HSBC Holdings plc

Pillar 3 Disclosures at 30 June 2023

HSBC

Contents

Tables

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.

This document should be read in conjunction with the *Interim Report 2023*, which has been published on our website at www.hsbc.com/investors.

Introduction

Pillar 3 disclosures and governance

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 and liquidity adequacy of, and sets capital and liquidity 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 and liquidity 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, and as may be subsequently amended under UK law.

The Basel III framework is structured around three 'pillars', with the Pillar 1 minimum capital requirements and Pillar 2 supervisory review process complemented by Pillar 3 market discipline. The aim of Pillar 3 is to produce disclosures that allow market participants to assess the scope of application by banks of the Basel framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy.

The regulators of the Group's banking entities outside the UK are at varying stages of implementing the Basel framework, therefore local regulations may have been on the basis of the Basel I, II, III, or Basel 3.1.

Our *Pillar 3 Disclosures at 30 June 2023* comprises both 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. They are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

We publish our Pillar 3 disclosures quarterly on our website www.hsbc.com/investors.

Comparatives and references

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 risk-weighted assets ('RWAs') by article 92 of the Capital Requirements Regulation.

The regulatory numbers and ratios presented in this document were accurate as 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 in subsequent periods.

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 2023* or to other documents.

Governance

Our Pillar 3 disclosures are governed by the Group's disclosure policy framework approved by the Group Audit Committee. This document has been approved by the Group Disclosure and Controls Committee as delegated by the Group Audit Committee.

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 across regulatory reports, focusing on our prudential regulatory reporting and other priority regulatory reports globally.

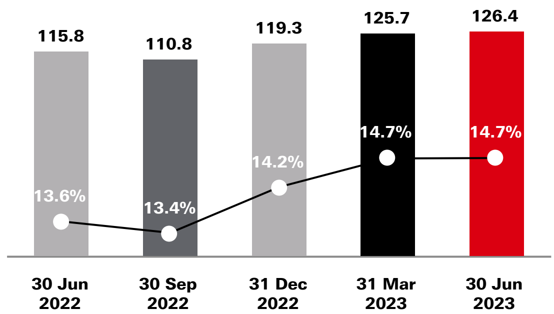
Our ongoing programme of work on our prudential regulatory reports is being phased over a number of years, prioritising RWA, capital and liquidity reporting. This programme includes both data enhancement and the transformation of the reporting systems that they flow into. While this programme continues, there may be further impacts on some of our regulatory ratios, such as common equity tier 1 ('CET1'), liquidity coverage ratio ('LCR') and net stable funding ratio ('NSFR'), as we implement recommended changes and continue to enhance our controls. We are also establishing enhanced risk stewardship and assurance over our regulatory reports and have developed a strategic inventory and tooling to drive consistent standards and accountability.

Highlights

CET1 ratio

At 30 June 2023, our CET1 ratio was 14.7%. We intend to manage the CET1 ratio within our medium-term target range of 14% to 14.5%, and we aim to manage this range down in the long term. In addition, our dividend payout ratio is 50% for 2023 and 2024, excluding material notable items. We have announced a second interim dividend of $0.10 per share and a further share buy-back of up to $2bn, which we expect to commence shortly and complete within three months. Further buy-backs for 2023 and beyond will be subject to appropriate capital levels.

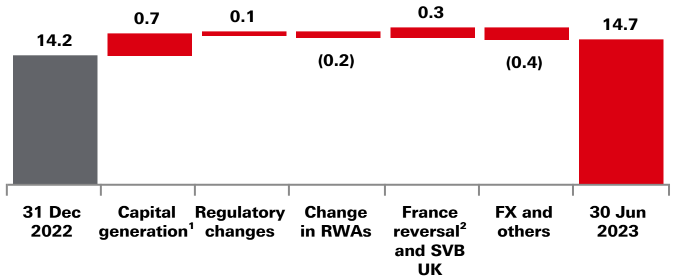
CET1 capital and ratio



CET1 ratio movement, %

Our CET1 capital ratio of 14.7% increased by 0.5 percentage points compared with 31 December 2022, which was driven by capital generation net of the dividend accrual, and included an approximate 0.3 percentage point impact for the reversal of the impairment on the planned sale of our retail banking operations in France and the provisional gain on the acquisition of Silicon Valley Bank UK Limited ('SVB UK'). This was partly offset by increased RWAs and the impact of the share buy-back announced with our 1Q23 results in May 2023.

CET1 ratio movement, %



1 *Capital generation reflects profit attributable to ordinary shareholders net of regulatory adjustments, including ordinary dividend accrual, additional tier 1 ('AT1') coupons paid and share buy-backs.*
2 *The reversal of the impairment on the planned sale of our retail banking operations in France.*

RWAs

RWAs rose by $19.8bn during the first half of the year. Excluding foreign currency translation differences of $4.4bn, RWAs increased by $15.4bn, predominantly due to $19.7bn from asset size growth and a $9.6bn rise from the acquisition of SVB UK. This was partly offset by a reduction of $7.7bn due to a regulatory change to the risk weighting of residential mortgages in Hong Kong.

RWAs by risk type

$859.5bn (31 December 2022: $839.7bn)

Risk-weighted Assets 30 Jun 2023	$m	%
Credit risk	690.5	80
Operational risk	87.4	10
Market risk	43.0	5
Counterparty credit risk	38.6	5

Liquidity

The average **Group LCR was 132%** or $153bn above the regulatory requirement and the average high-quality liquid assets ('HQLA') was $631bn. The **Group NSFR was 134%**. At 30 June 2023, all of the Group's material operating entities were above regulatory minimum levels.

Liquidity

	30 Jun 2023	31 Dec 2022
LCR (%)	132	132
NSFR (%)	134	136

Key metrics

Table 1 below sets out the key regulatory metrics covering the Group's available capital (including buffer requirements and ratios), RWAs, leverage, liquidity coverage and net stable funding ratios. Unless stated otherwise, figures have been prepared on an IFRS 9 transitional basis. At 30 June 2023, the IFRS 9 add-back to CET1 capital and the related tax charge were immaterial.

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

		At				
Ref		**30 Jun 2023**	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
	Available capital ($bn)[1,2]					
1	Common equity tier 1 ('CET1') capital	**126.4**	125.7	119.3	110.8	115.8
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**126.4**	125.7	119.0	110.5	115.4
2	Tier 1 capital	**145.8**	145.1	139.1	130.5	137.5
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**145.8**	145.1	138.8	130.2	137.1
3	Total capital	**170.0**	169.6	162.4	149.9	158.5
	Total capital as if IFRS 9 transitional arrangements had not been applied	**170.0**	169.6	162.1	149.6	158.1
	Risk-weighted assets ($bn)[2]					
4	Total RWAs	**859.5**	854.4	839.7	828.3	851.7
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**859.5**	854.4	839.4	828.1	851.4
	Capital ratios (%)[1,2]					
5	CET1	**14.7**	14.7	14.2	13.4	13.6
	CET1 as if IFRS 9 transitional arrangements had not been applied	**14.7**	14.7	14.2	13.3	13.6
6	Tier 1	**17.0**	17.0	16.6	15.8	16.1
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**17.0**	17.0	16.5	15.7	16.1
7	Total capital	**19.8**	19.8	19.3	18.1	18.6
	Total capital as if IFRS 9 transitional arrangements had not been applied	**19.8**	19.8	19.3	18.1	18.6
	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	1.5	1.5	1.5
UK-7b	Additional additional tier 1 ('AT1') SREP requirements	**0.5**	0.5	0.5	0.5	0.5
UK-7c	Additional tier 2 ('T2') SREP requirements	**0.6**	0.6	0.6	0.7	0.6
UK-7d	Total SREP own funds requirements	**10.6**	10.6	10.6	10.7	10.6
	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	**0.5**	0.4	0.4	0.2	0.2
10	Global systemically important institution buffer	**2.0**	2.0	2.0	2.0	2.0
11	Combined buffer requirement	**5.0**	4.9	4.9	4.7	4.7
UK-11a	Overall capital requirements	**15.6**	15.5	15.5	15.4	15.4
12	CET1 available after meeting the total SREP own funds requirements	**8.7**	8.7	8.2	7.3	7.6
	Leverage ratio[2,3]					
13	Total exposure measure excluding claims on central banks ($bn)	**2,497.9**	2,486.1	2,417.2	2,414.8	2,484.2
14	Leverage ratio excluding claims on central banks (%)	**5.8**	5.8	5.8	5.4	5.5
	Average exposure measure excluding claims on central banks ($bn)	**2,506.5**	2,454.8	2,416.6	2,462.5	2,501.3
	Additional leverage ratio disclosure requirements[2,3]					
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.8**	5.8	5.7	5.4	5.5
14b	Leverage ratio including claims on central banks (%)	**5.0**	5.0	4.9	4.7	4.8
14c	Average leverage ratio excluding claims on central banks (%)	**5.8**	5.7	5.6	5.5	5.6
14d	Average leverage ratio including claims on central banks (%)	**5.0**	4.9	4.8	4.7	4.8
14e	Countercyclical leverage ratio buffer (%)	**0.2**	0.2	0.1	0.1	0.1
EU-14d	Leverage ratio buffer requirement (%)	**0.9**	0.9	0.8	0.8	0.8
EU-14e	Overall leverage ratio requirements (%)	**4.2**	4.2	4.1	4.1	4.1
	Liquidity coverage ratio ('LCR')[4]					
15	Total high-quality liquid assets ($bn)	**631.2**	634.9	647.0	662.9	675.5
UK-16a	Cash outflows – total weighted value ($bn)	**672.2**	670.4	668.1	667.3	666.0
UK-16b	Cash inflows – total weighted value ($bn)	**194.5**	188.7	177.3	170.4	165.6
16	Total net cash outflow ($bn)	**477.7**	481.7	490.8	496.9	500.4
17	LCR (%)	**132**	132	132	133	135
	Net stable funding ratio ('NSFR')[4]					
18	Total available stable funding ($bn)	**1,575.2**	1,557.4	1,552.0	1,538.8	1,566.5
19	Total required stable funding ($bn)	**1,171.8**	1,148.4	1,138.4	1,123.9	1,138.7
20	NSFR (%)	**134**	136	136	137	138

1 *Capital figures and ratios are reported on a CRR II transitional basis for capital instruments.*
2 *Since 30 September 2022, investments in non-financial institution subsidiaries or participations have been measured on an equity accounting basis as per the prudential consolidation of article 18(7) of the CRR. Comparatives have not been restated as this change has no significant prior period impact on this disclosure.*
3 *The leverage ratio is calculated using the CRR end point basis for capital.*
4 *Since 30 September 2022, the LCR and NSFR ratios presented in the above table are based on average values. The LCR is the average of the preceding 12 months for each quarter. The NSFR is the average of the preceding quarters.*

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

- common equity tier 1 capital of 4.5% of RWAs;
- tier 1 capital (CET1 capital plus AT1 capital) of 6% of RWAs; and
- total capital (Tier 1 capital plus Tier 2 capital) of 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 of 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, 15.6%, 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 in CRR for IFRS 9 'Financial Instruments', including paragraph four of article 473a. These arrangements permit banks to add back to their capital bases a proportion of the impact that IFRS 9 has upon their loan loss allowances. Unless otherwise stated, our capital and ratios are presented under these arrangements. At 30 June 2023, the add-back to CET1 capital and the related tax charge were immaterial.

Regulatory developments

Basel 3.1

The Basel Committee on Banking Supervision ('Basel') completed the Basel III Reforms in July 2020. The reforms make significant changes to the way firms calculate RWAs across all risk types, and include the implementation of a RWA floor for banks that use internal models for their calculations.

In March 2023, the PRA's consultation on the implementation of the Basel III Reforms closed. While the PRA's draft rules were generally consistent with Basel, it has proposed some limited adjustments to Basel's final rules, such as the treatment of unrated corporates under the standardised approach to credit risk, the removal of modelled approaches for sovereign exposures and the calibration of the exposure measure for counterparty risk. It has also proposed to remove certain of the EU's concessions under the current framework, such as the small and medium-sized enterprise ('SME') and infrastructure supporting factors, in addition to amending the scope of the EU's exemptions from the credit valuation adjustment ('CVA') charges. The changes are proposed to be implemented on 1 January 2025.

Alongside the PRA's consultation, His Majesty's Treasury ('HMT') published its own consultation on the implementation of the Basel III Reforms. HMT's consultation primarily focused on the technical and legislative changes necessary to facilitate the implementation by the PRA, including the proposed revocation of certain rules under the current regime that would be replaced by the new rules being proposed by the PRA. It has also consulted on the costs and benefits of improving ratings coverage in the UK.

Across other major jurisdictions that are key to HSBC, the progress of implementation varies:

- In Hong Kong, the Hong Kong Monetary Authority in 2023 continued to consult on the implementation of the Basel III Reforms. The Basel III Reforms are scheduled for implementation no earlier than 1 January 2024.
- In the US, regulators in July 2023, published proposals for the implementation of the Basel III Reforms with a scheduled implementation date of 1 July 2025.
- In the EU, a provisional agreement has been reached between the European Council, European Commission and European Parliament on the implementation of the Basel III Reforms. Our current expectation is that the reforms will enter into force on 1 January 2025; although, this remains subject to formal confirmation.

The UK's regulatory framework

The UK's Financial Services and Markets Bill ('the Act') received royal assent on 29 June 2023. Among other things, following the UK's departure from the EU, the Act establishes powers for the PRA to set the prudential rules for the UK's financial services industry, many of which are currently set out in retained EU law. In response, the PRA published a consultation paper on how it intends to review these rules. In making rules, the PRA is required to apply its new secondary objective under the Act to facilitate the international competitiveness of the UK and its growth in the medium to long term.

Capital buffers

In July 2023, the Bank of England's ('BoE') Financial Policy Committee published its quarterly financial policy summary, in which the UK's countercyclical buffer rate will be maintained at 2%.

Non-performing exposures capital deduction

In March 2023, the PRA published a consultation paper setting out a proposal to remove the CET1 deduction for under-provisioned non-performing exposures capital. Final rules are expected in 2H23.

Environmental, social and governance ('ESG') risk

Globally, regulators and standard setters continue to publish multiple proposals and discussion papers on ESG topics. In recent years, this included multiple consultations on sustainability-related disclosure across jurisdictions including the UK, the EU, and the US, as well as globally through the IFRS Foundation.

