HSBC Holdings plc

Glossary: Annual Report and Accounts and Pillar 3 Disclosures 2020

HSBC

Glossary

Term	Definition
A	
Adjustable-rate mortgages	Mortgage loans in the US on which the interest rate is periodically changed, based on a reference price. These are included within 'affordability mortgages'.
Adjusted performance	Computed by adjusting reported results for the effects of foreign currency translation differences and significant items, which both distort year-on-year comparisons.
Affordability mortgages	Mortgage loans where the customer's monthly payments are set out at a low initial rate, either variable or fixed, before resetting to a higher rate once the introductory period is over.
Agency exposures	Exposures to near or quasi-government agencies, including public sector entities fully owned by government carrying out non-commercial activities, provincial and local government authorities, development banks and funds set up by government.
Alternative performance measures	Non-IFRS measures that constitute alternative performance measures under European Securities and Markets Authority guidance and non-GAAP financial measures defined in and presented in accordance with US Securities and Exchange Commission rules and regulations.
Annualised new business premiums ('ANP')	An insurance industry standard measure of new business written in the period, comprising annualised new business regular premiums plus 10% of new business single premiums.
Arrears	Customers are said to be in arrears (or in a state of delinquency) when they are behind in fulfilling their obligations, with the result that an outstanding loan is unpaid or overdue. When a customer is in arrears, the total outstanding loans on which payments are overdue are described as delinquent.
Asset-backed securities ('ABSs')	Securities that represent an interest in an underlying pool of referenced assets. The referenced pool can comprise any assets that attract a set of associated cash flows but are commonly pools of residential or commercial mortgages.
Average total shareholders' equity to average total assets	Average total shareholders' equity divided by average total assets for the period.
B	
Back-testing	A statistical technique used to monitor and assess the accuracy of a model, and how that model would have performed had it been applied in the past.
Bail-inable debt	Bail-in refers to imposition of losses at the point of non-viability (but before insolvency) on bank liabilities (bail-inable debt) that are not exposed to losses while the institution remains a viable going concern. Whether by way of write-down or conversion into equity, this has the effect of recapitalising the bank (although it does not provide any new funding).
Bank levy	A levy that has applied to UK banks, building societies and the UK operations of foreign banks since 1 January 2011. The amount payable is based on a percentage of the group's consolidated liabilities and equity as at 31 December, after deducting certain items, the most material of which are those related to insured deposit balances, tier 1 capital, insurance liabilities, high quality liquid assets and items subject to a legally enforceable net settlement agreement.
Bank Recovery and Resolution Directive ('BRRD')	A European legislative package issued by the European Commission and adopted by EU member states. This directive introduced a common EU framework for how authorities should intervene to address banks that are failing or are likely to fail. The framework includes early intervention and measures designed to prevent failure and in the event of bank failure for authorities to ensure an orderly resolution.
Basel II	The capital adequacy framework issued by the Basel Committee on Banking Supervision in June 2006 in the form of the 'International Convergence of Capital Measurement and Capital Standards', amended by subsequent changes to the capital requirements for market risk and re-securitisations, commonly known as Basel 2.5, which took effect from 31 December 2011.
Basel III	In December 2010, the Basel Committee issued 'Basel III rules: a global regulatory framework for more resilient banks and banking systems' and 'International framework for liquidity risk measurement, standards and monitoring'. Together, these documents present the Basel Committee's reforms to strengthen global capital and liquidity rules with the goal of promoting a more resilient banking sector.
Basis point ('bps')	One hundredth of a per cent (0.01%), so 100 basis points is 1%. For example, this is used in quoting movements in interest rates or yields on securities.
Business model	A term describing how we organise our business activities to create value. HSBC has three global businesses: Wealth and Personal Banking, Commercial Banking and Global Banking and Markets. Together, these operations provide a comprehensive range of banking and related financial services designed to meet the needs of customers ranging from individuals to the largest of companies. HSBC operates in many countries, and its services are primarily delivered by domestic banks, typically with local deposit bases.
C	
Capital conservation buffer ('CCB')	A capital buffer implemented in the EU through CRD IV and designed to ensure banks build up capital buffers outside periods of stress that can be drawn down as losses are incurred. Should a bank's capital levels fall within the capital conservation buffer range, capital distributions will be constrained by the regulators.
