the obligor exposure class	RWA with substitution effects
		%	%	$bn	$bn
1	Central governments and central banks	0.07	–	48.4	48.5
2	Institutions	0.47	–	13.5	13.4
3	Corporates	1.18	–	275.5	275.5
3.1	– *of which:* *Corporates – SMEs*	*2.52*	–	*14.5*	*14.5*
3.2	*Corporates – specialised lending*	*0.7*	–	*29.1*	*29.1*
3.3	*Corporates – other*	*1.16*	–	*231.9*	*231.9*
4	Retail	4.15	–	90.5	90.5
4.1	– *of which:* *Retail – immovable property SMEs*	*0.06*	–	*0.4*	*0.4*
4.2	*Retail – immovable property non-SMEs*	*5.56*	–	*61.1*	*61.1*
4.3	*Retail – qualifying revolving*	*0*	–	*16.1*	*16.1*
4.4	*Retail – other SMEs*	*0.41*	–	*2.8*	*2.8*
4.5	*Retail – other non-SMEs*	*0.06*	–	*10.1*	*10.1*
5	**Total at 30 Jun 2022**	*1.82*	–	427.9	427.9
FIRB					
1	Central governments and central banks	–	–	–	0.20
2	Institutions	–	–	0.1	0.1
3	Corporates	–	–	81.5	81.3
3.1	– *of which:* *Corporates – SMEs*	–	–	*7.9*	*7.9*
3.2	*Corporates – specialised lending*	–	–	–	–
3.3	*Corporates – other*	–	–	*73.6*	*73.4*
4	**Total at 30 Jun 2022**	–	–	81.6	81.6

Table 33: Specialised lending and equity exposures under the simple risk-weight approach (CR10)

Specialised lending: Project finance (Slotting approach)		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected loss
Regulatory categories	**Remaining maturity**	$m	$m	%	$m	$m	$m
Category 1	Less than 2.5 years	1	–	50	1	–	–
	Equal to or more than 2.5 years	–	–	70	–	–	–
Category 2	Less than 2.5 years	2	93	70	51	36	–
	Equal to or more than 2.5 years	94	–	90	94	84	1
Category 3	Less than 2.5 years	1	–	115	1	1	–
	Equal to or more than 2.5 years	–	–	115	–	–	–
Category 4	Less than 2.5 years	–	–	250	–	–	–
	Equal to or more than 2.5 years	–	–	250	–	–	–
Category 5	Less than 2.5 years	1	–	–	1	–	1
	Equal to or more than 2.5 years	17	–	–	17	–	8
Total at 30 Jun 2022	Less than 2.5 years	5	93		54	37	1
	Equal to or more than 2.5 years	111	–		111	84	9

Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected loss
Regulatory categories	**Remaining maturity**	$m	$m	%	$m	$m	$m
Category 1	Less than 2.5 years	12,765	2,248	50	13,847	6,795	–
	Equal to or more than 2.5 years	9,511	935	70	10,071	6,859	40
Category 2	Less than 2.5 years	5,513	870	70	5,841	4,005	23
	Equal to or more than 2.5 years	2,433	365	90	2,609	2,235	21
Category 3	Less than 2.5 years	2,070	236	115	2,176	2,483	61
	Equal to or more than 2.5 years	351	2	115	351	394	10
Category 4	Less than 2.5 years	145	1	250	146	365	12
	Equal to or more than 2.5 years	147	–	250	147	367	12
Category 5	Less than 2.5 years	372	2	–	374	–	187
	Equal to or more than 2.5 years	134	1	–	129	–	64
Total at 30 Jun 2022	Less than 2.5 years	20,865	3,357		22,384	13,648	283
	Equal to or more than 2.5 years	12,576	1,303		13,307	9,855	147

Table 33: Specialised lending and equity exposures under the simple risk-weight approach (CR10) (continued)

Specialised lending: Object finance (Slotting approach)		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected loss
Regulatory categories	Remaining maturity	$m	$m	%	$m	$m	$m
Category 1	Less than 2.5 years	566	28	50	587	294	—
	Equal to or more than 2.5 years	844	36	70	872	610	3
Category 2	Less than 2.5 years	183	17	70	196	137	1
	Equal to or more than 2.5 years	122	4	90	124	112	1
Category 3	Less than 2.5 years	—	—	115	—	—	—
	Equal to or more than 2.5 years	—	—	115	—	—	—
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	8	—	—	8	—	4
	Equal to or more than 2.5 years	—	—	—	—	—	—
Total at 30 Jun 2022	Less than 2.5 years	757	45		791	431	5
	Equal to or more than 2.5 years	966	40		996	722	4

Counterparty credit risk

Counterparty credit risk management

Counterparty credit risk ('CCR') arises for derivatives and securities financing transactions ('SFTs'). It is calculated in both the trading and non-trading books, and is the risk that a counterparty may default before settlement. CCR arises primarily from our wholesale global businesses.

HSBC implemented SA-CCR in January 2022. Where we apply the IMM approach, EAD is calculated by multiplying the effective expected positive exposure ('EEPE') with a multiplier 'alpha'.

Alpha (set to a default value of 1.45) accounts for several portfolio features that increase expected loss ('EL') above that indicated by EEPE in the event of default, such as:

- co-variance of exposures;
- correlation between exposures and default;
- level of volatility/correlation that might coincide with a downturn;
- concentration risk; and
- model risk.

The EEPE is derived from simulation, pricing and aggregation of internal model calculations, approved by regulators. The IMM model is subject to ongoing model validation including monthly model performance monitoring.

From a risk management perspective, products not covered by IMM are subject to conservative asset class add-ons, in addition to daily monitoring of credit limit utilisation.

The potential future exposure measures used for CCR management are calibrated to the 95th percentile. The measures consider volatility, trade maturity and the counterparty legal documentation covering netting and collateral.

Limits for CCR exposures are assigned within the overall credit risk management process. The credit risk function assigns a limit against each counterparty to cover exposure that may arise as a result of a counterparty default. The magnitude of this limit will depend on the overall risk appetite, type of derivatives and type of SFT trading undertaken with a counterparty.

Models and methodologies used in the calculation of CCR are overseen and monitored by the Traded Risk Model Oversight Forum. Models are subject to ongoing monitoring and validation. Additionally, they are subject to independent review at inception and on an ongoing basis.

For further information, a summary of our current policies and practices for the management of counterparty credit risk is set out in 'Counterparty credit risk' on page 62 of the Pillar 3 Disclosures at 31 December 2021*.*

Table 34: Analysis of counterparty credit risk exposure by approach (excluding centrally cleared exposures)[1] (CCR1)

		Replacement cost	Potential future exposure	Effective expected positive exposure	Multiplier	EAD pre-CRM	EAD post-CRM	Exposure Value	RWAs
		$m	$m	$m		$m	$m	$m	$m
1	SA-CCR (for derivatives)	8,013	11,698	—	1.40	27,595	27,595	27,595	11,367
2	IMM (for derivatives and SFTs)	—	—	31,688	1.45	45,948	45,948	45,948	13,958
2b	*derivatives and long settlement transactions netting sets*	—	—	*31,688*	—	*45,948*	*45,948*	*45,948*	*13,958*
4	Financial collateral comprehensive method (for SFTs)	—	—	—	—	60,196	60,203	60,203	9,742
6	**Total at 30 Jun 2022**	8,013	11,698	31,688	1.45	133,739	133,746	133,746	35,067
1	Mark-to-market	6,473	19,740	—	—	N/A	26,212	N/A	10,141
4	Internal model method	—	—	27,873	1.40	N/A	39,023	N/A	12,626
6	*derivatives and long settlement transactions*[2]	—	—	*27,873*	*1.40*	*N/A*	*39,023*	*N/A*	*12,626*
9	Financial collateral comprehensive method (for SFTs)	—	—	—	—	N/A	63,336	N/A	9,466
11	Total at 31 Dec 2021	6,473	19,740	27,873	1.40	N/A	128,571	N/A	32,233

1 *As the Group does not use the original exposure method, notional values are not reported.*
2 *Prior to the implementation of SA-CCR, the exposures reported here are under the mark-to-market method.*

Credit valuation adjustment

Credit valuation adjustments ('CVA') represent the risk of loss as a result of adverse changes to the credit quality of counterparties in derivative transactions. Where we have both specific risk VaR approval and IMM approval for a product, the CVA VaR approach has been used to calculate the CVA capital charge. Where we do not hold both approvals, the standardised approach has been applied. Certain counterparty exposures are exempt from CVA, such as non-financial counterparties and sovereigns.

Table 35: Credit valuation adjustment capital charge (CCR2)

		At 30 Jun 2022		At 31 Dec 2021	
		Exposure value	**RWAs**	Exposure value	RWAs
		$m	**$m**	$m	$m
1	Total transactions subject to the Advanced method	**26,983**	**1,786**	20,587	1,590
2	– VaR component (including the 3 × multiplier)	**—**	**148**	—	198
3	– stressed VaR component (including the 3 × multiplier)	**—**	**1,638**	—	1,392
4	Transactions subject to the Standardised method	**15,337**	**2,092**	11,490	839
5	**Total transactions subject to own funds requirements for CVA risk**	**42,320**	**3,878**	32,077	2,429

The following table presents information on the risk weighting of CCR exposures under the standardised approach by regulatory portfolio.