In June 2023, the International Sustainability Standards Board ('ISSB') finalised its first sustainability-related disclosure standards, IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' and IFRS S2 'Climate-related Disclosures' following a consultation period in 2022. The standards apply from 1 January 2024 with transitional provisions. The transitional relief will allow entities to report only on climate-related risks and opportunities in the first year they apply these standards and to begin reporting on their other sustainability-related risks and opportunities in the second year. The ISSB standards will be adopted through national legislation. Basel is expected to commence its consultation process in 2H23 on a Pillar 3 disclosure framework for climate-related financial risks to complement the ISSB sustainability-related disclosures. In the UK, the ISSB disclosure standards will be adopted through the Companies Act, the FCA's listing rules and the Hong Kong Exchange Listing Rules. The latter has already consulted on proposed climate-related disclosures aligned with the ISSB standard and effective from 1 January 2024.

The Corporate Sustainability Reporting Directive ('CSRD') entered into force in January 2023, and strengthens the existing rules on non-financial reporting introduced by the 2014 Non-Financial Reporting Directive. It also broadens the scope for EU entities and includes non-EU entities subject to meeting certain criteria. The European Sustainability Reporting Standards under the CSRD was finalised in November 2022 and the EU Commission adopted the final standards in July 2023.

The Taskforce on Nature-related Financial Disclosures is expected to finalise its recommendations in September 2023. In the UK, this is expected to be adopted through the Companies Act and the FCA's listing rules following a consultation period, which is expected to commence in 2H23.

In March 2022, the US Securities and Exchange Commission published a consultation on its proposed climate-related disclosures required for both domestic and foreign private issuers. The proposed disclosure requirements cover the broad areas of governance, strategy, risk management and metrics and targets.

In the last year, there has been growing interest and work underway by regulators and standard setters on the extent to which climate risks are captured and dealt with in the prudential framework. The initial work by Basel concluded that climate risk drivers, including physical and transition risks, can be captured in traditional financial risk categories such as credit, market, operational and liquidity risks. Basel's work on this is ongoing and part of its wider efforts to improve ESG risk coverage. The Bank of England is also considering how the regulatory capital framework can be adjusted to take account of climate-related risks, and facilitated a climate and capital conference in October 2022 with the aim of providing more guidance on its approach. This has yet to be published.

Material changes in the first half of 2023

Hong Kong residential mortgages

Effective from 1 January 2023 the Hong Kong Monetary Authority ('HKMA') reduced the risk-weight floor for Hong Kong residential mortgage loans under the internal ratings-based approach from the current 25% to 15%, this had a $7.7bn impact on RWAs at 30 June 2023.

HSBC 2022 annual cyclical stress test results

The 2022 annual cyclical stress test scenario represented a synchronised global economic contraction and asset price crash in a high inflation and high interest rate environment. Under this stress scenario, the Bank of England's results indicate that the Group's CET1 capital ratio on an IFRS 9 transitional basis would fall to a low point of 10.7%, above the Group's CET1 reference rate of 7.0%. On an IFRS 9 non-transitional basis, the Group's CET1 capital ratio is projected to reach a low point of 9.9%, which is above its IFRS 9 non-transitional CET1 reference rate of 6.2%. The Group results incorporate strategic management actions, which have been accepted by the Bank of England for the purposes of this exercise. In practice, under such adverse economic circumstances, the Group would consider a variety of management actions depending on the prevailing circumstances at the time.These results demonstrate the Group's continued capital strength under this severe downside scenario..

Interest rate risk in the banking book

We continued to increase the stabilisation of our net interest income ('NII') as interest rate expectations fluctuated, driven by central bank rate increases and a reassessment of the trajectory of inflation in major economies.

Planned sale of our retail banking operations in France

During 1Q23, the completion of the planned sale of HSBC Continental Europe's retail banking operations in France became less certain. This was due to a significant rise in interest rates in France, which is expected to increase the amount of capital required by the buyer on completion. Given the completion of the sale had become less certain, we were required to change the accounting classification of our retail banking operations in France to be no longer classified as held for sale. On 14 June 2023, HSBC Continental Europe signed a further memorandum of understanding with the buyer regarding certain potential changes to the terms of the sale, which are designed to enable the buyer to satisfy its future capital requirements and to obtain regulatory approval for the transaction.

Agreed sale of our banking business in Canada

On 29 November 2022, HSBC Holdings plc announced that its wholly-owned subsidiary, HSBC Overseas Holdings (UK) Limited, had entered into an agreement for the sale of its banking business in Canada to Royal Bank of Canada. The transaction is now expected to complete in the first quarter of 2024, subject to regulatory and governmental approval, and we continue to classify these operations as held for sale. RWAs of $2.4bn have been recognised for the hedges related to the sale in 1H23.

Silicon Valley Bank UK Limited (now HSBC Innovation Bank Limited)

In March 2023, HSBC UK Bank plc acquired Silicon Valley Bank UK Limited ('SVB UK'), and in June 2023 changed its legal entity name to HSBC Innovation Bank Limited. The acquisition increased RWAs by $9.6bn although had minimal impact on the Group CET1 ratio.

For further details of assets held for sale, liabilities of disposal groups held for sale and business acquisitions, see Note 15 in the Interim Report 2023 *on page 135.*

IFRS 17 'Insurance Contracts'

On 1 January 2023, HSBC adopted IFRS 17 'Insurance Contracts'. As required by the standard, the Group applied the requirements retrospectively with comparative data previously published under IFRS 4 'Insurance Contracts' restated from the 1 January 2022 transition date.

For further details of the effects of the adoption of IFRS 17, see Note 16 in the Interim Report 2023 *on page 137.*

Linkage to the Interim Report

This section demonstrates the links between the Group's financial balance sheet and its regulatory counterpart. In addition to this reconciliation, presented here in Table 2, our *Pillar 3 Disclosures at 31 December 2022* 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

The regulatory consolidation is consistent with the accounting consolidation, with the following exceptions:

- The subsidiaries engaged in insurance activities are equity accounted in the regulatory consolidation and then deducted from CET1 capital, subject to thresholds.
- The special purpose entities ('SPEs') are excluded where significant risk has been transferred to third parties. Exposures to these SPEs are risk weighted as securitisation positions for regulatory purposes.
- The 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 regulatory requirements.
- The 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 10 to 13 of the Pillar 3 Disclosures at 31 December 2022.

Table 2 below presents the reconciliation between the Group's financial balance sheet and the regulatory scope of consolidation. The regulatory balance sheet value cannot be directly reconciled to other tables within the regulatory scope of consolidation as it is not a measure of RWAs, but rather, it is derived from an accounting measure.

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

		Accounting balance sheet	Deconsolidation of insurance/ other entities	Consolidation of banking associates	Equity accounting of Insurance subsidiaries	Regulatory balance sheet
	Ref [1]	$m	$m	$m	$m	$m
Assets						
Cash and balances at central banks		**307,733**	**(25)**	**419**	**—**	**308,127**
Items in the course of collection from other banks		**10,649**	**—**	**—**	**—**	**10,649**
Hong Kong Government certificates of indebtedness		**42,407**	**—**	**—**	**—**	**42,407**
Trading assets		**255,387**	**(7,285)**	**14**	**—**	**248,116**
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss		**104,303**	**(97,310)**	**794**	**—**	**7,787**
– *of which: debt securities eligible as tier 2 issued by Group financial sector entities ('FSEs') that are outside the regulatory scope of consolidation*	s	***—***	***133***	***—***	***—***	***133***
Derivatives		**272,595**	**(77)**	**175**	**—**	**272,693**
Loans and advances to banks	l	**100,921**	**(1,687)**	**1,485**	**—**	**100,719**
Loans and advances to customers	l	**959,558**	**320**	**15,914**	**—**	**975,792**
– *of which: lending eligible as tier 2 to Group FSEs outside the regulatory scope of consolidation*	s	***—***	***506***	***—***	***—***	***506***
expected credit losses on IRB portfolios	h	***(9,031)***	***—***	***—***	***—***	***(9,031)***
Reverse repurchase agreements – non-trading		**258,056**	**1,601**	**549**	**—**	**260,206**
Financial investments		**407,933**	**(15,936)**	**7,465**	**—**	**399,462**
– *of which: lending eligible as tier 2 to Group FSEs outside the regulatory scope of consolidation*	s	***—***	***768***	***—***	***—***	***768***
Assets held for sale		**95,480**	**(1)**	**—**	**—**	**95,479**
– *of which: goodwill and intangible assets*	e	***270***	***—***	***—***	***—***	***270***
– *of which: expected credit losses on IRB portfolios*	h	***(303)***	***—***	***—***	***—***	***(303)***
Capital invested in insurance and other entities		**—**	**3,738**	**—**	**3,558**	**7,296**
Prepayments, accrued income and other assets		**175,473**	**(7,985)**	**638**	**—**	**168,126**
– *of which: retirement benefit assets*	j	***7,776***	***—***	***—***	***—***	***7,776***
Current tax assets		**1,262**	**(32)**	**1**	**—**	**1,231**
Interests in associates and joint ventures		**29,546**	**(440)**	**(5,668)**	**—**	**23,438**
– *of which: positive goodwill on acquisition*	e	***465***	***(11)***	***—***	***—***	***454***
Goodwill and intangible assets	e	**11,925**	**(433)**	**963**	**—**	**12,455**
Deferred tax assets	f, k	**8,248**	**(641)**	**77**	**—**	**7,684**
Total assets at 30 Jun 2023		**3,041,476**	**(126,193)**	**22,826**	**3,558**	**2,941,667**
Liabilities and equity						
Hong Kong currency notes in circulation		**42,407**	**—**	**—**	**—**	**42,407**
Deposits by banks		**68,709**	**(23)**	**2,019**	**—**	**70,705**
Customer accounts		**1,595,769**	**3,247**	**18,678**	**—**	**1,617,694**
Repurchase agreements – non-trading		**170,110**	**(151)**	**237**	**—**	**170,196**
Items in the course of transmission to other banks		**10,776**	**—**	**—**	**—**	**10,776**
Trading liabilities		**81,228**	**—**	**—**	**—**	**81,228**
Financial liabilities designated at fair value		**139,618**	**(4,076)**	**—**	**—**	**135,542**
– *of which: included in tier 2*	o, q, i	***10,368***	***—***	***—***	***—***	***10,368***
Derivatives		**269,560**	**(12)**	**139**		**269,687**
– *of which: debit valuation adjustment*	l	***103***	***—***	***—***	***—***	***103***
Debt securities in issue		**85,471**	**(666)**	**—**	**—**	**84,805**

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

	Ref †	Accounting balance sheet $m	Deconsolidation of insurance/ other entities $m	Consolidation of banking associates $m	Equity accounting of Insurance subsidiaries $m	Regulatory balance sheet $m
Liabilities of disposals group held for sale		**87,241**	—	—	—	**87,241**
– *of which: credit-related contingent liabilities and contractual commitments on IRB portfolios*	h	***23***	—	—	—	***23***
Accruals, deferred income and other liabilities		**155,275**	**(4,817)**	**1,206**		**151,664**
Current tax liabilities		**1,921**	**(107)**	**38**	—	**1,852**
Insurance contract liabilities		**115,756**	**(115,756)**	—	—	—
Provisions		**1,722**	**(29)**	**87**	—	**1,780**
– *of which: credit-related contingent liabilities and contractual commitments on IRB portfolios*	h	***390***	—	—	—	***390***
Deferred tax liabilities		**976**	**(28)**	**3**	—	**951**
Subordinated liabilities		**23,286**	—	**419**	—	**23,705**
– *of which: included in tier 2*	o, p, q, r	***21,470***	—	—	—	***21,470***
Total liabilities at 30 Jun 2023		**2,849,825**	**(122,418)**	**22,826**		**2,750,233**
Equity						
Called up share capital	a	**10,073**	—	—	—	**10,073**
Share premium account	a	**14,737**	—	—	—	**14,737**
Other equity instruments	m	**19,392**	—	—	—	**19,392**
Other reserves	b, c, g	**(9,935)**	**2,385**	**(28)**	**6,407**	**(1,171)**
Retained earnings	b, c, i	**149,903**	**(5,946)**	**28**	**(2,849)**	**141,136**
Total shareholders' equity		**184,170**	**(3,561)**	—	**3,558**	**184,167**
Non-controlling interests	d, n, q	**7,481**	**(214)**	—	—	**7,267**
Total equity at 30 Jun 2023		**191,651**	**(3,775)**	—	**3,558**	**191,434**
Total liabilities and equity at 30 Jun 2023		**3,041,476**	**(126,193)**	**22,826**	**3,558**	**2,941,667**

† *The references (a)–(s) 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 dependants. 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 Global 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 and insurance risk. The Group Treasurer co-owns pension risk with the Group Head of Performance, Reward and Employee Relations. Insurance risk is owned by the Chief Executive Officer for Global Insurance.

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.

The Group uses stress testing to inform management of the capital and liquidity needed to withstand internal and external shocks, including a global economic downturn or a systems failure.

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

A list of the main features of our capital instruments, in accordance with Article 437 of the Disclosure (CRR) of the PRA Rulebook is published on our website at www.hsbc.com/investors with reference to our balance sheet on 30 June 2023. The full terms and conditions of our securities are also available on our website at www.hsbc.com/investors.

For further details of our approach to treasury risk management including capital risk, liquidity risk, interest rate risk in the banking book, non-trading foreign exchange exposure and pension risk, see page 202 of the Annual Report and Accounts 2022.

Own fund

Table 3 below provides a detailed breakdown of the key components of our CET1, tier 1 and tier 2 capital and the regulatory adjustments impacting our capital base on a transitional basis.