Capital Requirements Directive ('CRD IV')	A capital adequacy legislative package adopted by EU member states. The CRD IV package comprises a recast Capital Requirements Directive and a new Capital Requirements Regulation. The package implements the Basel III capital proposals together with transitional arrangements for some of its requirements. CRD IV came into force on 1 January 2014.
Capital securities	Capital securities include perpetual subordinated capital securities and contingent convertible capital securities.
Central counterparty ('CCP')	An intermediary between a buyer and a seller (generally a clearing house).
CET1 ratio	A measure of CET1 capital expressed as a percentage of total risk exposure amount.
Clawback	Remuneration already paid to an individual, which has to be returned to an organisation under certain circumstances.
Collateralised debt obligation ('CDO')	A security issued by a third party that references ABSs and/or certain other related assets purchased by the issuer. CDOs may feature exposure to sub-prime mortgage assets through the underlying assets.
Commercial paper ('CP')	An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. The debt is usually issued at a discount, reflecting prevailing market interest rates.
Commercial real estate	Any real estate, comprising buildings or land, intended to generate a profit, either from capital gain or rental income.
Common equity tier 1 capital ('CET1')	The highest quality form of regulatory capital under CRR II that comprises common shares issued and related share premium, retained earnings and other reserves, less specified regulatory adjustments.
Compliance risk	The risk that the Group fails to observe the letter and spirit of all relevant laws, codes, rules, regulations and standards of good market practice, and incurs fines and penalties and suffers damage to its business as a consequence.
Comprehensive Capital Analysis and Review ('CCAR')	CCAR is an annual exercise by the US Federal Reserve Board to ensure that institutions have robust, forward-looking capital planning processes that account for their unique risks and sufficient capital to continue operations throughout times of economic and financial stress.

Term	Definition
Conduits	HSBC sponsors and manages multi-seller conduits and securities investment conduits (‘SICs'). The multi-seller conduits hold interests in diversified pools of third-party assets such as vehicle loans, trade receivables and credit card receivables funded through the issuance of short-dated commercial paper and supported by a liquidity facility. The SICs hold predominantly asset-backed securities referencing such items as commercial and residential mortgages, vehicle loans and credit card receivables funded through the issuance of both long-term and short-term debt.
Constant currency	A non-GAAP financial measure that adjusts for the year-on-year effects of foreign currency translation differences by comparing reported results for the reported period with reported results for comparative period retranslated at exchange rates for the reported period. The foreign currency translation differences reflect the movements of the US dollar on consolidation against most major currencies during the reported period.
Constant net asset value fund (‘CNAV’)	A fund that prices its assets on an amortised cost basis, subject to the amortised book value of the portfolio remaining within 50 basis points of its market value.
Contractual maturities	The date on which the final payment (principal or interest) of any financial instrument is due to be paid, at which point all the remaining outstanding principal and interest have been repaid.
Countercyclical capital buffer (‘CCyB’)	A capital buffer implemented in the EU through CRD IV, which aims to ensure that capital requirements take account of the macro-financial environment in which banks operate. This will provide the banking sector with additional capital to protect it against potential future losses, when excess credit growth in the financial system as a whole is associated with an increase in system-wide risk.
Counterparty credit risk (‘CCR’)	Counterparty credit risk, in both the trading and non-trading books, is the risk that the counterparty to a transaction may default before completing the satisfactory settlement of the transaction.
Credit default swap (‘CDS’)	A derivative contract whereby a buyer pays a fee to a seller in return for receiving a payment in the event of a defined credit event (e.g. bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency) on an underlying obligation (which may or may not be held by the buyer).
Credit enhancements	Facilities used to enhance the creditworthiness of financial obligations and cover losses due to asset default.
Credit-impaired loans	Loans where contractual payments of either principal or interest are past due for more than 90 days, or there are other indications that the borrower is unlikely to pay, or the loan is otherwise considered to be in default.
Credit risk	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, credit derivatives and from holding assets in the form of debt securities.
Credit risk mitigation	A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants, such as collateral, guarantee and credit derivatives.
Credit risk spread	The premium over the benchmark or risk-free rate required by the market to accept a lower credit quality. The yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks. The yield spread rises as the credit rating worsens.