Table 36: Standardised approach – CCR exposures by regulatory exposure class and risk weights (CCR3)

		0%	20%	50%	100%	150%	Others	Total exposure value
	Risk weight	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
1	Central governments and central banks	**5,680**	**104**	**2**	**21**	**—**	**—**	**5,807**
2	Regional government or local authorities	**691**	**7**	**17**	**—**	**—**	**—**	**715**
6	Institutions	**—**	**27**	**34**	**214**	**—**	**—**	**275**
7	Corporates	**—**	**29**	**59**	**1,440**	**5**	**13**	**1,546**
	Total at 30 Jun 2022	**6,371**	**167**	**112**	**1,675**	**5**	**13**	**8,343**
1	Central governments and central banks	8,108	65	—	—	—	—	8,173
2	Regional government or local authorities	1,875	—	—	—	—	—	1,875
6	Institutions	—	—	—	115	—	—	115
7	Corporates	—	—	—	1,007	—	12	1,019
	Total at 31 Dec 2021	9,983	65	—	1,122	—	12	11,182

Table 37: IRB – CCR exposures by portfolio and PD scale (CCR4)

PD scale	Exposure value $m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	RWAs $m	Density of risk weighted exposure amounts density %
AIRB – Central government and central banks							
0.00 to <0.15	15,325	0.05	104	45.0	0.40	1,175	8
0.15 to <0.25	676	0.22	11	45.0	0.22	184	27
0.25 to <0.50	58	0.37	4	45.0	1.87	35	60
0.50 to <0.75	3	0.63	4	45.0	1.00	2	65
0.75 to <2.50	250	1.64	7	45.0	1.10	251	100
2.50 to <10.00	480	7.85	1	45.0	1.00	845	176
10.00 to <100.00	–	10.00	1	45.0	1.00	–	195
100.00 (Default)							
Sub-total	16,792	0.31	132	45.0	0.43	2,492	15
AIRB – Institutions							
0.00 to <0.15	52,468	0.07	5,628	44.9	0.73	8,695	17
0.15 to <0.25	3,275	0.22	543	45.5	1.06	1,367	42
0.25 to <0.50	427	0.37	93	45.5	1.03	216	51
0.50 to <0.75	583	0.63	97	45.1	0.99	437	75
0.75 to <2.50	596	1.58	115	44.5	1.26	645	108
2.50 to <10.00	14	4.25	19	45.2	1.54	19	136
10.00 to <100.00	1	10.01	3	45.0	1.00	2	175
100.00 (Default)							
Sub-total	57,364	0.10	6,498	44.9	0.76	11,381	20
AIRB – Corporates							
0.00 to <0.15	16,843	0.07	3,250	45.5	1.21	3,032	18
0.15 to <0.25	3,714	0.22	1,240	46.9	0.99	1,425	38
0.25 to <0.50	2,072	0.37	659	47.0	1.31	1,212	58
0.50 to <0.75	1,317	0.63	604	47.5	1.42	1,032	78
0.75 to <2.50	3,424	1.48	2,302	45.4	1.19	3,420	100
2.50 to <10.00	359	3.77	306	47.8	1.45	519	144
10.00 to <100.00	283	13.90	45	40.6	0.29	519	183
100.00 (Default)	95	100.00	18	47.7	0.45	–	–
Sub-total	28,107	0.83	8,424	45.9	1.19	11,159	40
AIRB – Total at 30 Jun 2022	102,263	0.34	15,054	45.2	0.83	25,032	24
FIRB – Corporates							
0.00 to <0.15	20,903	0.07	4,166	45.0	1.37	3,342	16
0.15 to <0.25	4,139	0.22	1,046	45.0	1.09	1,643	40
0.25 to <0.50	1,172	0.37	542	45.0	1.45	668	57
0.50 to <0.75	1,383	0.63	531	45.0	0.56	1,022	74
0.75 to <2.50	2,939	1.40	1,716	45.0	1.37	3,111	106
2.50 to <10.00	533	4.01	344	45.0	1.29	731	137
10.00 to <100.00	37	10.57	48	45.0	1.05	71	193
100.00 (Default)	47	100.00	29	45.0	0.86	–	–
FIRB – Total at 30 Jun 2022	31,153	0.48	8,422	45.0	1.30	10,588	34
Total (all portfolios) at 30 Jun 2022	133,416	0.37	23,476	45.1	0.94	35,620	27

Table 37: IRB – CCR exposures by portfolio and PD scale (CCR4) (continued)

PD scale	EAD post-CRM $m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWAs $m	RWA density %
AIRB – Central government and central banks							
0.00 to <0.15	17,683	0.06	94	44.2	0.31	1,420	8
0.15 to <0.25	856	0.22	11	43.9	0.16	211	25
0.25 to <0.50	48	0.37	6	45.0	2.42	36	75
0.50 to <0.75	322	1.61	8	45.0	1.49	324	101
0.75 to <2.50	813	7.85	3	44.8	1.01	1,361	167
2.50 to <10.00	—	—	—	—	—	—	—
10.00 to <100.00	—	—	—	—	—	—	—
100.00 (Default)	—	—	—	—	—	—	—
Sub-total	19,722	0.42	122	44.2	0.36	3,352	17
AIRB – Institutions							
0.00 to <0.15	44,160	0.07	5,115	44.5	0.81	7,392	17
0.15 to <0.25	2,506	0.22	426	45.0	1.25	1,139	45
0.25 to <0.50	479	0.37	84	45.0	1.24	288	60
0.50 to <0.75	378	0.63	99	44.9	0.91	276	73
0.75 to <2.50	397	1.41	116	45.1	1.34	412	104
2.50 to <10.00	74	3.45	26	44.9	3.50	115	156
10.00 to <100.00	1	10.00	1	45.0	1.00	2	186
100.00 (Default)							
Sub-total	47,995	0.10	5,867	44.5	0.84	9,624	20
AIRB – Corporates							
0.00 to <0.15	12,528	0.07	3,686	45.8	1.35	2,444	20
0.15 to <0.25	3,517	0.22	1,242	46.6	1.04	1,336	38
0.25 to <0.50	1,484	0.37	651	46.1	1.15	851	57
0.50 to <0.75	897	0.63	637	47.5	1.15	665	74
0.75 to <2.50	2,075	1.31	1,728	42.8	1.35	1,851	89
2.50 to <10.00	450	3.61	301	46.5	1.87	630	140
10.00 to <100.00	19	18.50	37	54.2	1.60	53	280
100.00 (Default)	36	100.00	16	46.3	0.29	—	—
Sub-total	21,005	0.53	8,297	45.7	1.28	7,830	37
AIRB – Total at 31 Dec 2021	88,723	0.27	14,286	44.7	0.84	20,806	23
FIRB – Corporates							
0.00 to <0.15	18,568	0.07	3,365	44.0	1.47	3,493	19
0.15 to <0.25	4,375	0.22	885	44.9	1.09	1,634	37
0.25 to <0.50	1,444	0.37	544	44.6	1.14	690	48
0.50 to <0.75	995	0.63	522	45.0	1.14	729	73
0.75 to <2.50	2,678	1.37	1,527	45.0	1.69	2,732	102
2.50 to <10.00	428	4.23	379	45.0	1.46	600	140
10.00 to <100.00	41	11.06	37	45.0	1.10	80	192
100.00 (Default)	25	100.00	24	45.0	1.00	—	—
FIRB – Total at 31 Dec 2021	28,554	0.42	7,283	44.3	1.40	9,958	35
Total (all portfolios) at 31 Dec 2021	117,276	0.31	21,490	44.6	0.98	30,764	26

Collateral arrangements

Our policy is to revalue all traded transactions and associated collateral positions on a daily basis. An independent collateral management function manages the collateral process, including pledging collateral, receiving collateral, investigating disputes and following up non-receipts.

Collateral types are controlled under a policy to ensure price transparency, price stability, liquidity, enforceability, independence, reusability and eligibility for regulatory purposes. A valuation 'haircut' policy reflects the fact that collateral may fall in value between the date the collateral was called and the date of liquidation or enforcement. A very high proportion of collateral held as variation margin under credit support annex ('CSA') agreements is composed of either cash or liquid government securities.

Table 38: Composition of collateral for CCR exposure (CCR5)

		Collateral used in derivative transactions				Collateral used in SFTs	
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
		Segregated	Unsegregated	Segregated	Unsegregated		
		$m	$m	$m	$m	$m	$m
1	Cash	**323**	**151,897**	**280**	**94,945**	**—**	**160**
2	Debt	**7,195**	**21,647**	**15,650**	**17,121**	**470,686**	**321,920**
3	Equity	**—**	**—**	**—**	**—**	**53,792**	**37,866**
4	Other	**—**	**—**	**—**	**—**	**1,337**	**1,297**
5	**Total at 30 Jun 2022**	**7,518**	**173,544**	**15,930**	**112,066**	**525,815**	**361,243**
1	Cash	—	78,882	—	69,716	326,133	463,646
2	Debt	—	19,818	2,173	19,872	465,901	340,620
3	Equity	—	589	—	—	40,560	47,705
4	Other	—	666	2,548	1,242	1,491	35
5	Total at 31 Dec 2021	—	99,955	4,721	90,830	834,085	852,006

Central counterparties

While exchange-traded derivatives have been cleared through central counterparties ('CCPs') for many years, recent regulatory initiatives designed to reduce systemic risk in the banking system are directing increasing volumes of OTC derivatives to also be cleared through CCPs.

To manage the significant concentration of risk in CCPs that results from this, we have developed a risk appetite framework to manage risk accordingly, at the level of individual CCPs and globally. A dedicated CCP risk team has been established to manage the interface with CCPs and undertake in-depth due diligence of the unique risks associated with these organisations.

Table 39: Exposures to central counterparties (CCR8)

		At 30 Jun 2022		At 31 Dec 2021	
		Exposure value	RWAs	EAD post-CRM	RWAs
		$m	$m	$m	$m
1	**Exposures to qualifying central counterparties ('QCCPs') (total)**		**1,076**		1,206
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	**12,750**	**256**	13,508	271
3	– OTC derivatives	**2,880**	**58**	2,824	56
4	– exchange-traded derivatives	**4,095**	**82**	7,442	150
5	– securities financing transactions	**5,775**	**116**	3,242	65
7	Segregated initial margin	**6,326**		4,721	
8	Non-segregated initial margin	**12,469**	**249**	6,052	121
9	Pre-funded default fund contributions	**—**	**571**	—	814
10	Unfunded default fund contributions		**—**		—
11	**Exposures to non-QCCPs (total)**		**14**		—
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)	**1**	**1**	—	—
14	– exchange-traded derivatives	**1**	**1**	—	—
18	Non-segregated initial margin	**13**	**13**	3	—

Table 40: Credit derivatives exposures (CCR6)

		At 30 Jun 2022		At 31 Dec 2021	
		Protection bought	Protection sold	Protection bought	Protection sold
		$m	$m	$m	$m
Notionals					
1	Single-name credit default swaps[2]	**69,705**	**57,440**	68,225	55,126
2	Index credit default swaps	**30,492**	**29,430**	29,844	28,246
3	Total return swaps	**2,366**	**6,243**	3,599	5,684
6	**Total notionals[1]**	**102,563**	**93,113**	101,668	89,056
Fair values					
7	Positive fair value (asset)	**2,626**	**624**	942	1,234
8	Negative fair value (liability)	**(675)**	**(2,646)**	(1,835)	(1,317)

1 *These are products where we act as an intermediary for our clients, enabling them to take a position in the underlying securities. These do not increase risk for HSBC.*
2 *This table has adopted the PRA format that came into force on 1 January 2022. Comparatives have been restated to align with this new presentation.*

Securitisation

Securitisation strategy

HSBC acts as originator, sponsor, and investor to securitisation positions. Our strategy is to use securitisation to meet our needs for aggregate funding or capital management (to the extent that market conditions, regulatory treatments and other conditions are suitable) and for customer facilitation.