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

			At	
		Ref †	**30 Jun 2023 $m**	31 Dec 2022 $m
	Common equity tier 1 ('CET1') capital: instruments and reserves			
1	Capital instruments and the related share premium accounts		**23,405**	23,406
	– ordinary shares	a	**23,405**	23,406
2	Retained earnings	b	**137,536**	127,155
3	Accumulated other comprehensive income (and other reserves)[1]	c	**(11,131)**	(5,546)
5	Minority interests (amount allowed in consolidated CET1)	d	**4,127**	4,444
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	b	**10,078**	8,633
6	**Common equity tier 1 capital before regulatory adjustments[1]**		**164,015**	158,092
	Common equity tier 1 capital: regulatory adjustments			
7	Additional value adjustments (negative amount)[2]		**(1,076)**	(1,171)
8	Intangible assets (net of related deferred tax liability) (negative amount)	e	**(12,875)**	(12,141)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	f	**(3,947)**	(4,233)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	g	**4,686**	3,601
12	Negative amounts resulting from the calculation of expected loss amounts	h	**(1,813)**	(1,248)
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	i	**369**	(280)
15	Defined-benefit pension fund assets (negative amount)	j	**(5,790)**	(5,448)
16	Direct and indirect holdings of own CET1 instruments[3] (negative amount)		**(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)[1,4]		**(16,043)**	(16,372)
22	Amount exceeding the 17.65% threshold (negative amount)[1,4]		**(265)**	(1,137)
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[1,4]*		***(198)***	*(581)*
25	*– of which: deferred tax assets arising from temporary differences*	k	***(67)***	*(556)*
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	**(803)**	(332)
28	**Total regulatory adjustments to common equity tier 1[1]**		**(37,597)**	(38,801)
29	**Common equity tier 1 ('CET1') capital**		**126,418**	119,291
	Additional tier 1 ('AT1') capital: instruments			
30	Capital instruments and the related share premium accounts		**19,392**	19,746
31	– classified as equity under IFRSs	m	**19,392**	19,746
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		**—**	—
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	**50**	90
35	*– of which: instruments issued by subsidiaries subject to phase out*		**—**	—
	instruments issued by subsidiaries grandfathered under CRR II			
36	**Additional tier 1 capital before regulatory adjustments**		**19,442**	19,836
	Additional tier 1 capital: regulatory adjustments			
37	Direct and indirect holdings of own AT1 instruments[3] (negative amount)		**(60)**	(60)
43	**Total regulatory adjustments to additional tier 1 capital**		**(60)**	(60)
44	**Additional tier 1 capital**		**19,382**	19,776
45	**Tier 1 capital (T1 = CET1 + AT1)**		**145,800**	139,067
	Tier 2 capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	o	**20,374**	18,287
	– 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	p	**4,087**	4,055
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	**1,207**	2,437
49	*– of row 48: instruments issued by subsidiaries subject to phase out*		**—**	—
	– of row 48: instruments issued by subsidiaries grandfathered under CRR II	r	***43***	*1,210*
51	**Tier 2 capital before regulatory adjustments**		**25,668**	24,779
	Tier 2 capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)[3]		**(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) (negative amount)	s	**(1,407)**	(1,383)
57	**Total regulatory adjustments to tier 2 capital**		**(1,447)**	(1,423)
58	**Tier 2 capital**		**24,221**	23,356
59	**Total capital (TC = T1 + T2)**		**170,021**	162,423

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

			At	
			30 Jun 2023	31 Dec 2022
		Ref †	**$m**	$m
60	**Total risk exposure amount**		**859,545**	839,720
	Capital ratios and buffers (%)			
61	Common equity tier 1 (as a percentage of total risk exposure amount)		**14.7**	14.2
62	Tier 1 (as a percentage of total risk exposure amount)		**17.0**	16.6
63	Total capital (as a percentage of total risk exposure amount)		**19.8**	19.3
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)		**10.9**	10.9
65	– capital conservation buffer requirement		**2.5**	2.5
66	– countercyclical buffer requirement		**0.5**	0.4
67a	– Global systemically important institution ('G-SII') buffer		**2.0**	2.0
68	Common equity tier 1 available to meet buffers (as a percentage of risk-exposure amount)		**8.7**	8.2
	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)		**3,120**	2,532
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)		**14,147**	13,134
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)		**4,818**	4,711
	Applicable caps on the inclusion of provisions in tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		**2,138**	1,962
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		**3,276**	3,204
	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		**—**	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		**—**	
84	Current cap on T2 instruments subject to phase out arrangements		**—**	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		**—**	

† *The references (a)–(s) 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 *On adoption of IFRS 17 'Insurance Contracts', comparative data previously published under IFRS 4 'Insurance Contracts' have been restated from the 1 January 2022 transition date, with no impact on CET1 and total capital.*
2 *Additional value adjustments are calculated on assets measured at fair value.*
3 *The minimum deductions for holdings of own CET1, AT1 and T2 instruments are set by the PRA.*
4 *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, connected funding of a capital nature, and other balance sheet lines.*

At 30 June 2023, our CET1 capital ratio increased to 14.7% from 14.2% at 31 December 2022, reflecting an increase in CET1 capital of $7.1bn, partly offset by an increase in RWAs of $19.8bn. The key drivers of the overall rise in our CET1 ratio during the period were:

- a 0.7 percentage point increase from the $7.0bn capital generation through profits less dividends, adjusted for the $2.0bn share buy-back announced with our 1Q23 results and completed in July 2023;
- a 0.3 percentage point increase from the reversal of the impairment relating to the planned sale of our retail banking operations in France, and the provisional gain on the acquisition of SVB UK;
- a 0.1 percentage point increase driven by regulatory change that reduced the risk weighting of residential mortgages in Hong Kong; and
- a 0.6 percentage point fall in the CET1 ratio, driven mainly by an increase in the underlying RWAs and deductions for investment in financial sector entities, intangible assets and excess expected loss.

At 30 June 2023, our Pillar 2A requirement, set by 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 required to be met by CET1 capital. Throughout the first half of 2023, 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 ('RMM') of the Group Executive Committee ('GEC') and the Group Risk Committee ('GRC').

Our approach to risk appetite is described on page 132 of the Annual Report and Accounts 2022.

Table 4 below provides a detailed breakdown of the components of our leverage exposure, including the split of the on and off-balance sheet exposures, leverage ratios, minimum requirements and buffers on an IFRS 9 transitional basis. The components of the leverage ratio on an average basis are also included as per the UK's leverage ratio framework.

Table 4: Leverage ratio common disclosure (UK LR2-LRCom)

		At	
		30 Jun 2023	31 Dec 2022
		$m	$m
	On-balance sheet exposures (excluding derivatives and securities financing transactions ('SFTs'))		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)[1]	**2,339,059**	2,258,450
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	**11,309**	10,918
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**(61,799)**	(60,793)
6	(Asset amounts deducted in determining tier 1 capital)(leverage)[1]	**(41,557)**	(40,880)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**2,247,012**	2,167,695
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**59,123**	57,876
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**115,220**	113,147
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	**(49,090)**	(43,106)
11	Adjusted effective notional amount of written credit derivatives	**77,162**	91,927
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**(72,252)**	(86,771)
13	**Total derivative exposures**	**130,163**	133,073
	SFT exposures		
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**460,445**	434,410
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**(163,820)**	(139,502)
16	Counterparty credit risk exposure for SFT assets	**12,219**	12,021
18	**Total securities financing transaction exposures**	**308,844**	306,929
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	**930,554**	912,473
20	(Adjustments for conversion to credit equivalent amounts)	**(699,497)**	(686,870)
22	**Total off-balance sheet exposures**	**231,057**	225,603
	Capital and total exposures measure		
23	**Tier 1 capital (leverage)**	**145,800**	139,067
24	Total exposure measure including claims on central banks	**2,917,076**	2,833,300
UK-24a	(-) Claims on central banks excluded	**(419,170)**	(416,099)
UK-24b	**Total exposure measure excluding claims on central banks**	**2,497,906**	2,417,201
	Leverage ratios		
25	**Leverage ratio excluding claims on central banks (%)**	**5.84**	5.75
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.84**	5.74
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 (%)	**5.84**	5.75
UK-25c	Leverage ratio including claims on central banks (%)	**5.00**	4.91
26	Regulatory minimum leverage ratio requirement (%)	**3.25**	3.25
	Additional leverage ratio disclosure requirements – leverage ratio buffers		
27	Leverage ratio buffer (%)	**0.90**	0.80
UK-27a	– *of which:* *G-SII or O-SII additional leverage ratio buffer (%)*	***0.70***	*0.70*
UK-27b	– *of which:* *countercyclical leverage ratio buffer (%)*	***0.20***	*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	**292,845**	287,021
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	**296,625**	294,908
UK-31	Average total exposure measure including claims on central banks	**2,920,178**	2,840,599
UK-32	Average total exposure measure excluding claims on central banks	**2,506,463**	2,416,643
UK-33	Average leverage ratio including claims on central banks (%)	**4.96**	4.76
UK-34	Average leverage ratio excluding claims on central banks (%)	**5.78**	5.59

1 *On adoption of IFRS 17 'Insurance Contracts', comparative data previously published under IFRS 4 'Insurance Contracts' have been restated from the 1 January 2022 transition date, with no impact on leverage exposure and ratio.*

The below tables provide a reconciliation of the total assets in our published balance sheet under IFRSs and the total leverage exposure (Table 5) and a breakdown of on-balance sheet exposures excluding derivatives, SFTs and exempted exposures, by asset class (Table 6).

Table 5: Summary reconciliation of accounting assets and leverage ratio exposures (UK LR1- LRSum)

		At	
		30 Jun 2023	31 Dec 2022
		$m	$m
1	Total assets as per published financial statements[1]	**3,041,476**	2,949,286
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation[1]	**(99,809)**	(95,341)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	**(1,321)**	(828)
4	(Adjustment for exemption of exposures to central banks)	**(419,170)**	(416,099)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(30,833)**	(12,283)
7	Adjustment for eligible cash pooling transactions	**(5,797)**	(5,818)
8	Adjustment for derivative financial instruments	**(193,605)**	(201,765)
9	Adjustment for securities financing transactions ('SFTs')	**18,808**	20,266
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**231,057**	225,603
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))[1]	**(41,557)**	(40,880)
12	Other adjustments	**(1,343)**	(4,940)
13	**Total exposure measure**	**2,497,906**	2,417,201

1 *On adoption of IFRS 17 'Insurance Contracts', comparative data previously published under IFRS 4 'Insurance Contracts' have been restated from the 1 January 2022 transition date, with no impact on leverage exposure and ratio.*

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

		At	
		30 Jun 2023	31 Dec 2022
		$m	$m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:[1]	**1,858,090**	1,781,558
UK-2	Trading book exposures	**221,975**	183,806
UK-3	Banking book exposures, of which:[1]	**1,636,115**	1,597,752
UK-4	Covered bonds	**1,356**	1,961
UK-5	Exposures treated as sovereigns	**343,693**	320,864
UK-6	Exposures to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereigns	**3,516**	8,529
UK-7	Institutions	**72,092**	71,593
UK-8	Secured by mortgages of immovable properties	**401,793**	387,404
UK-9	Retail exposures	**70,740**	76,349
UK-10	Corporates	**533,597**	522,553
UK-11	Exposures in default	**14,366**	15,046
UK-12	Other exposures (e.g. equity, securitisations and other non-credit obligation assets)[1]	**194,962**	193,453

1 *On adoption of IFRS 17 'Insurance Contracts', comparative data previously published under IFRS 4 'Insurance Contracts' have been restated from the 1 January 2022 transition date, with no impact on leverage exposure and ratio.*

Our leverage ratio was 5.8% at 30 June 2023, unchanged from 31 December 2022. The increase in tier 1 capital was offset by a rise in the leverage exposure, primarily due to growth in the balance sheet.

At 30 June 2023, our UK minimum leverage ratio requirement of 3.25% was supplemented by a leverage ratio buffer of 0.9%, which consisted of an additional leverage ratio buffer of 0.7% and a countercyclical leverage ratio buffer of 0.2%.

These buffers translated to capital values of $17.5bn and $5.0bn respectively. We exceeded these leverage requirements.

The average leverage ratio was 5.8% at 30 June 2023, up from 5.6% at 31 December 2022, primarily due to an increase of 0.4 percentage points in average tier 1 capital. This was partly offset by a rise of 0.2 percentage points in the average leverage exposure, which was primarily due to growth in the average balance sheet.

Capital buffers

Our geographical breakdown and institution-specific countercyclical capital buffer ('CCyB') disclosure is provided on page 72 of this document. The G-SIB Indicators Disclosure is published annually on our website, www.hsbc.com/investors.

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. Details of the IMM permission we have received from the PRA can be found in the Financial Services Register on the PRA website.
Counterparty credit risk	CCR covers the risk of counterparty default and potential mark-to-market losses in derivatives and SFTs. The potential for mark-to-market losses is known as credit valuation adjustment ('CVA') risk. The exposure value, for a given netting set, is determined either by the credit risk mitigation ('CRM') approach, Standardised Approach For Counterparty Risk ('SA-CCR'), or by internal modelling ('IMM'). For CVA, permissible approaches are the Standardised Approach ('SA') and Advanced Approach.	We primarily use the SA 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. For CVA, we apply an advanced or standardised approach depending on our permission.
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 standardised 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 permitted under IMA 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 standardised 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.
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 below shows the total RWAs and the corresponding total own funds requirement split by risk type.

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

		At		
		30 Jun 2023	31 Mar 2023	**30 Jun 2023**
		RWAs	RWAs	**Total own funds requirement[1]**
		$m	$m	**$m**
1	**Credit risk (excluding counterparty credit risk)[2]**	**683,407**	683,278	**54,673**
2	– standardised approach	**166,416**	161,396	**13,313**
3	– foundation IRB approach	**78,883**	80,427	**6,311**
4	– slotting approach	**26,835**	26,968	**2,147**
UK 4a	– equities under the simple risk weighted approach[3]	**5,177**	4,030	**414**
5	– advanced IRB approach	**406,096**	410,457	**32,488**
6	**Counterparty credit risk**	**38,488**	35,924	**3,079**
7	– standardised approach	**11,121**	9,819	**890**
8	– internal model method ('IMM')	**12,029**	11,080	**962**
UK-8a	– exposures to a central counterparty	**2,769**	2,871	**222**
UK-8b	– credit valuation adjustment	**3,881**	3,689	**310**
9	– Other CCR[4]	**8,688**	8,465	**695**
15	**Settlement risk**	**160**	260	**13**
16	**Securitisation exposures in the non-trading book**	**7,154**	7,141	**572**
17	– internal ratings-based approach ('SEC-IRBA')	**1,574**	1,595	**126**
18	– external ratings-based approach ('SEC-ERBA') including internal assessment approach ('IAA')	**2,466**	2,443	**197**
19	– standardised approach ('SEC-SA')	**2,963**	2,763	**237**
UK-19a	– 1250%/deduction	**151**	340	**12**
20	**Position, foreign exchange and commodities risks (market risk)**	**42,973**	40,901	**3,438**
21	– standardised approach	**16,977**	17,493	**1,358**
22	– internal models approach	**25,996**	23,408	**2,080**
23	**Operational risk**	**87,363**	86,930	**6,989**
UK-23b	– standardised approach	**87,363**	86,930	**6,989**
29	**Total**	**859,545**	854,434	**68,764**
24	*– of which: Amounts below the thresholds for deduction (subject to 250% risk weight)[5]*	***47,299***	*47,214*	***3,784***

1 'Total own funds requirement' in this table represents the minimum capital charge set at 8% of RWAs by Article 92(1) of CRR.
2 Credit risk includes RWAs on free deliveries of $2.2bn; AIRB $1.5bn, FIRB $0.4bn and STD $0.3bn.
3 This includes off balance sheet collective investment undertakings ('CIU') equity exposures, calculated as per CRR Article 132(c).
4 Other counterparty credit risk includes RWAs on securities financing transactions.
5 These balances are included in rows 2 and 5 of the table and include thresholds for the recognition of significant investments and deferred tax assets.