Credit spread risk	The risk that movements in credit spreads will affect the value of financial instruments.
Credit valuation adjustment (‘CVA’)	An adjustment to the valuation of OTC derivative contracts to reflect the creditworthiness of OTC derivative counterparties.
Cross-border revenue	Client revenue generated from serving the international subsidiaries of clients outside of the market where the parent is based; tracked using HSBC internal client data.
Customer deposits	Money deposited by account holders. Such funds are recorded as liabilities.
Customer remediation	Activities carried out by HSBC to compensate customers for losses or damages associated with a failure to comply with regulations. Customer remediation is initiated by HSBC in response to customer complaints, and not specifically initiated by regulatory action.
Customer risk rating (‘CRR’)	A scale of 23 grades measuring obligor PD.
D	
Debt restructuring	A restructuring by which the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedule, as well as debt or interest charge reduction.
Debt securities	Financial assets on the Group’s balance sheet representing certificates of indebtedness of credit institutions, public bodies or other undertakings, excluding those issued by central banks.
Debt securities in issue	Transferable certificates of indebtedness of the Group to the bearer of the certificates. These are liabilities of the Group and include certificates of deposits.
Debt valuation adjustment (‘DVA’)	An adjustment made by an entity to the valuation of OTC derivative liabilities to reflect within fair value the entity’s own credit risk.
Defined benefit obligation	The present value of expected future payments required to settle the obligations of a defined benefit plan resulting from employee service.
Deposits by banks	All deposits received from domestic and foreign banks, excluding deposits or liabilities in the form of debt securities, or for which transferable certificates have been issued.
Down-shock	Term given to the effect on our future net interest income of an incremental parallel fall in all yield curves worldwide at the beginning of each quarter during the 12 months from 1 January 2015, assuming no management response. An equivalent rise in yield curves is referred to as an up-shock.
E	
Economic capital	The internally calculated capital requirement that is deemed necessary by HSBC to support the risks to which it is exposed.
Economic profit	The difference between the return on financial capital invested by shareholders and the cost of that capital. Economic profit may be expressed as a whole number or as a percentage.
Encumbered assets	Assets on our balance sheet that have been pledged as collateral against an existing liability.
Enhanced Variable Net Asset Value Fund (‘ENAV’)	A fund that prices its assets on a fair value basis. Consequently, process may change from one day to the next.
Equator Principles	The Equator Principles are used by financial institutions to reduce the potential impact of large projects, which they finance, on people or on the environment.
Equity risk	The risk arising from positions, either long or short, in equities or equity-based instruments, which create exposure to a change in the market price of the equities or equity instruments.
Eurozone	The 19 European Union countries using the euro as their common currency. The 19 countries are Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.
Expected credit losses ('ECL')	In the income statement, ECL is recorded as a change in expected credit losses and other credit impairment charges. In the balance sheet, ECL is recorded as an allowance for financial instruments to which only the impairment requirements in IFRS 9 are applied.

Term	Definition
Expected credit losses and other credit impairment charges ('ECL') as % of average gross loans and advances to customers	Annualised adjusted ECL divided by adjusted average gross loans and advances to customers for the period.
12-month ECL	The ECL resulting from default events that are possible within the next 12 months.
Lifetime ECL	The expected credit losses that result from all possible default events over the expected life of a financial instrument.
Exposure	A claim, contingent claim or position which carries a risk of financial loss.
Exposure at default ('EAD')	Under the standardised approach, the amount expected to be outstanding after any credit risk mitigation, if and when the counterparty defaults. Under IRB, the amount outstanding if and when the counterparty defaults. EAD reflects drawn balances as well as allowances for undrawn amounts of commitments and contingent exposures.
F	
Fair value adjustment	An adjustment to the fair value of a financial instrument that is determined using a valuation technique (level 2 and level 3) to include additional factors that would be considered by a market participant that are not incorporated within the valuation model.
Fair value through other comprehensive income ('FVOCI')	Financial assets that measured at fair value and changes in fair value are recognised in other comprehensive income with some exceptions. In the case of financial assets such as debt securities, these exceptions relate to impairment, interest income and foreign currency exchange gains and losses. In the case of equity securities, these exceptions relate to dividend income.
Fair value through profit or loss ('FVPL')	Financial assets that are measured at fair value and changes in fair value are recognised in profit or loss.