Securitisations follow a detailed due diligence framework in accordance with the securitisation framework. Wholesale Credit Risk conducts the credit approval process for securitisations in the banking book. Traded Risk sets and monitors detailed risk limits and criteria for securitisations in the trading book. HSBC does not provide support to its originated or sponsored securitisation transactions as a policy.

Securitisation activity

In the securitisation process, the roles that we hold are as:

- originator: where we originate the assets being securitised, either directly or indirectly;
- sponsor: where we establish and manage a securitisation programme that purchases exposures from third parties; and
- investor: where we invest in a securitisation transaction directly or provide derivatives or liquidity facilities to a securitisation.

Region	SPE	Underlying assets	Start date	Maturity date	EAD ($m)	Capital requirement before securitisation ($m)	Capital requirement after securitisation ($m)
HNAH	NA[1]	Corporate loans	Dec-21	Dec-28	2,187	148	26
HBEU	Metrix Portfolio Distribution Plc	Corporate loans	Dec-19	Dec-26	2,025	109	43
HBUK	Neon Portfolio Distribution DAC	Corporate loans	Dec-19	Dec-26	2,770	197	58

Transfer of risk executed via issue of Credit Link Notes (CLN) by HSBC Bank USA, NA

HSBC as originator

We are originator in three securitisation programmes outstanding as at 30 June 2022, details of which are given in the table above.

We use SPEs or credit linked notes to securitise customer loans and advances and other debt that we have originated to diversify our sources of funding for asset origination and for capital efficiency purposes.

Typically we follow an approach commonly known as synthetic securitisation, using credit derivatives and financial guarantees to transfer the credit risk associated with such customer loans and advances.

In order to recognise capital benefit under synthetic securitisation, we satisfy the regulatory requirements for significant risk transfer ('SRT') and monitor our compliance periodically.

HSBC maintains a unhedged holding of at least 5% in each reference obligation. None of these transactions are categorised as simple transparent and standardised ('STS') as per securitisation framework.

Securitisation entity	Description and nature of exposure	Accounting consolidation	Regulatory consolidation	Regulatory treatment
Solitaire	Asset-backed commercial paper ('ABCP') conduit to which a first-loss letter of credit and transaction-specific liquidity facilities are provided. These are all non-STS positions.	✓	✓	Consolidated for regulatory capital purposes
Regency	Multi-seller conduit to which senior liquidity facilities and programme-wide credit enhancement are provided. Includes both STS and non-STS positions.	✓	×	Exposures (including derivatives and liquidity facilities) are risk-weighted as securitisation positions

HSBC as sponsor

We are sponsor to two securitisation entities which manage a securitisation programme that purchases exposures from third parties, details of which can be found in the table above.

We hold all of the commercial paper issued by Solitaire Funding Limited, which is HSBC's sponsored securitisation entity. This is considered a legacy business, and exposures are being repaid as the securities they hold amortise or are sold.

HSBC as investor

We have exposure to third-party securitisations across a wide range of sectors in the form of investments, liquidity facilities and as a derivative counterparty.

Monitoring of securitisation positions

Securitisation positions are managed by dedicated teams that use a combination of market standard systems and third-party data providers to monitor performance data and manage market and credit risks.

In the case of legacy re-securitisation positions, similar processes are conducted in respect of the underlying securitisations.

The liquidity risk of securitised assets is consistently managed as part of the Group's liquidity and funding risk management framework.

Securitisation accounting treatment

For accounting purposes, we consolidate structured entities (including SPEs) when the substance of the relationship indicates that we control them, that is, we are exposed, or have rights, to variable returns from our involvement with the structured entity and have the ability to affect those returns through our power over the entity.

Full details of these assessments and our accounting policy on structured entities may be found in Note 1.2(a) and Note 20 on the financial statements respectively of the Annual Report and Accounts 2021.

We reassess the need to consolidate whenever there is a change in the substance of the relationship between HSBC and a structured entity.

HSBC enters into transactions in the normal course of business by which it transfers financial assets to structured entities.

Depending on the circumstances, these transfers may either result in these financial assets being fully or partly derecognised, or continuing to be recognised in their entirety. Full derecognition occurs when we transfer our contractual right to receive cash flows from the financial assets, or assume an obligation to pass on the cash flows from the assets, and transfer substantially all the risks and rewards of ownership. Only in the event that derecognition is achieved are sales and any resultant gains recognised in the financial statements.

Partial derecognition occurs when we sell or otherwise transfer financial assets in such a way that some but not substantially all of the risks and rewards of ownership are transferred and control is retained. These financial assets are recognised on the balance sheet to the extent of our continuing involvement and an associated liability is also recognised. The net carrying amount of the financial asset and associated liability will be based on either the amortised cost or the fair value of the rights and obligations retained by the entity, depending upon the measurement basis of the financial asset.

Further disclosure of such transfers may be found in Note 17 on the financial statements of the Annual Report and Accounts 2021.

Valuation of securitisation positions

The process of valuing our investments in securitisation exposures primarily focuses on quotations from third parties, observed trade levels and calibrated valuations from market standard models.

Our hedging and credit risk mitigation strategy, with regard to retained securitisation and re-securitisation exposures, is to continually review our positions.

Regulatory treatment

Any reduction in RWAs as a result of our own originated securitisations must receive the PRA's permission and be justified by a commensurate transfer of credit risk to third parties. If these conditions are met, the underlying assets are de-recognised for regulatory purposes and any retained exposures to the securitisation, including derivatives or liquidity facilities, are risk weighted as securitisation positions.

For both non-trading book and trading book securitisation positions we follow the hierarchy of RWA calculation approaches described in the securitisation framework. Differentiated capital treatments are applied for qualifying STS securitisations in accordance with Article 243 of the CRR.

Our originated positions are all reported under the internal ratings-based approach ('SEC-IRBA').

Our positions in the sponsored Solitaire programme and our investment in third-party positions follow the standardised approach ('SEC-SA') and the external ratings-based approach ('SEC-ERBA').

For our sponsored positions in Regency we use the internal assessment approach ('IAA'). An eligible rating agency methodology, which includes stress factors, is applied to each asset class in order to derive the equivalent rating level for each transaction. This methodology is verified by the Credit Risk function as part of the approval process for each new transaction. The performance of each underlying asset portfolio is monitored to confirm that the applicable equivalent rating level still applies and is independently verified. Our IAA approach is audited annually by Internal Model Review and is subject to review by the PRA.

Analysis of securitisation positions

Our involvement in securitisation activities reflected the following in 1H22:

- $7.0bn positions held as synthetic transactions (2021: $7.5bn);
- no assets awaiting securitisation and no material realised losses on securitisation asset disposals during the year;
- unrealised losses on asset-backed securities ('ABS') in the year amounted to $0.1bn (2021: $0.2bn), which relates to assets within SPEs that are consolidated for regulatory purposes; and
- total exposures include off-balance sheet exposure of $10.4bn (2021: $12.6bn), mainly related to contingent liquidity lines provided to securitisation vehicles where we act as sponsor or investor, with a small amount from derivative exposures where we are an investor. The off-balance sheet exposures are held in the non-trading book and the exposure types are spread across multiple products and securitisations.

Table 41: Securitisation exposures in the non-trading book (SEC1)

		Bank acts as originator							Bank acts as sponsor				Bank acts as investor			
		Traditional				Synthetic			Traditional				Traditional			
		STS		Non-STS												
		Total	*of which: SRT*	Total	*of which: SRT*	Total	*of which: SRT*	Sub-total	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total
		$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
2	Retail (total)	—	—	54	*54*	—	—	54	1,034	4,801	—	5,835	583	9,144	—	9,727
3	– residential mortgage	—	—	54	*54*	—	—	54	50	1,905	—	1,955	261	1,540	—	1,801
4	– credit card	—	—	—	—	—	—	—	—	—	—	—	—	1,485	—	1,485
5	– other retail exposures	—	—	—	—	—	—	—	984	2,896	—	3,880	322	6,119	—	6,441
6	– re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Wholesale (total)	—	—	—	—	6,982	*6,982*	6,982	947	593	—	1,540	208	7,627	—	7,835
8	– loans to corporates	—	—	—	—	6,982	*6,982*	6,982	—	70	—	70	—	3,759	—	3,759
9	– commercial mortgage	—	—	—	—	—	—	—	—	66	—	66	—	3,466	—	3,466
10	– lease and receivables	—	—	—	—	—	—	—	947	347	—	1,294	208	244	—	452
11	– other wholesale	—	—	—	—	—	—	—	—	110	—	110	—	157	—	157
12	– re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	1	—	1
1	**Total at 30 Jun 2022**	—	—	54	*54*	6,982	*6,982*	7,036	1,981	5,394	—	7,375	791	16,771	—	17,562
2	Retail (total)	—	—	—	—	—	—	—	940	5,605	—	6,545	643	10,215	—	10,858
3	– residential mortgage	—	—	—	—	—	—	—	50	2,204	—	2,254	284	2,511	—	2,795
4	– credit card	—	—	—	—	—	—	—	—	—	—	—	—	1,920	—	1,920
5	– other retail exposures	—	—	—	—	—	—	—	890	3,401	—	4,291	359	5,784	—	6,143
6	– re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Wholesale (total)	—	—	—	—	7,524	*7,524*	7,524	986	674	—	1,660	227	6,811	—	7,038
8	– loans to corporates	—	—	—	—	7,524	*7,524*	7,524	—	80	—	80	—	3,411	—	3,411
9	– commercial mortgage	—	—	—	—	—	—	—	—	72	—	72	—	3,230	—	3,230
10	– lease and receivables	—	—	—	—	—	—	—	986	404	—	1,390	227	—	—	227
11	– other wholesale	—	—	—	—	—	—	—	—	118	—	118	—	169	—	169
12	– re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	1	—	1
1	Total at 31 Dec 2021	—	—	—	—	7,524	*7,524*	7,524	1,926	6,279	—	8,205	870	17,026	—	17,896

Table 42: Securitisation exposures in the trading book (SEC2)

		At 30 Jun 2022				At 31 Dec 2021			
		Bank acts as investor[1]				Bank acts as investor[1]			
		Traditional				Traditional			
		STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total
		$m	$m	$m	$m	$m	$m	$m	$m
1	**Total exposures**	**551**	**3,125**	**—**	**3,676**	538	3,046	—	3,584
2	**Retail (total)**	**493**	**1,957**	**—**	**2,450**	341	1,851	—	2,192
3	– residential mortgage	**122**	**1,478**	**—**	**1,600**	141	1,246	—	1,387
4	– credit card	**9**	**22**	**—**	**31**	—	24	—	25
5	– other retail exposures	**362**	**457**	**—**	**819**	200	581	—	780
6	– re-securitisation	**—**	**—**	**—**	**—**	—	—	—	—
7	**Wholesale (total)**	**58**	**1,168**	**—**	**1,226**	197	1,195	—	1,392
8	– loans to corporates	**—**	**7**	**—**	**7**	—	11	—	11
9	– commercial mortgage	**—**	**808**	**—**	**808**	—	868	—	868
10	– lease and receivables	**4**	**—**	**—**	**4**	—	—	—	—
11	– other wholesale	**54**	**352**	**—**	**406**	197	315	—	512
12	– re-securitisation	**—**	**1**	**—**	**1**	—	1	—	1