Credit risk, including amounts below the thresholds for deduction

Credit risk RWAs rose by $0.1bn during the second quarter of the year. Excluding an increase of $0.6bn from foreign currency translation differences, RWAs declined by $0.5bn.

A $4.6bn decrease in RWAs was due to methodology and policy changes, primarily from risk parameter refinements. This was mainly in Global Banking in Asia and HSBC Bank plc, and Commercial Banking, notably in HSBC UK.

A $0.7bn fall in RWAs from model updates was mainly due to the implementation of a new retail mortgage model, notably in HSBC UK.

The $3.4bn rise in RWAs was due to asset size movements predominantly reflecting higher sovereign exposures in Argentina, HSBC Bank plc and North America, and growth in retail lending and mortgages, notably in HSBC UK, Asia and Mexico. These movements were partly offset by a decline in corporate exposures, mainly in HSBC Bank plc and Asia.

A $1.4bn increase in RWAs due to asset quality movements was driven by credit migration, and an unfavourable movement due to sovereign downgrade in Argentina, which were partly offset by portfolio mix changes.

Counterparty credit risk, including settlement risk

Counterparty credit risk RWAs rose by $2.5bn primarily due to mark-to-market movements and higher exposures, mainly in Asia and HSBC Bank plc.

Securitisation

Securitisation RWAs broadly remained unchanged during the second quarter of the year.

Market risk

The $2.1bn increase in market risk RWAs was mainly attributed to heightened market volatility impacting value at risk averages. This was partly offset by lower structural foreign exchange exposures and changes in capitalisation methodology of white metals in HSBC Bank plc.

Operational risk

Operational risk RWAs increased by $0.4bn, primarily due to foreign exchange translation differences.

Table 8 below presents the drivers of the quarterly movements of credit risk RWAs (excluding counterparty credit risk) under the IRB approach. The table excludes securitisation positions, equity exposures and non-credit obligation assets, and includes free deliveries.

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

		Quarter ended			
		30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
		$m	$m	$m	$m
1	**RWAs at the opening period**	**503,959**	506,898	505,157	511,846
2	Asset size	**(2,155)**	4,019	(10,354)	6,178
3	Asset quality	**1,077**	(1,563)	1,505	(127)
4	Model updates	**(660)**	252	(1,688)	(1,274)
5	Methodology and policy	**(4,711)**	(7,152)	(1,733)	9,047
6	Acquisitions and disposals	**—**	—	—	(232)
7	Foreign exchange movements[1]	**307**	1,505	14,011	(20,281)
9	**RWAs at the closing period**	**497,817**	503,959	506,898	505,157

1 *Foreign exchange movements in this disclosure are computed by retranslating the RWAs into US dollars based on the underlying transactional currencies. 31 December 2022 and earlier prior period balances are not restated.*

Excluding foreign currency translation differences, RWAs under the IRB approach fell by $6.4bn during the second quarter of the year.

Changes in methodology and policy led to a $4.7bn RWA decrease, primarily from risk parameter refinements. This was mainly in Global Banking in Asia and HSBC Bank plc, and Commercial Banking, notably in HSBC UK.

The $2.2bn RWA reduction in asset size movements was mainly due to a decline in corporate lending, notably in Asia and HSBC Bank plc. This was partly offset by higher sovereign exposures in Argentina, HSBC Bank plc and North America, and growth in retail lending and mortgages in HSBC UK and Asia.

The implementation of a new retail mortgage model decreased RWAs due to model updates by $0.7bn most notably in HSBC UK.

The $1.1bn increase in RWAs from asset quality movements, was due to credit migration, and an unfavourable movement due to sovereign downgrades, which were partly offset by portfolio mix changes.

Table 9 below represents the drivers of the quarterly movements of counterparty credit risk RWAs under the internal model method approach.

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

		Quarter ended			
		30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
		$m	$m	$m	$m
1	**RWAs at the opening period**	**11,080**	11,758	14,778	13,958
2	Asset size	**915**	(614)	(3,004)	992
3	Credit quality of counterparties	**34**	(64)	7	(15)
4	Model updates (IMM only)	**—**	—	—	—
5	Methodology and policy (IMM only)	**—**	—	(23)	(157)
9	**RWAs at the closing period**	**12,029**	11,080	11,758	14,778

Internal model method RWAs rose by $0.9bn in 2Q23, predominantly due to mark-to-market movements and higher exposures, mainly in Asia and HSBC Bank plc.

Table 10 below represents the drivers of the quarterly movements of market risk RWAs under the IRB approach.

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 2023**	**7,994**	**8,337**	**5,476**	**1,601**	**23,408**	**1,873**
2	Movement in risk levels	**1,378**	**1,308**	**201**	**(291)**	**2,596**	**208**
3	Model updates/changes	**—**	**—**	**—**	**(89)**	**(89)**	**(7)**
4	Methodology and policy	**(50)**	**(31)**	**162**	**—**	**81**	**6**
8	**RWAs at 30 Jun 2023**	**9,322**	**9,614**	**5,839**	**1,221**	**25,996**	**2,080**
1	RWAs at 1 Jan 2023	7,630	11,091	3,429	1,775	23,925	1,914
2	Movement in risk levels	364	(2,754)	2,047	(174)	(517)	(41)
4	Methodology and policy	—	—	—	—	—	—
8	RWAs at 31 Mar 2023	7,994	8,337	5,476	1,601	23,408	1,873
1	RWAs at 1 Oct 2022	7,575	10,922	3,634	1,423	23,554	1,884
2	Movement in risk levels	55	169	182	352	758	61
4	Methodology and policy	—	—	(387)	—	(387)	(31)
8	RWAs at 31 Dec 2022	7,630	11,091	3,429	1,775	23,925	1,914
1	RWAs at 1 Jul 2022	5,808	6,188	3,598	1,562	17,156	1,373
2	Movement in risk levels	1,934	5,197	51	(128)	7,054	563
4	Methodology and policy	(167)	(463)	(15)	(11)	(656)	(52)
8	RWAs at 30 Sep 2022	7,575	10,922	3,634	1,423	23,554	1,884

RWAs under internal models approach increased by $2.6bn in 2Q23, mainly attributed to heightened market volatility impacting value at risk averages.

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

All material interest rate risks must be identified, measured, monitored and managed and controlled by metrics within limits, for each local 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 shocks. A stressed VaR is used for the portfolio of liquid securities, held by Markets Treasury, that are accounted for at fair value through other comprehensive income.

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. Calculations exclude pension, insurance and investments in subsidiaries.

Stress testing is used to assess how the bank copes with severe economic stress scenarios, in particular looking at the bank's resilience to make sure that 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 individual entity level which helps us to identify key economic risks that the Group is exposed to, and how they impact 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 thus to help determine our capital requirements under the internal capital adequacy process ('ICAAP').

Economic value of equity and net interest income sensitivity

EVE sensitivities represent the expected movement in EVE due to pre-specified interest rate shocks, where all other economic variables are held constant, representing the present value of the future banking book cash flows that could be distributed to equity providers under a managed run-off scenario. 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 interest rates. The Group and operating entities monitor EVE sensitivities as a percentage of their capital resources, and this is calculated on a quarterly basis.

NII sensitivities apply varying interest rate shocks (i.e. simulation modelling) under a static balance sheet while all the other economic variables are held constant. This metric reflects the bank's sensitivity of NII due to changes in market interest rates, and is assessed over both 1 year and 5 years horizon.

Active management of IRRBB

Interest rate risk that can be economically hedged is transferred to the Markets Treasury function. Hedging is generally executed through interest rate derivatives or fixed-rate bonds. Any interest rate risk that the Markets Treasury function cannot economically hedge is not transferred and will remain within the global businesses from where the risks originate.

Markets Treasury safeguards the entities by ensuring that the risk remains within the appetite, and seeks to generate sustainable returns through management of those risks within the risk appetite set by the Treasury Risk function (second line of defence). 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. The Treasury Risk function measures and monitors (against limits) the Markets Treasury activities, using metrics including present value of one basis point, credit spread of one basis point and VaR on a daily basis.

A large portion of the Markets Treasury activities is on a banking book basis. The only Markets Treasury activity treated as trading is the use of FX swaps to manage cash. Markets Treasury operates in all of the banking entities within the Group and manages the risks at an entity level. All returns generated by Markets Treasury are transferred to the global businesses.

Interest rate shocks and stress scenarios applied

The NII sensitivities are indicative and based on the shocks prescribed by the PRA instructions (Rule 9.7 of the PRA Rulebook: CRR Firms: Internal Capital Adequacy Assessment and in accordance with Article 448(1) of the Disclosure (CRR) part of the PRA Rulebook).

The NII sensitivity calculations are done under the following shocks:

- parallel up;
- parallel down;
- parallel up and parallel down shocks on an immediate shock of +/-200 basis points ('bps') for US dollars, euros, Hong Kong dollars and +/-250 bps for pound sterling to the current market-implied path of interest rates across all four currencies (effects over one year); and
- other currency shocks as per the regulatory guidelines (effects over one year).

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

- parallel up;
- parallel down;
- steepener;
- flattener;
- short rates shock up; and
- short rates shock down.

Key modelling assumptions

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 rates back to the reporting date. All equity instruments that have no coupon or call dates are excluded. As prescribed by the regulator, the interest rate floors start at -1.0% for overnight yield curve tenors and increase by 5bps per year to 0.0% at 20 year tenors. 100% of the negative values are netted with 50% of the positive values by currency, as per the regulatory guidelines.

For NII sensitivities, we assume a constant balance sheet, and we include commercial margins. All forecasted market rates are based on implied forward rates from the reporting date. Interest rate floors start at -1.0% for overnight yield curve tenors and increase by 5bps per year to 0.0% at 20 year tenors. We apply beta assumptions to the managed rate products, reflecting the degree to which we expect changes to market and policy rates to be passed on to customers. Customer pricing includes flooring, where there is a contractual obligation and customer optionality including prepayment and early redemption risk is included where present. The impact of flooring is limited in the current high rate environment.

Non-maturing deposits ('NMD') are deposits that have no explicit maturity and no explicit repricing date, thus behaviouralisation assumptions are applied.

The Pillar 3 disclosure has different assumptions to the Group IRRBB's internal model assumptions as well as individual entities. Those include, but are not limited to treatment of NMDs, shocks and flooring.

Quantitative information on IRRBB

The most adverse NII sensitivity scenario over the next 12 months is the parallel down shock, resulting in a decrease in projected NII of $5,824m as at 30 June 2023, as compared to $8,497m as at 31 December 2022.

At 30 June 2023, the maximum decline in EVE was in the parallel up shock at $8,784m. This translates to 6.02% of tier 1 capital.

As of 31 December 2022 the maximum decline in EVE was in the parallel up shock at $4,891m. This translated to 3.52% of tier 1 capital.

The changes in the sensitivities have been driven by factors including balance sheet evolution, structural interest rate hedging and model improvements.

The average repricing maturity for NMDs, as of 30 June 2023, was five months. The longest repricing maturity for NMDs, as of 30 June 2023, was 116 months or 9.7 years (excluding a legacy portfolio that is expected to be disposed of by the end of 2023). Besides this portfolio, the longest repricing maturity does not exceed 10 years across the Group.

Further details on our IRRBB and the net interest income sensitivity may be found on page 101 of the Interim Report 2023.

Table 11 discloses our changes in interest rate risk in the banking book for economic value of equity and net interest income, calculated under the supervisory shock scenarios defined in the PRA Rulebook.

Table 11: Quantitative information on IRRBB (UK IRRBB1)

		ΔEVE		ΔNII		Tier 1 capital	
		30 Jun 2023	31 Dec 2022	**30 Jun 2023**	31 Dec 2022	**30 Jun 2023**	31 Dec 2022
		$m	$m	**$m**	$m	**$m**	$m
10	Parallel shock up	**(8,784)**	(4,891)	**4,416**	7,094		
20	Parallel shock down	**3,991**	1,937	**(5,824)**	(8,497)		
30	Steepener shock	**(632)**	(325)				
40	Flattener shock	**(1,983)**	(1,441)				
50	Short rates shock up	**(4,758)**	(3,630)				
60	Short rates shock down	**2,202**	1,058				
70	Maximum	**(8,784)**	(4,891)	**(5,824)**	(8,497)		
80	Tier 1 capital					**145,800**	139,067

Minimum requirement for own funds and eligible liabilities

Overview and requirements

A minimum requirement for total loss absorbing capacity ('TLAC') in line with the final standards adopted by the Financial Stability Board came into effect in the UK in January 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 coordination with HSBC's other regulators and members of HSBC's Global Crisis Management Group. This strategy provides flexibility for HSBC to be resolved:

- 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
- 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 could be achieved through the write-down, or conversion to equity, of internally issued TLAC/MREL as required. This approach to recapitalising the Group's 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.