Fiduciary risk	The risk to the Group of breaching its fiduciary duties where it acts in a fiduciary capacity as trustee, investment manager or as mandated by law or regulation.
Financial Conduct Authority ('FCA')	The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well.
Financial instruments measured at amortised cost	Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities.
Financial Policy Committee ('FPC')	The Financial Policy Committee at the Bank of England is charged with a primary objective of identifying, monitoring and taking action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system. The FPC has a secondary objective to support the economic policy of the UK Government.
First lien	A security interest granted over an item of property to secure the repayment of a debt that places its holder first in line to collect repayment from the sale of the underlying collateral in the event of a default on the debt.
Forbearance strategies	When a loan is classified as 'renegotiated', forbearance strategies are used to improve the management of customer relationships, maximise collection opportunities and, if possible, avoid default, foreclosure or repossession. Such arrangements include extended payment terms, a reduction in interest or principal repayments, approved external debt management plans, debt consolidations, the deferral of foreclosures, other modifications and re-ages.
Funded exposure	A situation where the notional amount of a contract is or has been exchanged.
Funding risk	The risk that we cannot raise funding or can only do so at excessive cost.
G	
Gap risk	The risk of financial loss arising from a significant change in market price with no accompanying trading opportunity.
Global functions	Global functions establish and manage all policies, processes and delivery platforms relevant to their activities.
Global systemically important bank ('G-SIB')	The Financial Stability Board ('FSB'), in consultation with the Basel Committee on Banking Supervision, publish a list of G-SIBs on an annual basis. G-SIBs are designated based on an indicator-based approach. Designation results in the application of higher capital requirements to reduce their probability of failure. In CRD IV, this is implemented via the Global Systemically Important Institutions ('G-SII') Buffer. This capital requirement is to be met with CET1 capital and varies depending on the degree of systemic importance of the institution.
Government-sponsored enterprises ('GSEs')	A group of financial services enterprises created by the US Congress to reduce the cost of capital for certain borrowing sectors of the economy, and to make them more efficient and transparent. Examples in the residential mortgage borrowing segment are Freddie Mac and Fannie Mae. GSEs carry the implicit backing, but are not direct obligations, of the US government.
GPSP Awards	Awards that define the number of HSBC Holdings ordinary shares to which the employee will become entitled, generally five years from the date of the award, and normally subject to individual remaining in employment. The shares to which the employee becomes entitled are subject to a retention requirement until cessation of employment.
Guarantee	An undertaking by a party to pay a creditor should a debtor fail to do so.
H	
Haircut	A discount applied by management when determining the amount at which an asset can be realised. The discount takes into account the method of realisation, including the extent to which an active market for the asset exists. With respect to credit risk mitigation, a downward adjustment to collateral value to reflect any currency or maturity mismatches between the credit risk mitigant and the underlying exposure to which it is being applied. Also, a valuation adjustment to reflect any fall in value between the date the collateral was called and the date of liquidation or enforcement.
Historical rating transition matrices	The probability of a counterparty with a particular rating moving to a different rating over a defined time horizon.
I	
Insurance manufacturing	The writing of contracts that fall within the scope of insurance regulation by a Group subsidiary authorised to write such business. The risks and rewards of writing the insurance business are retained by HSBC (or reinsured in line with our reinsurance strategy). The balance sheet analysis presented in the Insurance manufacturing operations risk profile section in the *Annual Report and Accounts* shows the aggregated full balance sheets of these entities.
Insurance risk	A risk, other than a financial risk, transferred from the holder of a contract to the insurance provider. The principal insurance risk is that, over time, the cost of the contract, including claims and benefits, may exceed the total amount of premiums and investment income received.
Internal Capital Adequacy Assessment Process ('ICAAP')	The Group's own assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints.
Internal model method	One of three approaches defined in the Basel Framework to determine exposure values for counterparty credit risk.
Internal ratings-based approach ('IRB')	A method of calculating credit risk capital requirements using internal, rather than supervisory, estimates of risk parameters.
Invested capital	Equity capital invested in HSBC by its shareholders, adjusted for certain reserves and goodwill previously amortised or written off.
Investment grade	Represents a risk profile similar to a rating of BBB- or better, as defined by an external rating agency.