1 *HSBC does not act as originator or sponsor for securitisation exposures in the trading book.*

Table 43: Securitisation exposures in the non-trading book and associated regulatory capital requirements – bank acting as originator or as sponsor (SEC3)

		Exposure values (by risk weight bands/deductions)					Exposure values (by regulatory approach)			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to 1250% RW	1250% RW deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		$m	$m	$m	$m	$m	$m	$m	$m	$m
2	Traditional transactions	**4,642**	**2,370**	**313**	**104**	**—**	**54**	**7,094**	**281**	**—**
3	Securitisation	**4,642**	**2,370**	**313**	**104**	**—**	**54**	**7,094**	**281**	**—**
4	– retail underlying	**3,320**	**2,221**	**313**	**35**	**—**	**54**	**5,730**	**105**	**—**
5	– *of which: STS*	***1,034***	**—**	**—**	**—**	**—**	**—**	***1,034***	**—**	**—**
6	– wholesale	**1,322**	**149**	**—**	**69**	**—**	**—**	**1,364**	**176**	**—**
7	– *of which: STS*	***947***	**—**	**—**	**—**	**—**	**—**	***947***	**—**	**—**
9	Synthetic transactions	**6,944**	**—**	**—**	**13**	**25**	**6,957**	**—**	**—**	**25**
10	Securitisation	**6,944**	**—**	**—**	**13**	**25**	**6,957**	**—**	**—**	**25**
11	– retail underlying	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
12	– wholesale	**6,944**	**—**	**—**	**13**	**25**	**6,957**	**—**	**—**	**25**
13	Re-securitisation	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
1	**Total at 30 Jun 2022**	**11,586**	**2,370**	**313**	**117**	**25**	**7,011**	**7,094**	**281**	**25**
2	Traditional securitisation	4,962	2,751	374	118	—	—	7,875	330	—
3	Securitisation	4,962	2,751	374	118	—	—	7,875	330	—
4	– retail underlying	3,555	2,578	374	38	—	—	6,405	140	—
5	– *of which: STS*	*940*	—	—	—	—	—	*940*	—	—
6	– wholesale	1,407	173	—	80	—	—	1,470	190	—
7	– *of which: STS*	*986*	—	—	—	—	—	*986*	—	—
9	Synthetic securitisation	4,416	3,062	—	18	28	7,496	—	—	28
10	Securitisation	4,416	3,062	—	18	28	7,496	—	—	28
11	– retail underlying	—	—	—	—	—	—	—	—	—
12	– wholesale	4,416	3,062	—	18	28	7,496	—	—	28
13	Re-securitisation	—	—	—	—	—	—	—	—	—
1	Total at 31 Dec 2021	9,378	5,813	374	136	28	7,496	7,875	330	28

Table 43: Securitisation exposures in the non-trading book and associated regulatory capital requirements – bank acting as originator or as sponsor (SEC3) (continued)

		RWAs (by regulatory approach)				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		$m	$m	$m	$m	$m	$m	$m	$m
2	Traditional transactions	3	1,743	86	—	—	139	7	—
3	Securitisation	3	1,743	86	—	—	139	7	—
4	– retail underlying	3	1,377	59	—	—	110	5	—
5	– *of which: STS*	—	*120*	—	—	—	*10*	—	—
6	– wholesale	—	366	27	—	—	29	2	—
7	– *of which: STS*	—	*100*	—	—	—	*8*	—	—
9	Synthetic transactions	1,291	—	—	309	103	—	—	25
10	Securitisation	1,291	—	—	309	103	—	—	25
11	– retail underlying	—	—	—	—	—	—	—	—
12	– wholesale	1,291	—	—	309	103	—	—	25
13	Re-securitisation	—	—	—	—	—	—	—	—
1	**Total at 30 Jun 2022**	1,294	1,743	86	309	103	139	7	25
2	Traditional securitisation	—	1,962	100	—	—	157	8	—
3	Securitisation	—	1,962	100	—	—	157	8	—
4	– retail underlying	—	1,552	71	—	—	125	6	—
5	– *of which: STS*	—	*114*	—	—		*9*	—	—
6	– wholesale	—	410	29	—	—	32	2	—
7	– *of which: STS*	—	*105*	—	—	—	*8*	—	—
9	Synthetic securitisation	1,498	—	—	344	120	—	—	28
10	Securitisation	1,498	—	—	344	120	—	—	28
11	– retail underlying	—	—	—	—	—	—	—	—
12	– wholesale	1,498	—	—	344	120	—	—	28
13	Re-securitisation	—	—	—	—	—	—	—	—
1	Total at 31 Dec 2021	1,498	1,962	100	344	120	157	8	28

Table 44a: Securitisation exposures in the non-trading book and associated capital requirements – bank acting as investor (SEC4)

		Exposure values (by risk weight bands)					Exposure values (by regulatory approach)			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to 1250% RW	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		$m	$m	$m	$m	$m	$m	$m	$m	$m
2	**Traditional securitisation**	13,229	2,359	1,933	40	1	234	2,339	14,988	1
3	Securitisation	13,229	2,359	1,933	40	—	234	2,339	14,988	—
4	– retail underlying	8,570	795	323	39	—	—	746	8,981	—
5	– *of which: STS*	*583*	—	—	—	—	—	—	*583*	—
6	– wholesale	4,659	1,564	1,610	1	—	234	1,593	6,007	—
7	– *of which: STS*	*208*	—	—	—	—	—	—	*208*	—
8	Re-securitisation	—	—	—	—	1	—	—	—	1
1	**Total at 30 Jun 2022**	13,229	2,359	1,933	40	1	234	2,339	14,988	1
2	Traditional securitisation	12,623	2,696	2,471	105	1	319	2,396	15,180	1
3	Securitisation	12,623	2,696	2,471	105	—	319	2,396	15,180	—
4	– retail underlying	9,056	1,236	467	99	—	—	430	10,428	—
5	– *of which: STS*	643	—	—	—	—			*643*	
6	– wholesale	3,567	1,460	2,004	6	—	319	1,966	4,752	—
7	– *of which: STS*	*227*	—	—	—	—	—	—	*227*	—
8	Re-securitisation	—	—	—	—	1	—	—	—	1
1	Total at 31 Dec 2021	12,623	2,696	2,471	105	1	319	2,396	15,180	1

Table 44a: Securitisation exposures in the non-trading book and associated capital requirements – bank acting as investor (SEC4) (continued)

		RWAs (by regulatory approach)				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		$m	$m	$m	$m	$m	$m	$m	$m
2	**Traditional securitisation**	**35**	**1,604**	**2,770**	**16**	**3**	**129**	**222**	**1**
3	Securitisation	**35**	**1,604**	**2,770**	**16**	**3**	**129**	**222**	**1**
4	– retail underlying	**—**	**169**	**1,657**	**6**	**—**	**14**	**133**	**—**
5	– *of which: STS*	***—***	***—***	***74***	***—***	***—***	***—***	***6***	***—***
6	– wholesale	**35**	**1,435**	**1,113**	**3**	**3**	**115**	**89**	**—**
7	– *of which: STS*	***—***	***—***	***21***	***—***	***—***	***—***	***2***	***—***
8	Re-securitisation	**—**	**—**	**—**	**7**	**—**	**—**	**—**	**1**
1	**Total at 30 Jun 2022**	**35**	**1,604**	**2,770**	**16**	**3**	**129**	**222**	**1**
2	Traditional securitisation	48	1,954	2,852	17	4	156	228	1
3	Securitisation	48	1,954	2,852	17	4	156	228	1
4	– retail underlying	—	181	2,001	7	—	14	160	1
5	– *of which: STS*	—	—	*75*	—	—	—	—	—
6	– wholesale	48	1,773	851	10	4	142	68	1
7	– *of which: STS*	—	—	*23*	—	—	—	*2*	—
8	Re-securitisation	—	—	—	—	—	—	—	1
1	Total at 31 Dec 2021	48	1,954	2,852	17	4	156	228	1

Table 44b: Securitisation exposures in the trading book and associated capital requirements – bank acting as investor (SEC4)

		Exposure values (by risk weight bands)					Exposure values (by regulatory approach)			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to 1250% RW	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		$m	$m	$m	$m	$m	$m	$m	$m	$m
2	**Traditional securitisation**	**3,256**	**166**	**126**	**124**	**4**		**1,515**	**2,157**	**4**
3	Securitisation	**3,256**	**166**	**126**	**124**	**3**		**1,515**	**2,157**	**3**
4	– retail underlying	**2,230**	**139**	**48**	**32**	**—**		**1,251**	**1,198**	**—**
5	– *of which: STS*	***470***	***18***	***4***	***1***	***—***		***339***	***154***	***—***
6	– wholesale	**1,026**	**27**	**78**	**92**	**3**		**264**	**959**	**3**
7	– *of which: STS*	***54***	***4***	***—***	***—***	***—***		***4***	***54***	***—***
8	Re-securitisation	**—**	**—**	**—**	**—**	**1**		**—**	**—**	**1**
1	**Total at 30 Jun 2022**	**3,256**	**166**	**126**	**124**	**4**		**1,515**	**2,157**	**4**

Table 44b: Securitisation exposures in the trading book and associated capital requirements – bank acting as investor (SEC4)(continued)

		RWAs (by regulatory approach)				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		$m	$m	$m	$m	$m	$m	$m	$m
2	**Traditional securitisation**		**578**	**323**	**50**		**46**	**26**	**4**
3	Securitisation		**578**	**323**	**50**		**46**	**26**	**3**
4	– retail underlying		**297**	**180**	**6**		**24**	**14**	**—**
5	– *of which: STS*		***47***	***17***	***—***		***4***	***1***	***—***
6	– wholesale		**281**	**143**	**33**		**22**	**12**	**3**
7	– *of which: STS*		***1***	***5***	***—***		***—***	***—***	***—***
8	Re-securitisation		**—**	**—**	**11**		**—**	**—**	**1**
1	**Total at 30 Jun 2022**		**578**	**323**	**50**		**46**	**26**	**4**

Table 45: Exposures securitised by the institution – Institution acts as originator or as sponsor (SEC5)

		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			of which: exposures in default	
		$m	*$m*	$m
1	**Total at 30 Jun 2022**	**15,159**	***66***	**13**
2	Retail (total)	**5,890**	***62***	**—**
3	– residential mortgage	**2,010**	***26***	**—**
4	– credit card	**—**	***—***	**—**
5	– other retail exposures	**3,880**	***36***	**—**
6	– re-securitisation	**—**	***—***	**—**
7	Wholesale (total)	**9,269**	***4***	**13**
8	– loans to corporates	**7,799**	***—***	**13**
9	– commercial mortgage	**66**	***—***	**—**
10	– lease and receivables	**1,294**	***4***	**—**
11	– other wholesale	**110**	***—***	**—**
12	– re-securitisation	**—**	***—***	**—**

Market risk

Market risk is the risk of adverse financial impact on trading activities arising from changes in market parameters such as interest rates, foreign exchange rates, asset prices, volatilities, correlations and credit spreads.