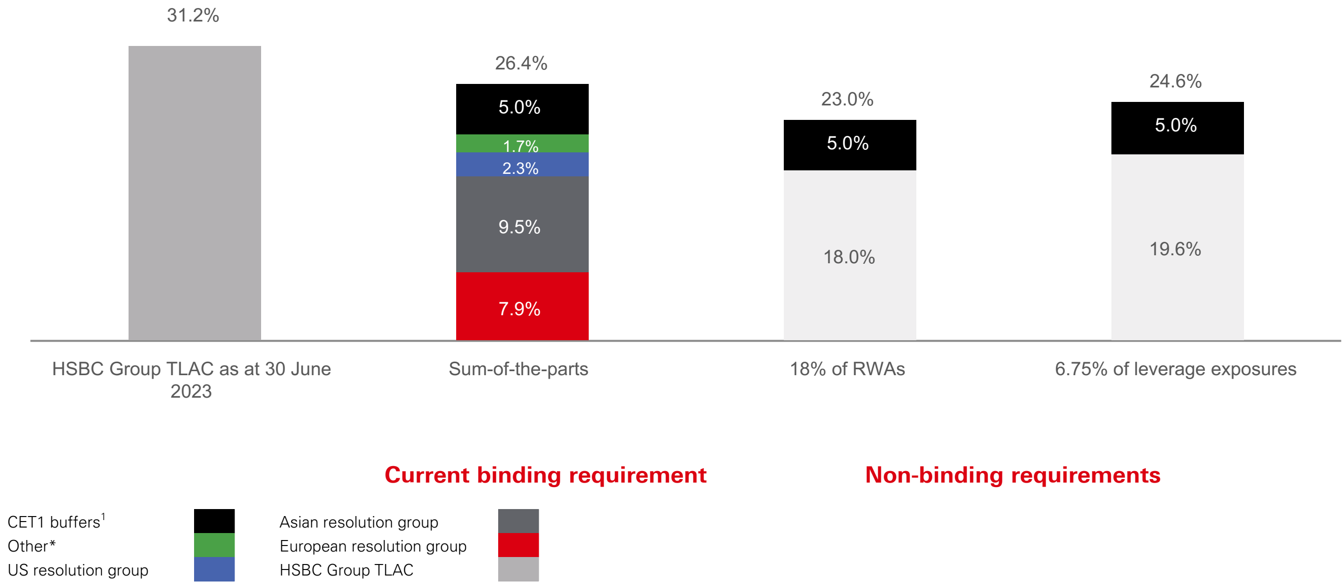
Given the Group's corporate structure, HSBC is overseen by various regulators and resolution authorities. Host resolution authorities outside the UK could also use their statutory resolution powers in respect of the resolution groups for which they are responsible. This may occur, for example, in the 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.

Resolution structure

Resolution group	Resolution entity	Material entity/sub-group with MREL requirements
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

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 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 26.4% of RWAs as at 30 June 2023 for which we have a buffer of $41bn.

The external MREL requirement applicable in 2023 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, 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.

HSBC Holdings is the provider of own funds, MREL-eligible debt and other types of funding to its subsidiaries. These investments are funded by HSBC Holdings' own equity capital and MREL-eligible debt.

Further details of our approach to capital management can be found in 'Treasury risk management' on page 93 of the Interim Report *2023.*

Key metrics of the resolution groups

The following tables summarise key metrics for the total loss absorbing capacity for each of the Group's three resolution groups. Fully loaded values and ratios are calculated without applying any regulatory transitional arrangements for ECL that may be available to the resolution group.

Table 12.i: Key metrics of the European resolution group[1] (KM2)

		At				
		30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
1	Total loss absorbing capacity ('TLAC') available ($mn)	**103.3**	101.0	93.9	82.3	87.9
1a	Fully loaded ECL accounting model TLAC available ($mn)	**103.3**	101.0	93.8	82.3	87.8
2	Total RWA at the level of the resolution group ($mn)	**271.3**	273.7	258.3	258.7	309.1
3	TLAC as a percentage of RWA (row1/row2) (%)	**38.1**	36.9	36.3	31.8	28.4
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	**38.1**	36.9	36.3	31.8	28.4
4	Leverage exposure measure at the level of the resolution group ($mn)[2]	**927.0**	906.1	845.2	838.8	909.2
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)[2]	**11.1**	11.1	11.1	9.8	9.7
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)[2]	**11.1**	11.1	11.1	9.8	9.7
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

Table 12.ii: Key metrics of the Asian resolution group[3] (KM2)

		At				
		30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
1	Total loss absorbing capacity ('TLAC') available ($bn)	**110.3**	115.2	108.0	102.3	103.0
1a	Fully loaded ECL accounting model TLAC available ($bn)	**110.3**	115.2	108.0	102.3	103.0
2	Total RWA at the level of the resolution group ($bn)	**404.1**	404.3	413.3	405.9	414.5
3	TLAC as a percentage of RWA (row1/row2) (%)	**27.3**	28.5	26.1	25.2	24.9
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	**27.3**	28.5	26.1	25.2	24.9
4	Leverage exposure measure at the level of the resolution group ($bn)	**1,211.6**	1,206.3	1,192.3	1,179.6	1,200.0
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	**9.1**	9.6	9.1	8.7	8.6
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model Leverage exposure measure (%)	**9.1**	9.6	9.1	8.7	8.6
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

Table 12.iii: Key metrics of the US resolution group (KM2)

		At				
		30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
1	Total loss absorbing capacity ('TLAC') available ($bn)	**24.0**	24.0	23.8	25.5	26.4
1a	Fully loaded ECL accounting model TLAC available ($bn)	**24.0**	24.0	23.8	25.5	26.4
2	Total RWA at the level of the resolution group ($bn)[4]	**107.2**	108.2	108.5	112.8	110.4
3	TLAC as a percentage of RWA (row1/row2) (%)[4]	**22.4**	22.1	21.9	22.6	23.9
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	**22.4**	22.1	21.9	22.6	23.9
4	Leverage exposure measure at the level of the resolution group ($bn)[5]	**217.5**	215.0	215.6	220.8	221.0
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)[5]	**11.0**	11.1	11.0	11.6	11.9
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model Leverage exposure measure (%)[5]	**11.0**	11.1	11.0	11.6	11.9
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 (%)	**No**	No	No	No	N/A

1 *The European resolution group reports in accordance with CRR. We have adopted IFRS 9 regulatory transitional arrangements and the add-back at 30 June 2023 was immaterial. On adoption of IFRS 17 'Insurance Contracts', comparative data previously published under IFRS 4 'Insurance Contracts' have been restated except for 30 June 2022. From 30 September 2022, investments in non-financial institution subsidiaries or participations have been measured on an equity accounting basis as per the prudential consolidation of article 18(7) of the CRR. Comparative data for 30 June 2022 was not restated for this change.*
2 *The leverage exposure is calculated in line with the PRA's UK leverage rules, and excludes central bank claims.*
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 resolution group is reported under the US's transitional arrangements for expected credit losses.*
5 *For the US resolution group, the leverage exposure and ratio for the current period are based on 'total assets for the leverage ratio' as reported in the regulatory capital calculations.*

Given the MPE resolution strategy, and the fact that the BoE framework includes requirements set on the basis of the HSBC Group consolidated position, the following table 13 presents data for both the consolidated Group and the resolution groups. 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 13: TLAC composition (TLAC1)

		At 30 Jun 2023				At 31 Dec 2022			
			Resolution group				Resolution group		
		Group[1]	European[1]	Asian[2]	US[3]	Group[1]	European[1]	Asian[2]	US[3]
		$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn
	Regulatory capital elements of TLAC and adjustments								
	Common equity tier 1 capital before adjustments	**126.4**	**119.2**	**63.7**	**13.7**	119.3	114.9	63.1	13.5
	Deduction of CET1 exposures between MPE resolution groups and other group entities	**—**	**(114.5)**	**—**	**—**	—	(111.6)	—	—
1	Common equity tier 1 capital ('CET1')	**126.4**	**4.7**	**63.7**	**13.7**	119.3	3.3	63.1	13.5
2	Additional tier 1 capital ('AT1') before TLAC adjustments	**19.4**	**19.3**	**6.9**	**1.8**	19.8	19.7	6.9	1.8
3	AT1 ineligible as TLAC as issued out of subsidiaries to third parties	**—**	**—**	**—**	**—**	—	—	—	—
4	Other adjustments	**—**	**(19.3)**	**—**	**—**	—	(19.7)	—	—
5	AT1 instruments eligible under the TLAC framework	**19.4**	**—**	**6.9**	**1.8**	19.8	—	6.9	1.8
6	Tier 2 capital ('T2') before TLAC adjustments	**24.2**	**24.4**	**8.4**	**2.4**	23.4	23.9	7.9	2.3
7	Amortised portion of T2 instruments where remaining maturity >1 year	**2.4**	**2.4**	**—**	**—**	3.3	3.3	—	—
8	T2 capital ineligible as TLAC as issued out of subsidiaries to third parties	**(1.1)**	**(0.7)**	**—**	**—**	(2.2)	(2.2)	—	—
9	Other adjustments	**(0.2)**	**(24.7)**	**—**	**(2.4)**	—	(23.9)	—	(2.3)
10	T2 instruments eligible under the TLAC framework	**25.3**	**1.4**	**8.4**	**—**	24.5	1.1	7.9	—
11	TLAC arising from regulatory capital	**171.1**	**6.1**	**79.0**	**15.5**	163.6	4.4	77.9	15.3
	Non-regulatory capital elements of TLAC								
12	External TLAC instruments issued directly by the bank and subordinated to excluded liabilities	**97.2**	**97.2**	**31.3**	**8.5**	89.5	89.5	30.1	8.5
17	TLAC arising from non-regulatory capital instruments before adjustments	**97.2**	**97.2**	**31.3**	**8.5**	89.5	89.5	30.1	8.5
	Non-regulatory capital elements of TLAC: adjustments								
18	TLAC before deductions	**268.3**	**103.3**	**110.3**	**24.0**	253.1	93.9	108.0	23.8
19	Deductions of exposures between MPE resolution groups that correspond to items eligible for TLAC	**—**	**—**	**—**	**—**	—	—	—	—
20	Deduction of investments in own other TLAC liabilities	**—**	**—**	**—**	**—**	—	—	—	—
22	TLAC after deductions	**268.3**	**103.3**	**110.3**	**24.0**	253.1	93.9	108.0	23.8
	Risk-weighted assets and leverage exposure measure for TLAC purposes								
23	Total risk-weighted assets	**859.5**	**271.3**	**404.1**	**107.2**	839.7	258.3	413.3	108.5
24	Leverage exposure measure[4,5]	**2,497.9**	**927.0**	**1,211.6**	**217.5**	2,417.2	845.2	1,192.3	215.6
	TLAC ratios and buffers (%)								
25	TLAC (as a percentage of risk-weighted assets)	**31.2**	**38.1**	**27.3**	**22.4**	30.1	36.3	26.1	21.9
26	TLAC (as a percentage of leverage exposure)	**10.7**	**11.1**	**9.1**	**11.0**	10.5	11.1	9.1	11.0
27	CET1 (as a percentage of risk-weighted assets) available after meeting the resolution group's minimum capital and TLAC requirements	**8.7**	**N/A**	**N/A**	**4.4**	8.2	N/A	N/A	3.9
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)	**5.0**	**N/A**	**N/A**	**2.5**	4.9	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*	***0.5***	***N/A***	***N/A***	***N/A***	*0.4*	*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 Group and the European resolution group both report in accordance with CRR. We have adopted IFRS 9 regulatory transitional arrangements and the add-back at 30 June 2023 was immaterial. On adoption of IFRS 17 'Insurance Contracts', comparative data previously published under IFRS 4 'Insurance Contracts' have been restated.

2 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.

3 The US accounting standard corresponding to IFRS 9 is in force with transitional adjustments.

4 For the US resolution group, leverage exposures and ratios for the current year are based on 'total assets for the leverage ratio' as reported in the regulatory capital calculations.

5 The leverage exposure is calculated in line with the UK leverage rules that were implemented on 1 January 2022, and excludes central bank claims.

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 2023. 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.

Table 14: HSBC Holdings plc creditor ranking (TLAC3)

		Creditor ranking ($m)				
		1	2	3	4	
		(most junior)			(most senior)	Sum of 1 to 4
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	10,073	20,185	29,820	108,815	168,893
3	– of row 2 that are excluded liabilities[2]	—	—	—	1,623	1,623
4	Total capital and liabilities less excluded liabilities (row 2 minus row 3)[3]	10,073	20,185	29,820	107,192	167,270
5	– of row 4 that are potentially eligible as TLAC[3]	10,073	19,285	27,820	103,018	160,196
6	– of row 5 with 1 year ≤ residual maturity < 2 years	—	—	1,639	12,351	13,990
7	– of row 5 with 2 years ≤ residual maturity < 5 years	—	—	4,920	42,010	46,930
8	– of row 5 with 5 years ≤ residual maturity < 10 years	—	—	6,388	37,602	43,990
9	– of row 5 with residual maturity ≥ 10 years, but excluding perpetual securities	—	—	14,873	11,055	25,928
10	– of row 5 that are perpetual securities	10,073	19,285	—	—	29,358

1 *Excludes the value of share premium and reserves attributable to ordinary shareholders.*
2 *Excluded liabilities are defined in CRR Article 72a (2). The current balance mainly relates to liabilities with a maturity of less than seven days and accruals for service company recharges.*
3 *The difference between rows 4 and 5 relates to TLAC eligible securities of $4.0bn which are maturing within one year, pari passu liabilities of $2.2bn and the ineligible internal subordinated notes issued to HSBC Capital Funding (Dollar 1) LP of $0.9bn.*

Table 15: HSBC UK Bank plc creditor ranking (TLAC2)

		Creditor ranking ($m)				
		1	2	3	4	
		(most junior)			(most senior)	Sum of 1 to 4
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	—	2,794	3,868	13,500	20,162
4	– of row 3 that are excluded liabilities	—	—	—	—	—
5	Total capital and liabilities less excluded liabilities (row 3 minus row 4)	—	2,794	3,868	13,500	20,162
6	– of row 5 that are eligible as TLAC	—	2,794	3,868	13,500	20,162
7	– of row 6 with 1 year ≤ residual maturity < 2 years	—	—	—	2,000	2,000
8	– of row 6 with 2 years ≤ residual maturity < 5 years	—	—	—	3,728	3,728
9	– of row 6 with 5 years ≤ residual maturity < 10 years	—	—	3,041	7,772	10,813
10	– of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	—	—	827	—	827
11	– of row 6 that are perpetual securities	—	2,794	—	—	2,794

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 16: HSBC Bank plc creditor ranking (TLAC2)

		Creditor ranking ($m)				
		1	2	3	4	
		(most junior)			(most senior)	Sum of 1 to 4
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	1,014	5,317	500	19,214	26,045
4	– of row 3 that are excluded liabilities	—	—	—	—	—
5	Total capital and liabilities less excluded liabilities (row 3 minus row 4)[3]	1,014	5,317	500	19,214	26,045
6	– of row 5 that are eligible as TLAC	1,014	5,317	—	17,302	23,633
7	– of row 6 with 1 year ≤ residual maturity < 2 years	—	—	—	1,639	1,639
8	– of row 6 with 2 years ≤ residual maturity < 5 years	—	—	—	2,582	2,582
9	– of row 6 with 5 years ≤ residual maturity < 10 years	—	—	—	12,988	12,988
10	– of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	93	93
11	– of row 6 that are perpetual securities	1,014	5,317	—	—	6,331

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 rows 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.