Term	Definition
IRB advanced approach ('AIRB')	A method of calculating credit risk capital requirements using internal PD, LGD and EAD models.
IRB foundation approach ('FIRB')	A method of calculating credit risk capital requirements using internal PD models but with supervisory estimates of LGD and conversion factors for the calculation of EAD.
ISDA Master agreement	Standardised contract developed by ISDA used as an umbrella contract under which bilateral derivatives contracts are entered into.
J	
Jaws	Adjusted jaws measures the difference between the rates of change in adjusted revenue and adjusted operating expenses. Positive jaws occurs when the percentage change in adjusted revenue is higher than, or less negative than, the corresponding rate for adjusted operating expenses.
K	
Key management personnel	Directors and Group Managing Directors of HSBC Holdings.
L	
Legal proceedings	Civil court, arbitration or tribunal proceedings brought against HSBC companies (whether by way of claim or counterclaim) or civil disputes that may, if not settled, result in court, arbitration or tribunal proceedings.
Level 1 – quoted market price	Financial instruments with quoted prices for identical instruments in active markets.
Level 2 – valuation technique using observable inputs	Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
Level 3 – valuation technique with significant unobservable inputs	Financial instruments valued using valuation techniques where one or more significant inputs are unobservable.
Leveraged finance	Funding provided for entities with higher than average indebtedness, which typically arises from sub-investment grade acquisitions or event-driven financing.
Leverage ratio	A measure that is the ratio of tier 1 capital to total exposures. Total exposures include on-balance sheet items, off-balance sheet items and derivatives, and should generally follow the accounting measure of exposure. This supplementary measure to the risk-based capital requirements is intended to constrain the build-up of excess leverage in the banking sector.
Liquidity coverage ratio ('LCR')	The ratio of the stock of high quality liquid assets to expected net cash outflows over the following 30 days. High quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible.
Liquidity enhancement	Liquidity enhancement makes funds available if required for reasons other than asset default, e.g. to ensure timely repayment of maturing commercial paper.
Liquidity risk	The risk that we do not have sufficient financial resources to meet our obligations as they fall due. This risk arises from mismatches in the timing of cash flows.
Loan modification	An account management action that results in a change to the original terms and conditions of a loan, either temporarily or permanently without resetting its delinquency status.
Loans past due	Loans on which repayments are contractually overdue.
Loan-to-value ratio ('LTV')	A mathematical calculation that expresses the amount of the loan as a percentage of the value of security. A high LTV indicates that there is less cushion to protect the lender against house price falls or increases in the loan if repayments are not made and interest is added to the outstanding loan balance.
Loss given default ('LGD')	The estimated ratio (percentage) of the loss on an exposure to the amount outstanding at default (EAD) upon default of a counterparty.
Loss severity	The realised amount of losses incurred (including ancillary amounts owed) when a loan is foreclosed or disposed of through the arrangement with the borrower. The loss severity is represented as a percentage of the outstanding loan balance.
M	
Malus	An arrangement that permits an organisation to prevent vesting of all or part of the amount of a deferred remuneration award in relation to risk outcomes or performance.
Market risk	The risk that movements in market risk factors, including foreign exchange rates and commodity prices, interest rates, credit spreads and equity prices will reduce income or portfolio values.
Material risk taker ('MRT')	Individuals identified as MRTs in accordance with the qualitative and quantitative criteria set out in the Regulatory Technical Standard EU 604/2014 and other criteria applied by HSBC. This also includes individuals, identified in accordance with any local or sectorial regulatory requirements, to whom certain prescribed remuneration rules apply under the relevant local/sectorial regulations.
Medium term notes ('MTNs')	Issued by corporates across a range of maturities. Under MTN Programmes notes are offered on a regular and continuous basis to investors.
Minimum requirement for own funds and eligible liabilities ('MREL')	Requirements set out in the Bank Recovery and Resolution Directive in the EU for global systemically important banks to have a sufficient amount of eligible liabilities that can be used to absorb losses and recapitalise a bank in resolution. These requirements are intended to facilitate an orderly resolution that minimises any impact on financial stability, ensures the continuity of critical functions and avoids exposing taxpayers to loss.