Exposure to market risk is separated into two portfolios:

- trading portfolios: these 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; and
- non-trading portfolios: these comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities, financial investments measured at fair value through other comprehensive income, debt instruments measured at amortised cost, and exposures arising from our insurance operations.

There were no material changes to the policies and practices for the management of market risk during the period.

The tables below reflect the components of capital requirements under the standardised approach and the internal model approach.

For further information, a summary of our current policies and practices for the management of market risk is set out in 'Market risk' on page 70 of the Pillar 3 Disclosures at 31 December 2021.

Table 46: Market risk under standardised approach (MR1)

		At	
		30 Jun 2022	31 Dec 2021
		RWAs	RWAs
		$m	$m
	Outright products		
1	Interest rate risk (general and specific)	**1,461.0**	1,406.8
2	Equity risk (general and specific)	**402.5**	52.4
3	Foreign exchange risk	**7,140.1**	10,766.6
4	Commodity risk	**315.9**	46.4
	Options		
7	Scenario approach	**11.3**	9.9
8	**Securitisation (specific risk)**	**951.2**	999.1
9	**Total**	**10,282.0**	13,281.2

The $3.0bn fall in market RWAs under the standardised approach reflected lower structural foreign exchange risk. This more than offset increases in equity and commodity risk exposures.

Table 47: Market risk under IMA (MR2-A)

		At 30 Jun 2022		At 31 Dec 2021	
		RWAs	**Capital requirements**	RWAs	Capital requirements
		$m	**$m**	$m	$m
1	**VaR (higher of values a and b)**	**5,808**	**465**	5,202	416
(a)	Previous day's VaR ('VaRt-1')		**89**		89
(b)	Multiplication factor (mc) x average of previous 60 working days ('VaRavg')		**465**		416
2	**Stressed VaR (higher of values a and b)**	**6,188**	**495**	9,585	767
(a)	Latest available stressed VaR ('SVaRt-1')		**113**		148
(b)	Multiplication factor (ms) x average of previous 60 working days ('sVaRavg')		**495**		767
3	**IRC (higher of values a and b)**	**3,598**	**288**	3,207	257
(a)	Most recent IRC value		**283**		141
(b)	12 weeks average IRC measure		**288**		257
5	**Other**	**1,562**	**125**	1,595	127
6	**Total**	**17,156**	**1,373**	19,589	1,567

1 *VaR average values are calculated on a 60 business days basis. Stressed VaR and IRC average values are calculated on a 12-week basis.*

The $2.4bn fall in market risk RWAs under IMA reflected a fall from elevated volatility at prior year end, including the effects of the Covid-19 pandemic, partly offset by increased risk related to the Russia-Ukraine war.

Market risk capital models

HSBC has permission to use a number of market risk capital models to calculate regulatory capital as listed in the table below. For regulatory purposes, the trading book comprises all positions in financial instruments and commodities held with trading intent and positions where it can be demonstrated that they hedge positions in the trading book. Trading book positions must either be free of any restrictive covenants on their tradability or be capable of being hedged. A financial instrument is defined as any contract that gives rise to both a financial asset to one party and a financial liability or equity instrument to another party.

HSBC maintains a trading book policy, which defines the minimum requirements for trading book positions and the process for classifying positions as trading or non-trading book. Positions in the trading book are subject to market risk-based rules, i.e. market risk capital, calculated using regulatory approved models. Where we do not have permission to use internal models, market risk capital is calculated using the standardised approach.

If any of the policy criteria are not met, then the position is categorised as a non-trading book exposure.

Model component	Confidence level	Liquidity horizon	Model description and methodology
VaR	99%	10 day	Uses most recent two years' history of daily returns to determine a loss distribution. The result is scaled, using the square root of 10, to provide an equivalent 10-day loss.
Stressed VaR	99%	10 day	Stressed VaR is calibrated to a one-year period of stress observed in history, calculated using 10 day returns.
IRC	99.9%	1 year	Uses a multi-factor Gaussian Monte-Carlo simulation, which includes product basis, concentration, hedge mismatch, recovery rate and liquidity as part of the simulation process. A minimum liquidity horizon of three months is applied and is based on a combination of factors, including issuer type, currency and size of exposure.

Non-proprietary details of these models are available in the Financial Services Register on the PRA website.

Table 48: IMA values for trading portfolios[1] (MR3)

		At	
		30 Jun 2022	31 Dec 2021
		$m	$m
VaR (10 day 99%)			
1	Maximum value	**184.8**	176.2
2	Average value	**135.4**	133.6
3	Minimum value	**104.9**	105.6
4	Period end	**125.8**	134.6
Stressed VaR (10 day 99%)			
5	Maximum value	**203.1**	306.4
6	Average value	**167.7**	258.7
7	Minimum value	**126.9**	204.4
8	Period end	**152.8**	214.2
Incremental risk charge (99.9%)			
9	Maximum value	**417.9**	394.5
10	Average value	**257.6**	283.4
11	Minimum value	**149.1**	140.0
12	Period end	**282.9**	141.3

1 *Maximum, average and minimum values are calculated on a six-month basis.*

In 1H22, the period-end values for the three market risk capital models changed as follows:

- The moderate reduction in trading VaR during the first half of the year was mainly due to lower loss contributions from the Foreign Exchange business and greater offsetting gains from the Equity business.
- Stressed VaR decreased primarily due to lower losses from the market-making activities of the Foreign Exchange and the Global Debt Markets business lines, as well as greater diversification benefits.
- The increase of the incremental risk charge was mainly driven by a large number of relatively small exposures to financials and emerging markets sovereigns.

Back-testing

We validate daily the accuracy of our VaR models by back-testing them against both actual and hypothetical profit and loss. Hypothetical profit and loss excludes non-modelled items such as fees, commissions and revenues of intra-day transactions. The hypothetical profit and loss reflects the profit and loss that would be realised if positions were held constant from the end of one trading day to the end of the next. This measure of profit and loss does not align with how risk is dynamically hedged, and is not therefore necessarily indicative of the actual performance of the business.

The actual number of profits and losses in excess of VaR over this period is one potential factor to consider when assessing model performance. This information forms part of the extensive model monitoring framework currently in place to assess the performance of the VaR measure.

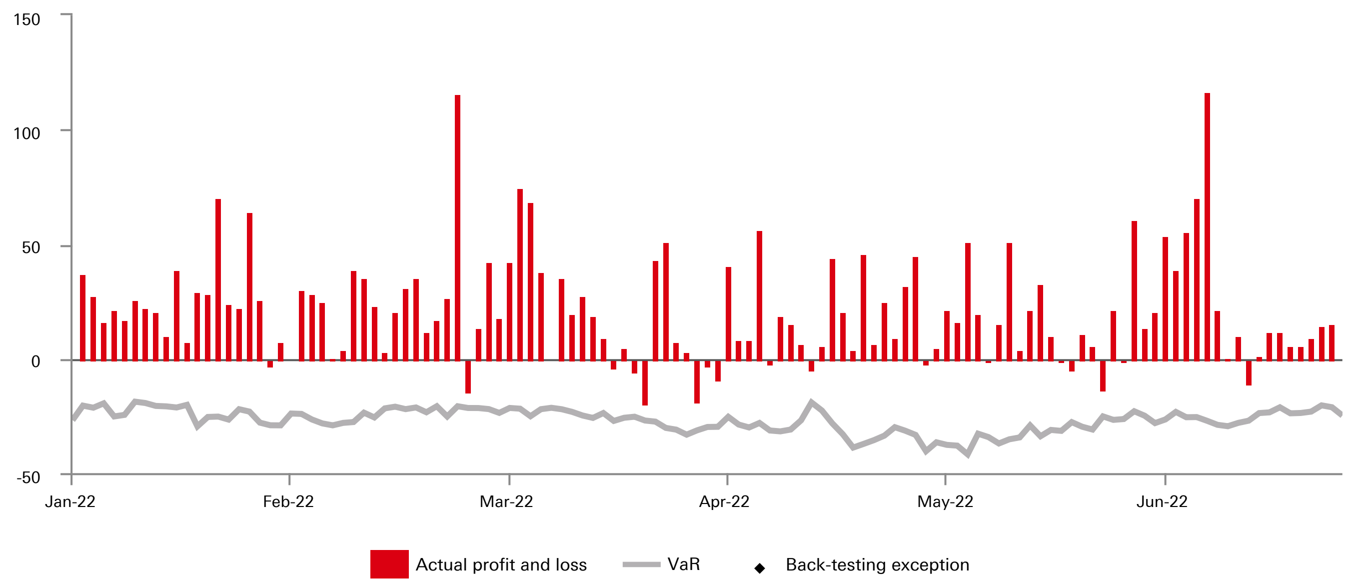
We back-test our VaR at various levels of our Group entity hierarchy. Our back-testing covers those entities within the Group which have approval to use VaR in the calculation of market risk regulatory capital requirement.

HSBC submits separate back-testing results to regulators, including the PRA and the European Central Bank, based on applicable frequencies ranging from two business days after an exception occurs, to quarterly submissions.