Table 17 below presents information regarding the ranking of creditors of HSBC Asia Holdings Limited, The Hongkong and Shanghai Banking Corporation Limited, and Hang Seng Bank Limited.

Table 17: HSBC Asia Holdings Ltd creditor ranking[1] (TLAC3)

		Creditor ranking ($m)				
		1	2	3	4	
		(most junior)			(most senior)	Sum of 1 to 4
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	3,267	32,911	100,465
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	3,267	32,911	100,465
5	– of row 4 that are potentially eligible as TLAC	57,587	6,700	3,267	32,911	100,465
6	– of row 5 with 1 year ≤ residual maturity < 2 years	—	—	—	4,625	4,625
7	– of row 5 with 2 years ≤ residual maturity < 5 years	—	—	—	9,325	9,325
8	– of row 5 with 5 years ≤ residual maturity < 10 years	—	—	3,267	11,546	14,813
9	– of row 5 with residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	7,415	7,415
10	– of row 5 that are perpetual securities	57,587	6,700	—	—	64,287

1 *The entity's capital and loss-absorbing capacity ('LAC') are held by HSBC Holdings plc.*
2 *Excludes the value of share premium and reserves attributable to ordinary shareholders.*

Table 18: The Hongkong and Shanghai Banking Corporation Ltd creditor ranking (TLAC2)

		Creditor ranking ($m)					
		1	2	3	4	5	
		(most junior)				(most senior)	Sum of 1 to 5
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	22,995	6,700	400	3,267	32,911	66,273
4	– of row 3 that are excluded liabilities	—	—	—	—	—	—
5	Total capital and liabilities less excluded liabilities (row 3 minus row 4)	22,995	6,700	400	3,267	32,911	66,273
6	– of row 5 that are eligible as TLAC	22,995	6,700	—	3,267	32,911	65,873
7	– of row 6 with 1 year ≤ residual maturity < 2 years	—	—	—	—	4,625	4,625
8	– of row 6 with 2 years ≤ residual maturity < 5 years	—	—	—	—	9,325	9,325
9	– of row 6 with 5 years ≤ residual maturity < 10 years	—	—	—	3,267	11,546	14,813
10	– of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	7,415	7,415
11	– of row 6 that are perpetual securities	22,995	6,700	—	—	—	29,695

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 19: Hang Seng Bank Ltd creditor ranking (TLAC2)

		Creditor ranking ($m)			
		1	2	3	
		(most junior)		(most senior)	Sum of 1 to 3
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	1,233	1,500	3,511	6,244
4	– of row 3 that are excluded liabilities	—	—	—	—
5	Total capital and liabilities less excluded liabilities (row 3 minus row 4)	1,233	1,500	3,511	6,244
6	– of row 5 that are eligible as TLAC	1,233	1,500	3,511	6,244
7	– of row 6 with 1 year ≤ residual maturity < 2 years	—	—	—	—
8	– of row 6 with 2 years ≤ residual maturity < 5 years	—	—	2,514	2,514
9	– of row 6 with 5 years ≤ residual maturity < 10 years	—	—	997	997
10	– of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—
11	– of row 6 that are perpetual securities	1,233	1,500	—	2,733

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 20 presents information regarding the ranking of creditors of HSBC North America Holdings Inc.

Table 20: HSBC North America Holdings Inc. creditor ranking[1] (TLAC3)

		Creditor ranking ($m)				
		1	2	3	4	
		(most junior)			(most senior)	Sum of 1 to 4
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	—	10371	12,211
3	– of row 2 that are excluded liabilities[3]	—	—	—	204	204
4	Total capital and liabilities less excluded liabilities (row 2 minus row 3)[4]	—	1,840	—	10167	12,007
5	– of row 4 that are potentially eligible as TLAC	—	1,840	—	8,500	10,340
6	– of row 5 with 1 year ≤ residual maturity < 2 years	—	—	—	—	—
7	– of row 5 with 2 years ≤ residual maturity < 5 years	—	—	—	6,500	6,500
8	– of row 5 with 5 years ≤ residual maturity < 10 years	—	—	—	2,000	2,000
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.*
4 *Row 4 includes liabilities related to intercompany borrowings with US resolution group subsidiaries that are not eligible as TLAC.*

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 or from holding assets in the form of debt securities. Credit risk represents our largest regulatory capital requirement.

There have been no material changes to our policies and practices, which are described in the *Pillar 3 Disclosures at 31 December 2022*.

Further details of our approach to credit risk may be found in 'Credit Risk' on page 64 of the Interim Report 2023.

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 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 page 66 of the Interim Report 2023.

Table 21 below 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 and guarantees received within each of the FINREP categories and definitions.

Table 21: 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	352.5	351.4	1.1	0.1	—	0.1	—	—	—	—	—	—	—	—	—
010	**Loans and advances[3]**	1,336.5	1,187.2	146.6	20.8	—	20.8	(4.6)	(1.2)	(3.4)	(7.6)	—	(7.6)	(1.4)	923.2	9.4
020	Central banks	36.0	35.8	0.2	—	—	—	—	—	—	—	—	—	—	11.3	—
030	General governments	8.8	8.6	0.2	0.3	—	0.3	—	—	—	—	—	—	—	1.8	0.2
040	Credit institutions	147.6	147.4	0.2	—	—	—	—	—	—	—	—	—	—	103.2	—
050	Other financial corporations	250.2	243.0	4.5	0.6	—	0.6	(0.1)	(0.1)	—	(0.2)	—	(0.2)	—	169.6	0.1
060	Non-financial corporations	439.2	356.1	83.1	16.2	—	16.2	(2.3)	(0.5)	(1.8)	(6.5)	—	(6.5)	(1.2)	234.1	6.9
070	– *of which: SMEs[4]*	26.4	20.6	5.8	2.8	—	2.8	(0.3)	(0.1)	(0.2)	(0.5)	—	(0.5)	(0.1)	20.0	1.2
080	Households	454.7	396.3	58.4	3.7	—	3.7	(2.2)	(0.6)	(1.6)	(0.9)	—	(0.9)	(0.2)	403.2	2.2
090	**Debt securities[3]**	399.5	395.9	2.0	—	—	—	(0.1)	—	(0.1)	—	—	—	—	30.1	—
100	Central banks	25.9	24.7	1.2	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	328.8	327.3	0.7	—	—	—	(0.1)	—	(0.1)	—	—	—	—	27.2	—
120	Credit institutions	27.7	27.6	0.1	—	—	—	—	—	—	—	—	—	—	2.7	—
130	Other financial corporations	14.0	13.6	—	—	—	—	—	—	—	—	—	—	—	0.1	—
140	Non-financial corporations	3.1	2.7	—	—	—	—	—	—	—	—	—	—	—	0.1	—
150	**Off-balance-sheet exposures**	992.4	634.7	41.2	2.9	—	2.1	(0.3)	(0.1)	(0.2)	(0.2)	—	(0.1)		128.1	0.7
160	Central banks	1.7	1.7	—	—	—	—	—	—	—	—	—	—		—	—
170	General governments	5.2	3.4	—	—	—	—	—	—	—	—	—	—		—	—
180	Credit institutions	62.2	55.2	0.2	—	—	—	—	—	—	—	—	—		0.3	—
190	Other financial corporations	99.3	74.5	5.3	—	—	—	—	—	—	—	—	—		11.3	—
200	Non-financial corporations	569.7	254.9	26.7	1.9	—	1.1	(0.3)	(0.1)	(0.2)	(0.2)	—	(0.1)		57.1	0.2
210	Households	254.3	245.0	9.0	1.0	—	1.0	—	—	—	—	—	—		59.4	0.5
220	**Total at 30 Jun 2023**	3,080.9	2,569.2	190.9	23.8	—	23.0	(5.0)	(1.3)	(3.7)	(7.8)	—	(7.7)	(1.4)	1,081.4	10.1

Table 21: Performing and non-performing exposures and related provisions (CR1) (continued)

		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					
			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	Accu-mulated partial write-off	On perfor-ming expo-sures	On non-perfo-rming expo-sures
		$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	374.4	372.9	1.5	0.1	—	0.1	—	—	—	—	—	—		—	—
010	Loans and advances[3]	1,275.5	1,129.1	143.2	20.4	—	20.4	(4.9)	(1.1)	(3.8)	(7.1)	—	(7.1)	(0.8)	887.6	9.3
020	Central banks	32.5	32.5	—	—	—	—	—	—	—	—	—	—	—	11.7	—
030	General governments	11.1	10.6	0.5	0.3	—	0.3	—	—	—	—	—	—	—	3.5	0.2
040	Credit institutions	131.8	131.4	0.3	—	—	—	(0.1)	—	(0.1)	—	—	—	—	89.4	—
050	Other financial corporations	237.7	230.0	4.8	0.5	—	0.5	(0.1)	—	(0.1)	(0.1)	—	(0.1)	—	172.3	0.1
060	Non-financial corporations	446.8	358.1	88.5	16.2	—	16.2	(2.6)	(0.5)	(2.1)	(6.2)	—	(6.2)	(0.6)	243.9	7.0
070	– *of which: SMEs*	36.0	28.6	7.4	3.0	—	3.0	(0.3)	(0.1)	(0.2)	(0.5)	—	(0.5)	—	27.5	1.7
080	Households	415.6	366.5	49.1	3.4	—	3.4	(2.1)	(0.6)	(1.5)	(0.8)	—	(0.8)	(0.2)	366.8	2.0
090	Debt securities[3]	355.0	351.2	2.2	—	—	—	(0.1)	(0.1)	—	—	—	—	—	22.2	—
100	Central banks	26.0	24.8	1.2	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	288.3	286.7	0.8	—	—	—	—	—	—	—	—	—	—	21.4	—
120	Credit institutions	24.6	24.5	0.1	—	—	—	—	—	—	—	—	—	—	0.7	—
130	Other financial corporations	13.0	12.7	—	—	—	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	3.1	2.5	0.1	—	—	—	(0.1)	(0.1)	—	—	—	—	—	0.1	—
150	Off-balance-sheet exposures	954.1	608.3	37.3	2.6	—	1.9	(0.4)	(0.1)	(0.2)	(0.2)	—	(0.1)		129.4	0.5
160	Central banks	1.1	1.1	—	—	—	—	—	—	—	—	—	—		—	—
170	General governments	4.3	2.9	0.3	—	—	—	—	—	—	—	—	—		—	—
180	Credit institutions	48.9	42.3	0.5	—	—	—	—	—	—	—	—	—		0.1	—
190	Other financial corporations	87.8	65.5	3.2	—	—	—	—	—	—	—	—	—		14.1	—
200	Non-financial corporations	567.5	255.9	29.6	1.8	—	1.1	(0.4)	(0.1)	(0.2)	(0.2)	—	(0.1)		57.6	0.2
210	Households	244.5	240.6	3.7	0.8	—	0.8	—	—	—	—	—	—		57.6	0.3
220	Total at 31 Dec 2022	2,959.0	2,461.5	184.2	23.1	—	22.4	(5.4)	(1.3)	(4.0)	(7.3)	—	(7.2)	(0.8)	1,039.2	9.8

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 *On-balance sheet exposures exclude the assets held for sale.*

Table 22 below presents the residual maturity breakdown of on- and off-balance sheet loans and debt securities.

Table 22: 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	**258,571**	**888,557**	**478,430**	**531,303**	**1,490**	**2,158,351**
2	Debt securities	**—**	**176,295**	**143,071**	**81,350**	**—**	**400,716**
3	**Total at 30 Jun 2023**	**258,571**	**1,064,852**	**621,501**	**612,653**	**1,490**	**2,559,067**
1	Loans and advances	231,779	904,387	490,137	468,358	—	2,094,661
2	Debt securities	—	162,925	128,019	65,295	—	356,239
3	Total at 31 Dec 2022	231,779	1,067,312	618,156	533,653	—	2,450,900

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

Table 23 shows changes in gross carrying amount of on-balance sheet non-performing loans and advances during the period.

Table 23: Changes in the stock of non-performing loans and advances (CR2)

		Half-year to 30 Jun	
		2023	2022
		Gross carrying value	Gross carrying value
		$m	$m
10	**Initial stock of non-performing loans and advances**	**21,611**	20,021
20	Inflows to non-performing portfolios	**4,829**	5,611
30	Outflows from non-performing portfolios	**(1,560)**	(1,380)
40	Outflows due to write-offs	**(1,378)**	(1,280)
50	Outflow due to other situations[1]	**(2,205)**	(2,806)
60	**Final stock of non-performing loans and advances**	**21,297**	20,166

1 *Other changes include foreign exchange movements, repayments and assets held for sale in default.*

Non-performing and forborne exposures

Tables 24 to 27 below are presented in accordance with the European Banking Authority's ('EBA') 'Guidelines on disclosure of non-performing and forborne exposures'.

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. For our retail portfolios a past due credit obligation is recognised where any amount of principal, interest or fees has not been paid at the date it was due (or cycle date). 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 2022* definition of stage 3 credit-impaired is aligned to the EBA's definition of non-performing exposures. Under the IFRS 9 accounting standard expected credit losses are classified as Pillar 3 specific credit risk adjustments.

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

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 during or at the end of the probation period.

Table 24 breaks down performing and non-performing forborne exposures by FINREP product and counterparty type, showing the gross carrying amount, accumulated impairments and collateral and financial guarantees received against these exposures.