Mortgage-backed securities ('MBSs')	Securities that represent interests in groups of mortgages, which may be on residential or commercial properties. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal). When the MBS references mortgages with different risk profiles, the MBS is classified according to the highest risk class.
Mortgage-related assets	Referenced to underlying mortgages.
Mortgage vintage	The year a mortgage was originated.
N	
Net asset value per ordinary share	Total shareholders' equity, less non-cumulative preference shares and capital securities, divided by the number of ordinary shares in issue excluding shares the company has purchased and are held in treasury.
Net interest income ('NII')	The amount of interest received or receivable on assets net of interest paid or payable on liabilities.
Net interest income sensitivity	Considers all pricing mismatches in the current balance sheet, with suitable assumptions for balance sheet growth in the future, and calculates the change in net interest income that would result from a set of defined interest rate shocks.
Net principal exposure	The gross principal amount of a financial asset, after taking account of credit protection purchased, but excluding the effect of any counterparty credit valuation adjustment to that protection. It includes assets that benefit from monoline protection, except where this protection is purchased with a CDS.
Net stable funding ratio ('NSFR')	The ratio of available stable funding to required stable funding over a one-year time horizon, assuming a stressed scenario. Available stable funding would include items such as equity capital, preferred stock with a maturity of over one year and liabilities with an assessed maturity of over one year. The Basel III rules require this ratio to be over 100% with effect from 2018. The NSFR is still subject to an observation period and review to address any unintended consequences.

Term	Definition
Non-financial assets	Non-financial assets are software under development, property, plant and equipment, intangible assets (excluding goodwill) and right-of-use assets.
Non-financial risk	The risk of loss resulting from people, inadequate or failed internal processes, data or systems or external events.
Non-trading portfolios	Portfolios that comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities, financial investments designated as available for sale and held to maturity, and exposures arising from our insurance operations.
Non-trading risk	The market risk arising from non-trading portfolios.
O	
Offset mortgages	A flexible type of mortgage where a borrower's savings balance(s) held at the same institution can be used to offset the mortgage balance outstanding. The borrower pays interest on the net balance, which is calculated by subtracting the credit balance(s) from the debit balance. As part of the offset mortgage, a total facility limit is agreed and the borrower may redraw up to a pre-agreed limit.
Overnight Index Swap discounting	A method of valuing collateralised interest rate derivatives that uses a discount curve that reflects the overnight interest rate typically earned or paid in respect of collateral received.
Over-the-counter ('OTC')	A bilateral transaction (e.g. derivatives) that is not exchange traded and that is valued using valuation models.
P	
Pension risk	The risk that contributions from Group companies and members fail to generate sufficient funds to meet the cost of accruing benefits for the future service of active members, and the risk that the performance of assets held in pension funds is insufficient to cover existing pension liabilities.
Performance shares	Awards of HSBC Holdings ordinary shares under employee share plans that are subject to the achievement of corporate performance conditions.
Personal lending	See 'Retail loans'.
Post-tax return on average total	Profit after tax divided by average total assets for the period.
PRA standard rules	The method prescribed by the PRA for calculating market risk capital requirements in the absence of VaR model approval.
Prime	A US description for mortgages granted to the most creditworthy category of borrowers.
Private equity investments	Equity securities in operating companies not quoted on a public exchange, often involving the investment of capital in private companies or the acquisition of a public company that results in its delisting.
Probability of default ('PD')	The probability that an obligor will default within one year.
Prudential Regulation Authority ('PRA')	The Prudential Regulation Authority in the UK is responsible for prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms.
R	
Refi rate	The refi (or refinancing) rate is set by the European Central Bank ('ECB') and is the price banks pay to borrow from ECB.
Regulatory capital	The capital that HSBC holds, determined by the PRA for the consolidated Group and by local regulators for individual Group companies.
Regulatory matters	Investigations, reviews and other actions carried out by, or in response to the actions of, regulators or law enforcement agencies in connection with alleged wrongdoing by HSBC.
Renegotiated loans	Loans for which the contractual payment terms are modified on concessionary terms because of significant concerns about the borrower's ability to meet contractual payments when due.
Repo/reverse repo (or sale and repurchase agreement)	A short-term funding agreement that allows a borrower to create a collateralised loan by selling a financial asset to a lender. As part of the agreement, the borrower commits to repurchase the security at a date in the future repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future), it is reverse repurchase agreement or a reverse repo.