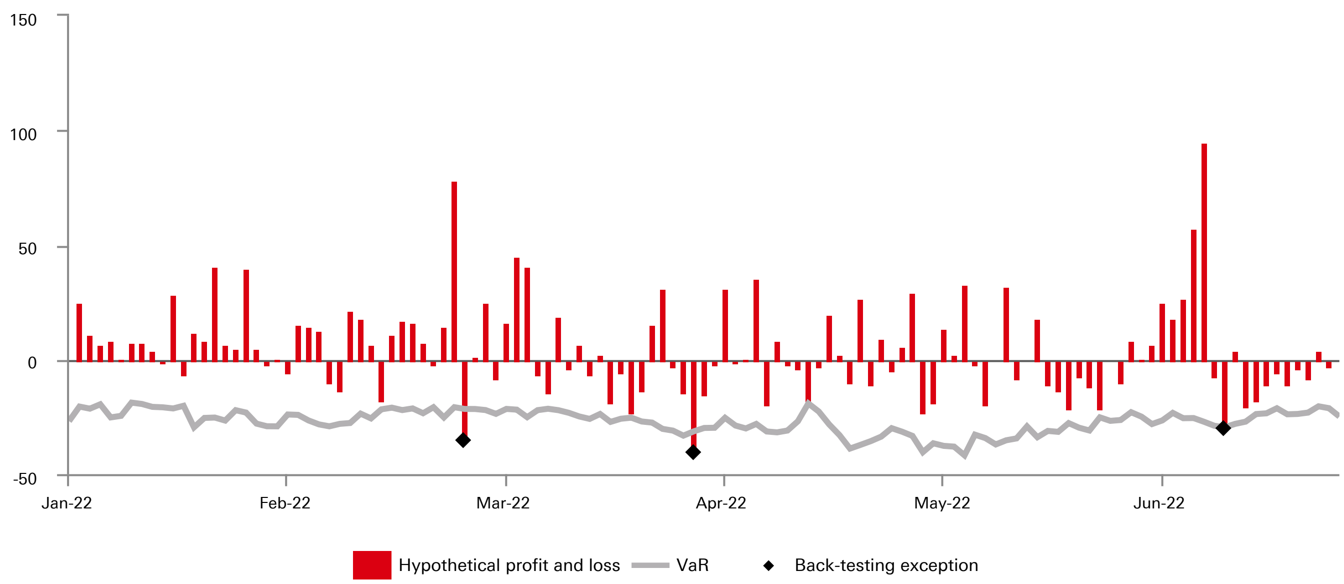
Only VaR back-testing loss exceptions count towards the multiplier used in the capital requirement calculation for market risk; profit exceptions are not considered. The multiplier is increased if there are five or more loss exceptions in a 250-day period. The following graphs show a six-month history for VaR back-testing exceptions against both actual and hypothetical profit and loss.

Table 49: Comparison of VaR estimates with gains/losses (MR4)

VaR back-testing loss exceptions against actual profit and loss ($m)



VaR back-testing loss exceptions against hypothetical profit and loss ($m)



In 1H22, the Group experienced three loss exceptions against hypothetical profit and loss and no exceptions against actual profit and loss. The loss back-testing exceptions against hypothetical profit and loss comprised:

- an exception in February, mainly attributable to the effect of tightening credit spreads in benchmark credit indices. sovereigns and corporates on long credit risk protection positions;
- an exception in March, which was driven primarily by the impact of tightening credit spreads in benchmark credit indices on long credit risk protection, as well as losses from the effect of US Dollar weakening on foreign exchange positions; and
- an exception in June, driven mainly by the impact of tightening credit spreads in benchmark credit indices on long credit risk protection, movements in interest rates, as well as the effect of a temporary 1-day US dollar weakening on foreign exchange positions.

There is an elevated probability of further VaR back-testing exceptions in the second half of the year, given the current volatile market environment and the shift in interest rate regime.

Interest rate risk in the banking book

Interest rate risk in the banking book ('IRRBB') is the risk of an adverse impact to earnings or capital due to changes in market interest rates. It is generated by our non-trading assets and liabilities, specifically loans, deposits and financial instruments that are not held for trading intent.

Risk management and governance

Global Treasury measures and monitors interest rate risk in the banking book. This includes reviewing and challenging the interest rate management impacts of proposed new products and related behavioural assumptions used for hedging activities. Global Treasury is also responsible for maintaining and updating the transfer pricing framework and informing the Asset and Liability Committee ('ALCO') of the Group's overall banking book interest rate risk exposure.

All interest rate risk must be identified, measured, monitored, managed and controlled by metrics within limits for each entity. Key metrics used to monitor IRRBB include: projected net interest income ('NII') and economic value of equity ('EVE') sensitivities under varying interest rate scenarios as prescribed by the regulators and internally calibrated scenarios and shocks.
A stressed value at risk ('VaR') is used to monitor and control the portfolio of liquid securities held by Markets Treasury that are accounted for at fair value through other comprehensive income together with their derivative hedges.

EVE and NII sensitivities are monitored against thresholds at both entity and consolidated levels. Global Treasury is subject to independent oversight and challenge from Treasury Risk, Internal Audit and model governance.

These calculations exclude pension, insurance and investments in subsidiaries.

Stress testing is used to assess how the Group copes with severe economic scenarios, in particular looking at Group's resilience to make sure there is enough capital to withstand extreme shocks.

At HSBC, stress testing also forms a key part of our risk management framework. HSBC runs various internal and regulatory stress tests during the year at both a Group and entity level. These help us to identify key economic risks that the Group is exposed to and how they impact on the Group's financial and capital position in a severe economic shock. Identifying these risks allows the Group to actively assess and put in place effective risk management strategies to help mitigate risks. The results of the various stress tests also help to ensure that the Group has adequate capital and liquidity to withstand extreme hypothetical economic shocks as defined in the stress scenarios, and can therefore help us determine our economic capital requirements.

Economic value of equity and net interest income sensitivity

EVE represents the present value of the future banking book cash flows that could be distributed to equity holders under a managed run-off scenario. EVE sensitivities represent the expected movement in EVE due to pre-specified interest rate shocks, where all other economic variables are held constant. This can be used to assess the economic capital required to support interest rate risk in the banking book and provides a comprehensive view of the potential long-term effects of changes in market interest rates. The Group and operating entities monitor EVE sensitivities as a percentage of capital resources, and this is calculated quarterly.

NII sensitivities apply varying interest rate scenarios (i.e. simulation modelling) under a static balance sheet while all other economic variables are held constant. The sensitivities shown represent our assessment of the change to a hypothetical base case NII, assuming a static balance sheet and no management actions from the Markets Treasury business line. They incorporate the effect of interest rate behaviouralisation, managed rate product pricing assumptions and customer behaviour, including the prepayment of mortgages and customer migration from non-interest-bearing to interest-bearing deposit accounts. Sensitivity of net interest income reflects the bank's sensitivity of earnings due to changes in market interest rates. This is assessed over one year and five years, and is calculated on a quarterly basis.

Active management of IRRBB

IRRBB that can be hedged with financial instruments is transferred, in accordance with Global Treasury's transfer pricing rules, to Markets Treasury to manage within market risk limits. IRRBB which cannot be managed with financial instruments is managed between Global Treasury and the Global Businesses generating the interest rate risk. Markets Treasury safeguards the entities by ensuring risk remains within appetite and seeks to generate sustainable returns through management of those risks within the risk appetite set by Treasury Risk. Markets Treasury manages a variety of risks including duration, spread, cross currency basis, inflation and convexity utilising products including liquid fixed income securities, interest rate swaps, cross currency swaps, and money markets loans and deposits. Treasury Risk measures and monitors against limits on a daily basis the Markets Treasury risk profile using metrics including the interest rate and credit spread sensitivities of a basis point movement in yield or spread, together with VaR.

The majority of Markets Treasury activity is conducted in the regulatory banking book. Markets Treasury operates in all of the banking entities within the Group and manages at entity level. All returns generated by Markets Treasury are transferred into the global businesses.

Interest rate shocks and stress scenarios applied

The NII sensitivities are indicative and based on scenarios and shocks prescribed in Rule 9.4A of the PRA Rulebook: CRR Firms: Interest Rate Risk Arising from Non Trading Activities Instrument 2020. They are also in accordance with Article 448(1) of the European Capital Requirements Regulation (CRR).

Calculations are done under the following scenarios:

- Parallel up;
- Parallel down;
- An immediate shock of +/-200 basis points ('bps') for USD, EUR, HKD and +/-250 bps for GBP to the current market-implied path of interest rates across all currencies (effects over one year); and
- Other currency shocks as per regulatory guidelines (effects over one year).

The EVE sensitivities are based on the six Basel Standard Outlier shocks:

- Parallel up;
- Parallel down;
- Steepener;
- Flattener;
- Short rates up; and
- Short rates down.

Key modelling assumptions

Pillar 3 disclosures are based on current internal models and assumptions, run using the regulatory prescribed shocks and scenarios. For EVE sensitivities, commercial margins and other spread components have been excluded from the interest cash flows calculation, and all balance sheet items are discounted at the risk free rate. All equity instruments that have no coupon or call dates are excluded. Interest rate floors start at -1.0% for overnight yield curve tenors and increase 5bps per year to 0.0% at 20-year tenors. As per regulatory guidelines, when EVE sensitivities are positive in specific currencies, only 50% of that value can be used to offset negative sensitivities in other currencies.

For NII sensitivities we assume a constant balance sheet, and we include a commercial margin. All forecasted market rates are based on implied forward rates from the reporting date. We apply "pass on" assumptions to managed rate products. These are based on a wide variety of regional inputs, including product specific characteristics, the relevant customer segment and behaviour, the marketplace and our positioning relative to our competitors, and the regulatory framework applicable. These assumptions are reviewed regularly by our ALCOs to ensure they remain current. Customer pricing includes flooring where there are contractual obligations. Customer optionality including prepayment and early redemption risk is included where present.

Quantitative information on IRRBB

Non-maturing deposits ('NMD's) are deposits that have no explicit maturity and no explicit repricing dates, hence behaviouralisation assumptions are applied. The maturity profile for NMDs is substantially the same as the profile as at 31st of December 2021. The average repricing maturity for NMDs in the second quarter of 2022 remains at four months. The longest repricing maturity for NMDs in the second quarter of 2022 also continues to be 240 months for a legacy portfolio that is part of a disposal. Besides this portfolio, the longest repricing maturity does not exceed 10 years across the Group.

At 30 June 2022, the maximum decline in EVE was in the parallel up shock at $3,230m. This translates to 2.35% of Tier 1 Capital. As of 31 December 2021, the maximum decline in EVE was in the parallel down shock at $3,492m. This translated to 2.23% of Tier 1 Capital. The EVE sensitivity in the down shock decreased significantly due to hedging initiatives and a reduction in the negative convexity exposure generated by a portfolio of Agency Mortgage Backed Securities.

The most adverse NII scenario over the next 12 months is the parallel down shock, resulting in a decrease in projected NII of $11,163m as compared to $8,278m as at 31 December 2021. The increase in the parallel down shock sensitivity is due to higher projected rates giving more room to downward shocks before floors are activated. The reduction in the parallel up-shock sensitivity is due to the higher cost of customer deposits.