Table 24: 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**	**6,098**	**6,770**	***6,770***	***6,770***	**(303)**	**(2,265)**	**5,025**	***2,766***
020	Central banks	—	—	—	—	—	—	—	—
030	General governments	—	—	—	—	—	—	—	—
040	Credit institutions	—	—	—	—	—	—	—	—
050	Other financial corporations	**81**	**6**	***6***	***6***	**(1)**	**(5)**	**47**	***1***
060	Non-financial corporations	**5,201**	**5,540**	***5,540***	***5,540***	**(167)**	**(1,961)**	**4,061**	***2,052***
070	Households	**816**	**1,224**	***1,224***	***1,224***	**(135)**	**(299)**	**917**	***713***
080	**Debt securities**	—	—	—	—	—	—	—	—
090	**Loan commitments given**	**107**	**165**	***165***	***165***	—	**(1)**	**116**	***54***
100	**Total at 30 Jun 2023**[1]	**6,205**	**6,935**	***6,935***	***6,935***	**(303)**	**(2,266)**	**5,141**	***2,820***
005	Cash balances at central banks and other demand deposits	—	—	—	—	—	—	—	—
010	Loans and advances	5,524	5,854	*5,854*	*5,854*	(276)	(1,825)	4,341	*2,259*
020	Central banks	—	—	—	—	—	—	—	—
030	General governments	—	—	—	—	—	—	—	—
040	Credit institutions	—	—	—	—	—	—	—	—
050	Other financial corporations	43	14	*14*	*14*	(1)	(8)	26	*2*
060	Non-financial corporations	4,831	4,670	*4,670*	*4,670*	(151)	(1,516)	3,568	*1,627*
070	Households	650	1,170	*1,170*	*1,170*	(124)	(301)	747	*630*
080	Debt securities	—	—	—	—	—	—	—	—
090	Loan commitments given	137	210	*210*	*210*	(4)	(1)	68	*40*
100	Total at 30 Jun 2022[1]	5,661	6,064	*6,064*	*6,064*	(280)	(1,826)	4,409	*2,299*

1 *On-balance sheet exposures exclude the assets held for sale.*

Table 25 below provides information on the instruments that were cancelled in exchange for collateral obtained by taking possession and on the value of the collateral. The value at initial recognition represents the gross carrying amount of the collateral obtained by taking possession at initial recognition on the balance sheet, while the accumulated negative changes are the accumulated impairment or negative change in the value of the collateral since initial recognition, 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 2023		At 31 Dec 2022	
		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	—	—	—	—
2	Other than property, plant and equipment	**70.8**	**(4.5)**	75.8	(8.2)
3	Residential immovable property	**44.8**	**(2.2)**	58.7	(7.7)
4	Commercial immovable property	**15.0**	**(2.3)**	6.5	(0.5)
5	Movable property (auto, shipping, etc.)	—	—	—	—
6	Equity and debt instruments	—	—	—	—
7	Other	**11.0**	—	10.6	—
8	**Total**	**70.8**	**(4.5)**	75.8	(8.2)

Concentration risk

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions.

We have a number of global businesses with a broad range of products. We operate in a number of geographical markets with the majority of our exposures in Asia and Europe. We use a number of controls and measures to minimise undue concentration of exposure in our portfolios across industries, countries and global businesses. These include portfolio and counterparty limits, approval and review controls, and stress testing. The following tables present information on the concentration of exposures by geography and industry.

Table 26 shows the credit quality of on- and off- balance sheet exposures by geography. The geographical breakdown is based on the country of residence of the immediate counterparty.

Table 26: Quality of non-performing exposures by geography (CQ4)

		a	b	c	d	e	f	g
		Gross carrying/ Nominal amount						
		Total	***of which: non-performing***	***of which: defaulted***	***of which: subject to impairment***	**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**
		$m	***$m***	***$m***	***$m***	**$m**	**$m**	**$m**
010	**On-balance sheet exposures[1]**	**1,756,824**	***20,766***	***20,766***	***1,752,371***	**(12,412)**		**—**
020	UK	**364,317**	***5,353***	***5,353***	***363,357***	**(2,832)**		**—**
030	Hong Kong	**358,440**	***4,286***	***4,286***	***357,255***	**(2,332)**		**—**
040	US	**262,716**	***690***	***690***	***262,305***	**(368)**		**—**
070	Other countries/territories	**771,351**	***10,437***	***10,437***	***769,454***	**(6,880)**		**—**
080	**Off-balance sheet exposures**	**995,241**	***2,893***	***2,893***			**(536)**	
90	Hong Kong	**215,811**	***974***	***974***			**(36)**	
100	UK	**129,552**	***392***	***392***			**(144)**	
110	US	**119,640**	***195***	***195***			**(57)**	
140	Other countries/territories	**530,238**	***1,332***	***1,332***			**(299)**	
150	**Total at 30 Jun 2023**	**2,752,065**	***23,659***	***23,659***	***1,752,371***	**(12,412)**	**(536)**	**—**
010	On-balance sheet exposures[1]	1,650,915	*20,391*	*20,391*	*1,646,188*	(12,114)		—
020	UK	333,439	*5,952*	*5,952*	*331,655*	(2,511)		—
030	Hong Kong	357,883	*4,117*	*4,117*	*357,386*	(2,247)		—
040	US	249,322	*486*	*486*	*248,618*	(326)		—
070	Other countries/territories	710,271	*9,836*	*9,836*	*708,529*	(7,030)		—
080	Off-balance sheet exposures	956,752	*2,635*	*2,635*			(582)	
90	Hong Kong	215,287	*832*	*832*			(47)	
100	UK	119,840	*458*	*458*			(147)	
110	US	116,053	*124*	*124*			(57)	
140	Other countries/territories	505,572	*1,221*	*1,221*			(331)	
150	Total at 31 Dec 2022	2,607,667	*23,026*	*23,026*	*1,646,188*	(12,114)	(582)	—

1 *Excludes cash and balances at central banks, and assets held for sale.*

Table 27 below shows the gross carrying amount of loans and advances to non-financial corporations, the related accumulated impairment, and the accumulated changes in fair value to credit risk by industry types.

Table 27: Credit quality of loans and advances to non-financial corporations by industry (CQ5)

		Gross carrying amount					Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Total	*of which: non-performing*	*of which: defaulted*	*of which: subject to impairment*	Accumulated impairment	
		$m	*$m*	*$m*	*$m*	$m	$m
010	Agriculture, forestry and fishing	**7,162**	***310***	***310***	***7,162***	**(120)**	**—**
020	Mining and quarrying	**8,664**	***361***	***361***	***8,664***	**(142)**	**—**
030	Manufacturing	**93,114**	***2,055***	***2,055***	***93,101***	**(1,183)**	**—**
040	Electricity, gas, steam and air conditioning supply	**17,032**	***329***	***329***	***17,032***	**(128)**	**—**
050	Water supply	**3,011**	***29***	***29***	***3,011***	**(33)**	**—**
060	Construction	**15,018**	***1,003***	***1,003***	***15,018***	**(617)**	**—**
070	Wholesale and retail trade	**88,361**	***2,774***	***2,774***	***88,317***	**(1,701)**	**—**
080	Transport and storage	**25,307**	***440***	***440***	***25,307***	**(224)**	**—**
090	Accommodation and food service activities	**16,499**	***882***	***882***	***16,499***	**(283)**	**—**
100	Information and communication	**18,327**	***310***	***310***	***18,327***	**(205)**	**—**
110	Financial and insurance actvities[1]	**57**	***6***	***6***	***57***	**(2)**	**—**
120	Real estate activities	**93,405**	***5,250***	***5,250***	***93,405***	**(2,981)**	**—**
130	Professional, scientific and technical activities	**19,480**	***647***	***647***	***19,480***	**(300)**	**—**
140	Administrative and support service activities	**26,563**	***950***	***950***	***26,563***	**(444)**	**—**
150	Public administration and defence, compulsory social security	**1,052**	***—***	***—***	***1,052***	**(1)**	**—**
160	Education	**2,375**	***117***	***117***	***2,375***	**(61)**	**—**
170	Human health services and social work activities	**4,103**	***165***	***165***	***4,103***	**(52)**	**—**
180	Arts, entertainment and recreation	**1,843**	***112***	***112***	***1,843***	**(60)**	**—**
190	Other services	**14,058**	***493***	***493***	***14,027***	**(279)**	**—**
200	**Total at 30 Jun 2023[2]**	**455,431**	***16,233***	***16,233***	***455,343***	**(8,816)**	**—**
010	Agriculture, forestry and fishing	6,643	*259*	*259*	*6,643*	(122)	—
020	Mining and quarrying	8,529	*234*	*234*	*8,529*	(173)	—
030	Manufacturing	93,419	*2,174*	*2,174*	*93,419*	(1,281)	—
040	Electricity, gas, steam and air conditioning supply	17,893	*312*	*312*	*17,893*	(114)	—
050	Water supply	3,001	*26*	*26*	*3,001*	(21)	—
060	Construction	14,399	*991*	*991*	*14,399*	(551)	—
070	Wholesale and retail trade	90,033	*3,063*	*3,063*	*90,031*	(1,823)	—
080	Transport and storage	25,975	*555*	*555*	*25,975*	(250)	—
090	Accommodation and food service activities	17,137	*786*	*786*	*17,137*	(244)	—
100	Information and communication	18,065	*276*	*276*	*18,065*	(117)	—
110	Financial and insurance actvities[1]	—	*—*	*—*	*—*	—	—
120	Real estate activities	101,476	*4,861*	*4,861*	*101,476*	(2,856)	—
130	Professional, scientific and technical activities	17,946	*542*	*542*	*17,946*	(271)	—
140	Administrative and support service activities	25,126	*1,005*	*1,005*	*25,126*	(409)	—
150	Public administration and defence, compulsory social security	1,188	*—*	*—*	*1,188*	(1)	—
160	Education	2,471	*119*	*119*	*2,471*	(60)	—
170	Human health services and social work activities	3,898	*266*	*266*	*3,898*	(90)	—
180	Arts, entertainment and recreation	1,862	*146*	*146*	*1,862*	(77)	—
190	Other services	13,888	*600*	*600*	*13,789*	(273)	—
200	Total at 30 Jun 2022[2]	462,949	*16,215*	*16,215*	*462,848*	(8,733)	—

1 The table above includes an update for EBA Q&A (2022_6673) released in May 2023, noting a change in the Nomenclature of Economic Activities ('NACE') classification for non-financial holding companies to be included in row 110 above. Comparative data for prior periods have not been restated.
2 On-balance sheet exposures exclude the assets held for sale.

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 28 provides a breakdown of loans and advances and debt securities by different credit risk mitigation techniques.

Table 28: Credit risk mitigation techniques – overview[1] (CR3)

		Total Exposures: secured and unsecured	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*	*$m*	*$m*
1	**Loans and advances**	**1,697,561**	**764,941**	**932,620**	***820,223***	***112,397***	—
	Central banks	**374,454**	**363,153**	**11,301**	***11,225***	***76***	—
	General governments	**9,050**	**7,070**	**1,980**	***1,481***	***499***	—
	Credit institutions	**161,697**	**58,538**	**103,159**	***103,047***	***112***	—
	Other financial corporations	**250,511**	**80,791**	**169,720**	***160,297***	***9,423***	—
	Non-financial corporations	**446,615**	**205,585**	**241,030**	***158,877***	***82,153***	—
	Households	**455,234**	**49,804**	**405,430**	***385,296***	***20,134***	—
2	**Debt securities**	**399,377**	**369,323**	**30,054**	—	***30,054***	
	Central banks	**25,914**	**25,914**	—	—	—	
	General governments	**328,736**	**301,578**	**27,158**	—	***27,158***	
	Credit institutions	**27,705**	**25,039**	**2,666**	—	***2,666***	
	Other financial corporations	**13,925**	**13,795**	**130**	—	***130***	
	Non-financial corporations	**3,097**	**2,997**	**100**	—	***100***	
	Households	—	—	—	—	—	
3	**Total at 30 Jun 2023**	**2,096,938**	**1,134,264**	**962,674**	***820,223***	***142,451***	—
4	– *of which: non-performing exposures*	***13,148***	***3,721***	***9,427***	***6,200***	***3,227***	—
5	– *of which: defaulted*	***13,148***	***3,721***	***9,427***			
1	Loans and advances	1,658,346	761,479	896,867	*801,086*	*95,781*	—
	Central banks	392,081	380,348	11,733	*11,653*	*80*	—
	General governments	11,390	7,725	3,665	*2,864*	*801*	—
	Credit institutions	146,621	57,268	89,353	*89,237*	*116*	—
	Other financial corporations	237,942	65,486	172,456	*166,691*	*5,765*	—
	Non-financial corporations	454,216	203,332	250,884	*162,828*	*88,056*	—
	Households	416,096	47,320	368,776	*367,813*	*963*	—
2	Debt securities	354,899	332,651	22,248	—	*22,248*	
	Central banks	26,043	26,043	—	—	—	
	General governments	288,223	266,780	21,443	—	*21,443*	
	Credit institutions	24,640	23,983	657	—	*657*	
	Other financial corporations	12,968	12,930	38	—	*38*	
	Non-financial corporations	3,025	2,915	110	—	*110*	
	Households	—	—	—	—	—	
3	Total at 31 Dec 2022	2,013,245	1,094,130	919,115	*801,086*	*118,029*	—
4	– *of which: non-performing exposures*	*13,255*	*3,963*	*9,292*	6,094	3,198	—
5	– *of which: defaulted*	*13,255*	*3,963*	*9,292*			

1 *On-balance sheet exposures exclude the assets held for sale.*

Table 28.i below shows the walk between the Group's financial balance sheet line items and the regulatory scope of exposures presented in above table CR3.