Reputational risk	The risk that illegal, unethical or inappropriate behaviour by the Group itself, members of staff or clients or representatives of the Group, will damage HSBC's reputation, leading, potentially, to a loss of business, fines or penalties.
Restricted shares	Awards that define the number of HSBC Holdings ordinary shares to which the employee will become entitled, generally between one and three years from the date of the award, and normally subject to the individual remaining in employment. The shares to which the employee becomes entitled may be subject to retention requirement.
Retail loans	Money lent to individuals rather than institutions. This includes both secured and unsecured loans such as mortgages and credit card balances.
Return on average ordinary shareholders' equity ('RoE')	Profit attributable to the ordinary shareholders of the parent company divided by average ordinary shareholders' equity for the period. The adjustment to reported results and reported equity excludes amounts attributable to non-controlling interests and holders of preference shares and other equity instruments.
Return on average tangible equity ('RoTE')	This is computed by adjusting reported results for the movements in PVIF and for impairment of goodwill and other intangible assets (net of tax), divided by average reported equity adjusted for goodwill, intangibles and PVIF for the period.
Return on average tangible equity excluding significant items and UK bank levy	This is annualised profit attributable to ordinary shareholders, excluding changes in present value of in-force insurance contracts ('PVIF'), significant items and bank levy (net of tax), divided by average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments for the period.
Revised Capital Requirements Regulation and Directive, as implemented ('CRR II')	The amending Regulation to the CRD IV package, which implements changes to the own funds regime and to MREL and elements of the Basel III Reforms in EU legislation. These changes follow a phased implementation from June 2019.
Risk appetite	The aggregate level and types of risk a firm is willing to assume within its risk capacity to achieve its strategic objectives and business plan.
Risk capacity	The maximum level of risk the firm can assume before breaching constraints determined by regulatory capital and liquidity needs and its obligations, also from a conduct perspective, to depositors, policyholders, other customers and shareholders.
Risk-weighted assets ('RWAs')	Calculated by assigning a degree of risk expressed as a percentage (risk weight) to an exposure value.
RWA density	RWA density is the ratio of RWAs to exposure value arising from any given exposure, or group of exposures. It is expressed as a percentage.
S	
Sale and repurchase agreement	See repo above.
Second lien	A security interest granted over an item of property to secure the repayment of a debt that is issued against the same collateral as a first lien but that is subordinate to it. In the case of default, repayment for this debt will only be received after the first lien has been repaid.

Term	Definition
Securitisation	A transaction or scheme whereby the credit risk associated with an exposure, or pool of exposures, is tranched, and where payments to investors in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures. A traditional securitisation involves the transfer of the exposures being securitised to a SPE that issues securities. In a synthetic securitisation, the tranching is achieved by the use of credit derivatives and the exposures are not removed from the balance sheet of the originator.
Securitisation swap	An interest rate or cross-currency swap with notional linked to the size of the outstanding asset portfolio in a securitisation. Securitisation swaps are typically executed by securitisation vehicles to hedge interest rate risk arising from mismatches between the interest rate risk profile of the asset portfolio and that of the securities issued by the vehicle.
Short sale	In relation to credit risk management, a 'short sale' is an arrangement in which a bank permits the borrower to sell the property for less than the amount outstanding under a loan agreement. The proceeds are used to reduce the outstanding loan balance and the borrower is subsequently released from any further obligations on the loan.
Single-issuer liquidity facility	A liquidity or stand-by line provided to a corporate customer, which is different from a similar line provided to a conduit funding vehicle.
Sovereign exposures	Exposures to governments, ministries, departments of governments, embassies, consulates and exposures on account of cash balances and deposits with central banks.
Special Purpose Entity ('SPE')	A corporation, trust or other non-bank entity established for a narrowly defined purpose, including for carrying on securitisation activities. The structure of the SPE and its activities are intended to isolate its obligations from those of the originator and the holders of the beneficial interests in the securitisation.
Stage 1	Financial assets where 12-month ECL are recognised.
Stage 2	Financial assets which are considered to have experienced a significant increase in credit risk resulting in the recognition of lifetime ECL.
Stage 3	Financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired.