Further details on our IRRBB and the net interest income sensitivity may be found on page 96 of the Interim Report and Accounts 2022.

Table 50: Quantitative information on IRRBB (UK IRRBB1)

		ΔEVE		ΔNII		Tier 1 capital	
		30 Jun 2022	31 Dec 2021	**30 Jun 2022**	31 Dec 2021	**30 Jun 2022**	31 Dec 2021
		$m	$m	**$m**	$m	**$m**	$m
10	Parallel shock up	**(3,230)**	(3,218)	**8,666**	12,379		
20	Parallel shock down	**(809)**	(3,492)	**(11,163)**	(8,278)		
30	Steepener shock	**71**	337				
40	Flattener shock	**(1,739)**	(3,165)				
50	Short rates shock up	**(2,187)**	(2,707)				
60	Short rates shock down	**(229)**	46				
70	Maximum	**(3,230)**	(3,492)	**(11,163)**	(8,278)		
80	Tier 1 capital					**137,514**	156,292

Countercyclical capital buffer

The table below discloses the geographical distribution of credit exposures relevant to the calculation of the countercyclical buffer ('CCyB') under Article 440 of the Regulation (EU) 575/2013. Countries or territories that have a CCyB requirement, or have an own funds requirement of greater than 0.7%, or that are otherwise material in nature are disclosed below.

Table 51: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (UK CCyB1)

	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures		Own funds requirements						
	SA	IRB	Sum of long/ short positions for SA	Internal models	Total Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Securitisation positions in the non-trading book	Total	Risk weighted exposure amounts	Own funds require-ments weights	CCyB rate
Country	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	%	%
Australia	982	39,738	718	121	948	42,507	931	15	12	958	11,975	1.9	–
Bulgaria	1	13	–	–	–	14	–	–	–	–	–	–	0.50
Canada	760	73,144	–	8	186	74,098	2,093	2	2	2,097	26,213	4.1	–
China	25,199	67,795	299	585	1,524	95,402	6,250	15	18	6,283	78,538	12.1	–
Czech Republic	119	517	–	2	0	638	33	0	–	34	425	0.1	0.50
France	4,836	53,929	56	57	2,058	60,936	1,752	8	29	1,789	22,363	3.5	–
Germany	940	15,757	167	27	639	17,530	627	10	6	643	8,038	1.2	–
Hong Kong	27,888	364,548	–	479	0	392,915	11,440	10	–	11,449	143,113	22.1	1.00
India	3,896	18,076	–	165	801	22,938	1,223	7	28	1,258	15,725	2.4	–
Indonesia	618	6,127	–	32	0	6,777	424	6	–	431	5,388	0.8	–
Luxembourg	1,385	9,158	0	43	6	10,592	468	2	0	471	5,888	0.9	0.50
Malaysia	2,467	12,631	0	0	0	15,098	643	6	–	649	8,113	1.3	–
Mexico	19,893	2,933	–	117	447	23,390	1,301	4	6	1,310	16,375	2.5	–
Netherlands	1,447	9,773	357	0	1,047	12,624	451	8	14	472	5,900	0.9	–
Norway	2	432	–	23	–	457	10	1	–	11	138	–	1.50
Saudi Arabia	20,858	2,428	–	115	–	23,401	1,510	16	–	1,526	19,075	3.0	–
Singapore	2,817	33,298	–	276	–	36,391	913	8	–	922	11,525	1.8	–
Slovakia	25	31	–	1	–	57	2	0	–	2	25	–	1.00
UAE	5,168	18,349	–	36	–	23,553	795	1	–	796	9,950	1.5	–
UK	12,121	345,531	1,021	770	12,688	372,131	9,110	43	325	9,479	118,488	18.3	–
US	7,517	117,281	99	307	10,545	135,749	4,918	13	173	5,103	63,788	9.9	–
Other countries	32,011	111,362	972	1,002	1,062	146,409	5,980	112	16	6,106	76,320	11.8	–
Total	**170,950**	**1,302,851**	**3,689**	**4,166**	**31,951**	**1,513,607**	**50,874**	**287**	**629**	**51,789**	**647,363**	**100.0**	**–**

Table 52: Amount of institution-specific countercyclical capital buffer (UK CCyB2)

	At 30 Jun 2022
Total risk exposure amount ($m)	851,743
Institution-specific countercyclical capital buffer rate (%)	0.23
Institution-specific countercyclical capital buffer requirement ($m)	1,959

Liquidity

Management of liquidity and funding risk

We aim to ensure that management has oversight of our liquidity and funding risks at Group and entity level by maintaining comprehensive policies, metrics and controls. Further details on Treasury Risk Management can be found in page 8.

Liquidity coverage ratio

The LCR aims to ensure that a bank has sufficient unencumbered high-quality liquid assets ('HQLA') to meet its liquidity needs in a 30-calendar day liquidity stress scenario. For the calculation of the LCR, we follow European Commission Delegated Regulation (EU) 2015/61 and PRA rulebook.

Since 2021, HSBC has maintained a revised approach to the application of the requirements under the European Commission Delegated Act and the PRA rulebook. This revised approach was used to assess the limitations in the transferability of entity liquidity around the Group and resulted in an adjustment of $145bn to LCR HQLA and $8bn to LCR inflows.

The change in methodology was designed to better incorporate local regulatory restrictions on the transferability of liquidity.

Net stable funding ratio

We use NSFR or other appropriate metrics as a basis for ensuring operating entities raise sufficient stable funding to support their business activities. The NSFR or other appropriate metric requires institutions to maintain a minimum amount of stable funding based on assumptions of asset liquidity. From 1 January 2022, we started managing funding risk based on the PRA's NSFR rules.

Currency mismatch in the LCR

The Group's internal liquidity and funding risk management framework requires all operating entities to monitor the LCR for material currencies. Limits are set to ensure that outflows can be met, given assumptions on stressed capacity in the foreign exchange swap markets.

For details on our approach to managing liquidity risk, see the Treasury Risk management section page 8.

More details on the concentration of funding and liquidity sources may be found on page 197 of the Annual Report and Accounts 2021.

Table 53: Quantitative information of LCR (UK LIQ1)

	Quarter ended							
	30 Jun 2022		31 Mar 2022		31 Dec 2021		30 Sep 2021	
	Total unweighted value	**Total weighted value**	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
	$m	**$m**	$m	$m	$m	$m	$m	$m
Number of data points used in the calculation of averages		**12**		12		12		12
High-quality liquid assets								
Total high-quality liquid assets ('HQLA')	**—**	**676,739**		688,313		689,493		684,264
Cash outflows								
Retail deposits and small business funding	**890,120**	**90,545**	896,212	90,617	891,723	89,932	879,170	88,326
– *of which:*								
stable deposits	***385,465***	***19,273***	*392,991*	*19,650*	*394,486*	*19,724*	*390,657*	*19,533*
less stable deposits	***504,655***	***71,272***	*503,221*	*70,967*	*497,237*	*70,208*	*488,513*	*68,793*
Unsecured wholesale funding	**853,967**	**386,600**	856,070	387,419	844,605	381,828	830,167	376,778
– operational deposits (all counterparties) and deposits in networks of cooperative banks	**274,274**	**67,199**	273,243	66,947	266,895	65,387	260,059	63,724
– non-operational deposits (all counterparties)	**567,965**	**307,673**	570,880	308,525	565,941	304,672	558,367	301,313
– unsecured debt	**11,728**	**11,728**	11,947	11,947	11,769	11,769	11,741	11,741
Secured wholesale funding	**—**	**13,932**		11,688		12,979		13,042
Additional requirements	**336,204**	**111,080**	345,220	112,305	351,069	114,315	350,552	112,305
– outflows related to derivative exposures and other collateral requirements	**55,752**	**52,458**	54,789	51,665	55,702	52,691	55,750	53,196
– outflows related to loss of funding on debt products	**—**	**—**	—	—	—	—	—	—
– credit and liquidity facilities	**280,452**	**58,622**	290,431	60,640	295,367	61,624	294,802	59,109
Other contractual funding obligations	**92,096**	**45,183**	89,059	43,948	89,510	47,521	89,262	49,955
Other contingent funding obligations	**633,981**	**18,013**	628,046	17,135	619,653	15,984	610,749	15,401
Total cash outflows	**—**	**665,353**		663,112		662,559		655,807
Cash inflows								
Secured lending transactions (including reverse repos)	**286,636**	**40,172**	284,756	38,862	282,144	38,395	281,561	37,697
Inflows from fully performing exposures	**113,676**	**83,978**	114,502	84,263	117,797	85,668	119,251	86,438
Other cash inflows	**95,248**	**40,281**	93,422	38,487	98,419	42,953	103,071	45,218
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	**—**	**—**		—		—		—
(Excess inflows from a related specialised credit institution)	**—**	**—**		—		—		—
Total cash inflows	**495,560**	**164,431**	492,680	161,612	498,360	167,016	503,883	169,353
Fully exempt inflows	**—**	**—**	—	—	—	—	—	—
Inflows subject to 90% cap	**—**	**—**	—	—	—	—	—	—
Inflows subject to 75% cap	**495,560**	**164,431**	492,680	161,612	498,360	167,016	503,883	169,353
Liquidity coverage ratio (adjusted value)								
Liquidity buffer		**676,739**		688,313		689,493		684,264
Total net cash outflows		**500,922**		501,500		495,543		486,454
Liquidity coverage ratio (%)		**135**		137		139		141

Table 54: Net stable funding ratio (UK LIQ2)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		$m	$m	$m	$m	$m
Available stable funding ('ASF') Items						
1	Capital items and instruments	179,438	—	—	22,759	202,197
2	– Own funds	179,438	—	—	22,759	202,197
3	– Other capital instruments		—	—	—	—
4	Retail deposits		881,399	1,419	220	813,462
5	– Stable deposits		374,747	371	49	356,381
6	– Less stable deposits		506,652	1,048	171	457,081
7	Wholesale funding:		1,082,996	40,510	166,804	548,455
8	– Operational deposits		263,453	—	—	131,284
9	– Other wholesale funding		819,543	40,510	166,804	417,171
10	Interdependent liabilities		3,978	—	—	—
11	Other liabilities:	758	278,137	183	2,301	2,393
12	– NSFR derivative liabilities	758				
13	– All other liabilities and capital instruments not included in the above categories		278,137	183	2,301	2,393
14	**Total available stable funding ('ASF')**					1,566,507
Required stable funding ('RSF') Items						
15	Total high-quality liquid assets ('HQLA')					41,627
UK-15a	Assets encumbered for more than 12m in cover pool		—	—	—	—
16	Deposits held at other financial institutions for operational purposes		123	—	—	62
17	Performing loans and securities:		574,502	103,630	852,584	882,657
18	– Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		199,259	11,256	1,759	15,562
19	– Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		81,434	2,707	4,222	13,594
20	– Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		161,297	58,256	310,369	640,348
21	*– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*		*1,977*	*2,138*	*115,051*	*242,824*
22	– Performing residential mortgages		11,152	9,983	363,037	—
23	*– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*		*6,020*	*5,912*	*224,096*	—
24	– Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		121,360	21,428	173,197	213,153
25	Interdependent assets		—	—	3,712	—
26	Other assets:	—	197,394	59	144,064	177,830
27	– Physical traded commodities				13,245	11,258
28	– Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		23,532			20,002
29	– NSFR derivative assets		2,447			2,440
30	– NSFR derivative liabilities before deduction of variation margin posted		109,622			5,705
31	– All other assets not included in the above categories		61,793	59	130,819	138,425
32	Off-balance sheet items		302,131	17,157	526,939	36,548
33	**Total RSF**					1,138,724
34	Net stable funding ratio (%)					138

Other information

Abbreviations

The following abbreviated terms are used throughout this document.

Currencies	
$	US dollar
A	
AIRB	Advanced IRB
AT1 capital	Additional tier 1 capital
B	
BCBS/Basel Committee	Basel Committee on Banking Supervision
BoE	Bank of England
C	
CCF[1]	Credit conversion factor
CCP	Central counterparty
CCR[1]	Counterparty credit risk
CCyB[1]	Countercyclical capital buffer
CDS[1]	Credit default swap
CECL	Current expected credit loss
CET1[1]	Common equity tier 1
CIU	Collective investment undertakings
CMB	Commercial Banking, a global business
CRD IV[1]	Capital Requirements Regulation and Directive
CRM	Credit risk mitigation/mitigant
CRR II	Revisions to Capital Requirements Regulation, as implemented
CRR III	Revisions to EU legislation for Basel III reforms
CVA	Credit valuation adjustment
E	
EAD[1]	Exposure at default
EBA	European Banking Authority
ECL	Expected credit loss
EU	European Union
F	
FIRB	Foundation IRB
FRTB	Fundamental review of the trading book
FSB	Financial Stability Board
FSEs	Financial sector entities
G	
GAC	Group Audit Committee
GBM	Global Banking and Markets, a global business
Group	HSBC Holdings together with its subsidiary undertakings
G-SIB[1]	Global systemically important bank
G-SII	Global systemically important institution
H	
HKMA	Hong Kong Monetary Authority
HMT	Her Majesty's Treasury
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China
HSBC	HSBC Holdings together with its subsidiary undertakings
HQLA	High-quality liquid assets
I	
IAA[1]	Internal assessment approach
IFRSs	International Financial Reporting Standards
IMA	Internal models approach
IMM[1]	Internal model method
IRB[1]/RBA	Internal ratings-based approach
IRC[1]	Incremental risk charge
IRRBB	Interest rate risk in the banking book

L	
LCR	Liquidity coverage ratio
LGD[1]	Loss given default
M	
MENA	Middle East and North Africa
MREL	Minimum requirement for own funds and eligible liabilities
N	
NCOA	Non-credit obligation asset
NMD	Non-maturing deposits
NSFR	Net stable funding ratio
O	
OTC[1]	Over-the-counter
P	
PD[1]	Probability of default
PRA[1]	Prudential Regulation Authority (UK)
Q	
QCCPs	Qualifying central counterparties
R	
RAS	Risk appetite statement
RBM[1]	Ratings-based method
RMM	Risk Management Meeting of the Group Executive Committee
RNIV	Risks not in VaR
RW	Risk weights
RWA[1]	Risk-weighted asset
S	
SA/STD[1]	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
SFM[1]	Supervisory formula method
SFT[1]	Securities financing transactions
SIC	Securities Investment Conduit
SME	Small and medium-sized enterprise
SPE[1]	Special purpose entity
SSFA/SFA	Simplified supervisory formula approach
SRT	Significant risk transfer
STS	Simple transparent and standardised
SVaR	Stressed value at risk
T	
TLAC[1]	Total loss absorbing capacity
T1 capital	Tier 1 capital
T2 capital	Tier 2 capital
U	
UK	United Kingdom
US	United States
V	
VaR[1]	Value at risk
W	
WPB	Wealth and Personal Banking, a global business

1 *Full definition included in the Glossary published on HSBC website www.hsbc.com/investor-relations/group-results-and-reporting*

Cautionary statement regarding forward-looking statements

These *Pillar 3 Disclosures at 30 June 2022* contain certain forward-looking statements with respect to HSBC's: financial condition; results of operations and business, including the strategic priorities; financial, investment and capital targets; and ESG targets, commitments and ambitions described herein.

Statements that are not historical facts, including statements about HSBC's beliefs and expectations, are forward-looking statements. Words such as 'may', 'will', 'should', 'expects', 'targets', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', or the negative thereof, other variations thereon or similar expressions are intended to identify forward-looking statements. These statements are based on current plans, information, data, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. HSBC makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements.

Written and/or oral forward-looking statements may also be made in the periodic reports to the US Securities and Exchange Commission, summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by HSBC's Directors, officers or employees to third parties, including financial analysts.

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These include, but are not limited to:

- changes in general economic conditions in the markets in which we operate, such as new, continuing or deepening recessions, inflationary pressures and fluctuations in employment and creditworthy customers beyond those factored into consensus forecasts (including, without limitation, as a result of the Russia-Ukraine war and the Covid-19 pandemic); the Covid-19 pandemic and its impact on global economies could have a material adverse effect on (among other things) our financial condition, results of operations, prospects, liquidity, capital position and credit ratings; deviations from the market and economic assumptions that form the basis for our ECL measurements (including, without limitation, as a result of the Russia-Ukraine war, inflationary pressures and the Covid-19 pandemic); potential changes in HSBC's dividend policy; changes in foreign exchange rates and interest rates, including the accounting impact resulting from financial reporting in respect of hyperinflationary economies; volatility in equity markets; lack of liquidity in wholesale funding or capital markets, which may affect our ability to meet our obligations under financing facilities or to fund new loans, investments and businesses; geopolitical tensions or diplomatic developments producing social instability or legal uncertainty, such as the Russia-Ukraine war and the related imposition of sanctions, the US's approach to strategic competition with China, supply chain restrictions, claims of human rights violations, diplomatic tensions, including between China and the US, the UK, the EU, Australia and India and other countries, and developments in Hong Kong and Taiwan, alongside other potential areas of tension, which may affect HSBC by creating regulatory, reputational and market risks; the efficacy of government, customer and HSBC's actions in managing and mitigating ESG risks, in particular climate risk, nature-related risks and human rights risks, and in supporting the global transition to net zero carbon emissions, each of which can impact HSBC both directly and indirectly through our customers and which may cause both idiosyncratic and systemic risks resulting in potential financial and non-financial impacts; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; societal shifts in customer financing and investment needs, including consumer perception as to the continuing availability of credit; exposure to counterparty risk, including third parties using us as a conduit for illegal activities without our knowledge; the discontinuation of certain key Ibors and the development of near risk-free benchmark rates, as well as the transition of legacy Ibor contracts to near risk-free benchmark rates, which exposes HSBC to material execution risks, and increases some financial and non-financial risks; and price competition in the market segments we serve;
- changes in government policy and regulation, including the monetary, interest rate and other policies of central banks and other regulatory authorities in the principal markets in which we operate and the consequences thereof (including, without limitation, actions taken as a result of the Covid-19 pandemic and the impact of the Russia-Ukraine war on inflation); initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks, which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; changes to tax laws and tax rates applicable to HSBC, including the imposition of levies or taxes designed to change business mix and risk appetite; the practices, pricing or responsibilities of financial institutions serving their consumer markets; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; the UK's relationship with the EU following the UK's withdrawal from the EU, which continues to be characterised by uncertainty despite the signing of the Trade and Cooperation Agreement between the UK and the EU; passage of the Hong Kong national security law and restrictions on telecommunications, as well as the US Hong Kong Autonomy Act, which have caused tensions between China, the US and the UK; general changes in government policy that may significantly influence investor decisions; the costs, effects and outcomes of regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where we operate including increased competition from non-bank financial services companies; and
- factors specific to HSBC, including our success in adequately identifying the risks we face, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques); our ability to achieve our financial, investment, capital and ESG targets, commitments and ambitions (including with respect to the commitments set forth in our thermal coal phase-out policy and our targets to reduce our on-balance sheet financed emissions in the oil and gas, and power and utilities sectors), which may result in our failure to achieve any of the expected benefits of our strategic priorities; model limitations or failure, including, without limitation, the impact that high inflationary concerns and the consequences of the Covid-19 pandemic have had on the performance and usage of financial models, which may require us to hold additional capital, incur losses and/or use compensating controls, such as judgemental post-model adjustments, to address model limitations; changes to the judgements, estimates and assumptions we base our financial statements on; changes in our ability to meet the requirements of regulatory stress tests; a reduction in the credit ratings assigned to us or any of our subsidiaries, which could increase the cost or decrease the availability of our funding and affect our liquidity position and net interest margin; changes to the reliability and security of our data management, data privacy, information and technology infrastructure, including threats from cyber-attacks, which may impact our ability to service clients and may result in financial loss, business

disruption and/ or loss of customer services and data; the accuracy and effective use of data, including internal management information that may not have been independently verified; changes in insurance customer behaviour and insurance claim rates; our dependence on loan payments and dividends from subsidiaries to meet our obligations; changes in accounting standards, including the implementation of IFRS 17 'Insurance Contracts', which may have a material impact on the way we prepare our financial statements and (with respect to IFRS 17) may negatively affect the profitability of HSBC's insurance business; changes in our ability to manage third-party, fraud and reputational risks inherent in our operations; employee misconduct, which may result in regulatory sanctions and/or reputational or financial harm; changes in skill requirements, ways of working and talent shortages, which may affect our ability to recruit and retain senior management and diverse and skilled personnel; and changes in our ability to develop sustainable finance and climate-related products consistent with the evolving expectations of our regulators, and our capacity to measure the climate impact from our financing activity (including as a result of data limitations and changes in methodologies), which may affect our ability to achieve our climate ambition, our targets to reduce financed emissions in our oil and gas, and power and utilities portfolio and the commitments set forth in our thermal coal phase-out policy, and increase the risk of greenwashing. Effective risk management depends on, among other things, our ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; our success in addressing operational, legal and regulatory, and litigation challenges; and other risks and uncertainties we identify in 'Top and emerging risks' on pages 27 to 28 of the *Interim Report 2022*.

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