Standardised approach ('STD')	In relation to credit risk, a method for calculating credit risk capital requirements using ratings agencies and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.
Stressed VaR	A market risk measure based on potential market movements for a continuous one-year period of stress for a trading portfolio.
Structured entities ('SEs')	An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.
Structured finance/notes	An instrument whose return is linked to the level of a specified index or the level of a specified asset. The return on a structured note can be linked to equities, interest rates, foreign exchange, commodities or credit. Structured notes may or may not offer full or partial capital protection in the event of a decline in the underlying index or asset.
Student loan-related assets	Securities with collateral relating to student loans.
Subordinated liabilities	Liabilities that rank after the claims of other creditors of the issuer in the event of insolvency or liquidation.
Sustainability risk	The risk that the environmental and social effects of providing financial services outweigh the economic benefits.
Systemic Risk Buffer ('SRB')	A capital buffer prescribed in the EU under CRD IV to address risks in the financial sector as a whole, or one or more sub-sectors, to be deployed as necessary by each EU member state with a view to mitigate structural macro-prudential risk. In the UK, this was transposed in January 2015 and is applied to ring-fenced banks and building societies over a certain threshold.
Systems risk	The risk of failure or other deficiency in the automated platforms that support the Group's daily execution and the systems infrastructure on which they reside, including data centres, networks and distributed computers.
T	
Task Force on Climate-related Financial Disclosures ('TCFD')	The Financial Stability Board TCFD is an industry-led initiative. TCFD recommendations were launched in December 2015 with the aim of improving company disclosures on the financial implications of climate change and so aiding asset allocation and risk pricing decisions. The Financial Stability Board published the final recommendations on climate-related disclosures in June 2017. The recommendations are voluntary and based around four themes: governance, strategy, risk management and metrics/targets.
Tangible net asset value per ordinary share	Total ordinary shareholders' equity excluding goodwill, PVIF and other intangible assets (net of deferred tax), divided by the number of basic ordinary shares in issue excluding shares the company has purchased and held in treasury.
Tier 1 capital	A component of regulatory capital, as defined in CRD IV, comprising common equity tier 1 and additional tier 1. Additional tier 1 capital includes eligible non-common equity capital securities and any related share premium.
Tier 2 capital	A component of regulatory capital, as defined in CRD IV, comprising eligible capital securities and any related share premium.
Total loss absorbing capacity ('TLAC')	Requirements set out by the FSB for global systemically important banks to have a sufficient amount of specific types of liabilities that can be used to absorb losses and recapitalise a bank in resolution. These requirements are intended to facilitate an orderly resolution that minimises any impact on financial stability, ensures the continuity of critical functions and avoids exposing taxpayers to loss. TLAC is implemented in the EU through the Bank Recovery and Resolution Directive as MREL.
Total ordinary shareholders' equity	Total shareholders' equity less non-cumulative preference shares and capital securities.
Total shareholder return	The growth on the share value and dividend income during the relevant period.
Trading portfolios	Positions arising from market-making and warehousing of customer-derived positions.
Trading risk	Market risk arising from trading portfolios.
Troubled debt restructuring	A US description for restructuring a debt whereby the creditor for economic or legal reasons related to a debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider.
U	
UK leverage ratio	This is computed as tier 1 capital divided by the leverage exposure measure, with the ratio expressed as a percentage, as per the UK's PRA rulebook.

Term	Definition
Unencumbered assets	Assets on our balance sheet that have not been pledged as collateral against an existing liability.
Unfunded exposures	An exposure where the notional amount of a contract has not been exchanged.
Up-shock	See down-shock.
US government agency and US government sponsored enterprises mortgage-related assets	Securities that are guaranteed by US government agencies, such as Ginnie Mae, or by US government sponsored entities, including Fannie Mae and Freddie Mac.
V	
Value at risk ('VaR')	A measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.
Value of New Business ('VNB')	The incremental contribution to PVIF of new long-term insurance business written in the period.
W	
Wholesale loans	Money lent to sovereign borrowers, banks, non-bank financial institutions and corporate entities.
Write-down/write-off	When a financial asset is written down or written off, a customer balance is partially or fully removed, respectively, from the balance sheet. Loans (and related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.
Wrong-way risk	An adverse correlation between the counterparty's PD and the mark-to-market value of the underlying transaction.

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