Table 28.i: Analysis of accounting lines comprising total exposures in CR3

	Loans and advances: secured and unsecured $m
Assets as reported in financial statements at 30 Jun 2023	
Cash and balances at central banks[1]	**301,737**
Loans and advances to banks	**100,921**
Loans and advances to customers[2]	**959,538**
Reverse repurchase agreement - non-trading	**258,056**
Other financial assets[3]	**77,309**
Carrying amount at 30 Jun 2023 reported in table CR3[4]	**1,697,561**

1 *Mandatory balances held at central banks recognised as loans and advances excludes cash in hand of $5,996m.*
2 *Loans and advances to customers excludes asset-backed securities amounting to $20m.*
3 *Includes acceptances, settlement balances and items in course of collection; financial assets measured at fair value through other comprehensive income ('FVOCI'), fair value through profit or loss ('FVTPL') and amortised cost; Deconsolidation of insurance/other entities and consolidation of banking associates.*
4 *Carrying amount reconciles to 'Loans and advances' total exposures: secured and unsecured in table CR3.*

Table 29 presents the split of credit risk exposures under the standardised approach, reflecting the EAD before and after the impact of credit risk mitigation ('CRM') techniques and credit conversion factors ('CCF'). Securitisation positions and free deliveries are not included in this table.

Table 29: Standardised approach – credit conversion factor and credit risk mitigation 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	Central governments or central banks	**304,245**	**2,703**	**329,323**	**2,420**	**6,881**	**2.07**
2	Regional governments or local authorities	**2,602**	**279**	**5,670**	**34**	**786**	**13.79**
3	Public sector entities	**7,850**	**502**	**286**	**56**	**165**	**48.27**
4	Multilateral development banks	**490**	**—**	**490**	**—**	**—**	**—**
5	International organisations	**1,533**	**—**	**1,533**	**—**	**—**	**—**
6	Institutions	**2,136**	**1,702**	**2,349**	**1,888**	**1,610**	**38.01**
7	Corporates	**73,682**	**83,403**	**67,569**	**10,152**	**74,685**	**96.10**
8	Retail	**22,050**	**47,947**	**21,271**	**401**	**15,981**	**73.72**
9	Secured by mortgages on immovable property	**33,452**	**956**	**33,452**	**296**	**13,057**	**38.69**
10	Exposures in default	**2,242**	**569**	**2,185**	**139**	**2,686**	**115.58**
11	Exposures associated with particularly high risk	**252**	**49**	**178**	**4**	**274**	**150.00**
14	Collective investment undertakings	**2,074**	**19**	**2,074**	**10**	**1,580**	**75.85**
15	Equity	**16,645**	**71**	**16,645**	**71**	**37,894**	**226.69**
16	Other items	**18,620**	**539**	**18,620**	**539**	**10,522**	**54.92**
17	**Total at 30 Jun 2023**	**487,873**	**138,739**	**501,645**	**16,010**	**166,121**	**32.09**
1	Central governments or central banks	318,605	1,753	343,176	1,844	4,519	1.31
2	Regional governments or local authorities	9,560	292	12,133	33	2,403	19.75
3	Public sector entities	7,265	129	553	4	177	31.78
4	Multilateral development banks	—	—	—	—	—	—
5	International organisations	1,186	—	1,186	—	—	—
6	Institutions	787	109	876	48	608	65.80
7	Corporates	65,726	84,385	59,201	8,545	63,049	93.07
8	Retail	23,315	48,432	22,400	247	15,739	69.50
9	Secured by mortgages on immovable property	32,318	615	32,318	192	12,615	38.80
10	Exposures in default	2,699	639	2,576	157	3,295	120.56
11	Exposures associated with particularly high risk	328	66	255	20	412	149.82
14	Collective investment undertakings[1]	3,807	886	3,807	460	6,510	152.57
15	Equity	15,417	73	15,417	73	34,737	224.25
16	Other items	15,055	337	15,055	337	9,520	61.85
17	Total at 31 Dec 2022	496,068	137,716	508,953	11,960	153,584	29.48

1 *Includes equity exposures within CIUs calculated under the look-through approach using the equity simple risk-weight method. These balances have been reported in CR10.5 and OV1 from 1 January 2023.*

Table 30 discloses credit risk exposures under the standardised approach by risk weights split into exposure class. Securitisation positions and free deliveries are not included in this table.

Table 30: Standardised approach – exposures by asset classes and risk weights (CR5)

	Risk weight ('RW%')	0 $bn	2 $bn	10 $bn	20 $bn	35 $bn	50 $bn	70 $bn	75 $bn	100 $bn	150 $bn	250 $bn	370 $bn	1250 $bn	Others $bn	Total credit exposure amount (post-CCF and CRM) $bn	*of which: un-rated*[1] *$bn*
	Asset classes																
1	Central governments or central banks	321.1	—	—	7.2	—	1.5	—	—	0.2	0.1	1.7	—	—	—	331.8	*0.2*
2	Regional governments or local authorities	4.6	—	—	0.3	—	0.3	—	—	0.4	—	0.1	—	—	—	5.7	*0.3*
3	Public sector entities	—	—	—	0.2	—	—	—	—	0.1	—	—	—	—	—	0.3	*0.1*
4	Multilateral development banks	0.5	—	—	—	—	—	—	—	—	—	—	—	—	—	0.5	—
5	International organisations	1.5	—	—	—	—	—	—	—	—	—	—	—	—	—	1.5	—
6	Institutions	—	1.0	—	0.9	—	1.9	—	—	0.4	—	—	—	—	—	4.2	*1.4*
7	Corporates	—	—	—	3.6	0.6	0.7	—	—	70.8	2.1	—	—	—	—	77.8	*54.7*
8	Retail	—	—	—	—	—	—	—	21.7	—	—	—	—	—	—	21.7	*21.7*
9	Secured by mortgages on immovable property	—	—	—	—	31.8	—	—	—	1.9	—	—	—	—	—	33.7	*33.7*
10	Exposures in default	—	—	—	—	—	—	—	—	1.6	0.7	—	—	—	—	2.3	*2.3*
11	Exposures associated with particularly high risk	—	—	—	—	—	—	—	—	—	0.2	—	—	—	—	0.2	*0.2*
14	Collective investment undertakings	0.5	—	—	0.5	—	0.2	—	—	0.9	—	—	—	—	—	2.1	*0.9*
15	Equity	—	—	—	—	—	—	—	—	2.6	—	14.1	—	—	—	16.7	*16.7*
16	Other items	0.2	—	—	10.6	—	—	—	—	8.4	—	—	—	—	—	19.2	*19.2*
17	**Total at 30 Jun 2023**	328.4	1.0	—	23.3	32.4	4.6	—	21.7	87.3	3.1	15.9	—	—	—	517.7	*151.4*

Table 30: Standardised approach – exposures by asset classes and risk weights (CR5) (continued)

	Risk weight ('RW%')	0	2	10	20	35	50	70	75	100	150	250	370	1250	Others	Total credit exposure amount (post-CCF and CRM)	*of which: un-rated*[1]
		$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	*$bn*
1	Central governments or central banks	343.1	—	—	—	—	—	—	—	0.1	—	1.8	—	—	—	345.0	*0.1*
2	Regional governments or local authorities	4.5	—	—	6.5	—	0.3	—	—	0.8	—	0.1	—	—	—	12.2	*0.4*
3	Public sector entities	0.1	—	—	0.4	—	—	—	—	0.1	—	—	—	—	—	0.6	*0.1*
4	Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5	International organisations	1.2	—	—	—	—	—	—	—	—	—	—	—	—	—	1.2	—
6	Institutions	—	—	—	0.1	—	0.5	—	—	0.3	—	—	—	—	—	0.9	*0.3*
7	Corporates	—	—	—	3.9	0.8	2.3	—	—	59.3	1.4	—	—	—	—	67.7	*58.2*
8	Retail	—	—	—	1.6	—	—	—	21.0	—	—	—	—	—	—	22.6	*22.6*
9	Secured by mortgages on immovable property	—	—	—	—	30.5	—	—	—	2.0	—	—	—	—	—	32.5	*32.5*
10	Exposures in default	—	—	—	—	—	—	—	—	1.6	1.1	—	—	—	—	2.7	*2.7*
11	Exposures associated with particularly high risk	—	—	—	—	—	—	—	—	—	0.3	—	—	—	—	0.3	*0.3*
14	Collective investment undertakings[2]	0.5	—	—	0.5	—	0.2	—	—	0.9	—	—	0.2	0.1	1.9	4.3	*3.0*
15	Equity	—	—	—	—	—	—	—	—	2.7	—	12.8	—	—	—	15.5	*15.5*
16	Other items	—	—	—	7.4	—	—	—	—	8.0	—	—	—	—	—	15.4	*15.4*
17	Total at 31 Dec 2022	349.4	—	—	20.4	31.3	3.3	—	21.0	75.8	2.8	14.7	0.2	0.1	1.9	520.9	*151.1*

1 Deferred tax assets risk weighted at 250% are excluded from the 'unrated' column and prior period has been restated.
2 Includes equity exposures within CIUs calculated under the look-through approach using the Equity simple risk-weight method. These balances have been reported in CR10.5 and OV1 from 1 January 2023.

Table 31 discloses the detailed key parameters used for the calculation of capital requirements of credit risk exposure under the IRB approach broken down by exposure class and PD range. The table excludes securitisation positions, free deliveries and non-credit obligation assets.

Table 31: IRB – Credit risk exposures by portfolio and PD range (CR6)

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[1]	Exposure weighted average LGD[2] %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors[2] $bn	Density of risk weighted exposure amount %	Expected loss amount $bn	Value adjustments and provisions[3] $bn
AIRB – Central government and central banks[4]												
0.00 to <0.15	427.1	2.5	40.9	428.3	0.02	606	42.7	1.9	31.5	7	0.1	
– 0.00 to <0.10	418.0	2.4	41.4	419.1	0.01	214	42.7	1.9	28.2	7	0.1	
– 0.10 to <0.15	9.1	0.1	33.1	9.2	0.13	392	45.0	2.2	3.3	36	—	
0.15 to <0.25	1.3	—	21.1	1.3	0.22	8	44.7	1.2	0.5	38	—	
0.25 to <0.50	0.3	0.1	6.2	0.3	0.37	4	45.0	1.0	0.1	49	—	
0.50 to <0.75	5.4	0.1	30.8	5.4	0.63	26	41.1	1.0	3.3	61	—	
0.75 to <2.50	3.5	0.1	41.9	3.5	1.09	82	43.8	1.2	2.9	83	—	
– 0.75 to <1.75	3.0	0.1	18.3	3.0	0.91	72	44.0	1.2	2.4	80	—	
– 1.75 to <2.5	0.5	—	72.0	0.5	2.25	10	42.3	1.1	0.5	100	—	
2.50 to <10.00	4.1	—	32.3	3.7	3.36	15	44.5	1.0	4.6	125	0.1	
– 2.5 to <5	3.7	—	10.5	3.5	3.10	11	45.0	1.0	4.3	124	0.1	
– 5 to <10	0.4	—	42.2	0.2	7.85	4	36.8	1.3	0.3	147	—	
10.00 to <100.00	3.1	—	—	3.1	26.50	5	45.0	1.2	7.1	233	0.4	
– 10 to <20	2.7	—	—	2.7	19.00	3	45.0	1.2	6.5	248	0.2	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100.00	0.4	—	—	0.4	75.00	2	45.0	1.0	0.6	137	0.2	
100.00 (Default)	0.3	—	75.2	0.2	100.00	3	21.5	3.3	0.3	137	—	
Sub-total	**445.1**	**2.8**	**39.8**	**445.8**	**0.29**	**749**	**42.7**	**1.9**	**50.3**	**11**	**0.6**	**0.1**
AIRB – Institutions												
0.00 to <0.15	68.7	14.0	25.4	71.9	0.05	3,181	37.2	1.5	9.4	13	—	
– 0.00 to <0.10	61.1	10.4	25.2	63.1	0.04	2,000	38.2	1.5	7.5	12	—	
– 0.10 to <0.15	7.6	3.6	25.9	8.8	0.13	1,181	29.6	1.2	1.9	22	—	
0.15 to <0.25	1.7	1.5	17.5	2.0	0.22	269	39.6	1.2	0.7	37	—	
0.25 to <0.50	0.4	0.4	9.4	0.5	0.37	114	37.4	1.0	0.3	49	—	
0.50 to <0.75	1.2	0.4	23.4	1.2	0.63	92	45.1	1.0	0.9	73	—	
0.75 to <2.50	0.7	0.8	19.5	0.3	1.58	152	38.5	1.0	0.3	87	—	
– 0.75 to <1.75	0.1	0.2	15.9	0.2	0.97	85	46.2	1.3	0.2	91	—	
– 1.75 to <2.5	0.6	0.6	21.0	0.1	2.25	67	30.0	0.7	0.1	82	—	
2.50 to <10.00	0.4	0.1	17.0	0.4	4.18	279	45.7	1.0	0.5	134	—	
– 2.5 to <5	0.4	0.1	18.8	0.4	4.18	276	45.7	1.0	0.5	134	—	
– 5 to <10	—	—	—	—	7.85	3	81.5	0.4	—	322	—	
10.00 to <100.00	—	0.3	—	—	10.00	4	81.9	1.0	—	339	—	
– 10 to <20	—	—	90.0	—	10.00	3	81.9	1.0	—	339	—	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100.00	—	0.3	—	—	—	1	—	—	—	—	—	
100.00 (Default)	—	—	—	—	100.00	3	15.2	4.2	—	35	—	
Sub-total	**73.1**	**17.5**	**23.8**	**76.3**	**0.12**	**4,094**	**37.4**	**1.4**	**12.1**	**16**	**—**	**—**
AIRB – Corporate – specialised lending (excluding slotting)[5]												
0.00 to <0.15	2.7	0.9	39.9	2.8	0.09	42	22.5	3.7	0.5	17	—	
– 0.00 to <0.10	1.5	0.5	65.6	1.8	0.07	15	19.7	4.2	0.3	15	—	
– 0.10 to <0.15	1.2	0.4	12.7	1.0	0.13	27	27.5	2.7	0.2	21	—	
0.15 to <0.25	1.3	0.6	42.2	1.6	0.22	56	31.1	3.3	0.5	33	—	
0.25 to <0.50	0.8	1.3	39.9	1.3	0.37	33	32.2	4.2	0.7	54	—	
0.50 to <0.75	1.2	0.6	42.0	1.4	0.63	29	28.0	3.0	0.7	49	—	
0.75 to <2.50	2.4	1.3	41.5	1.9	1.12	49	29.3	3.4	1.3	65	—	
– 0.75 to <1.75	2.3	1.1	42.7	1.8	1.04	45	29.4	3.4	1.2	64	—	
– 1.75 to <2.5	0.1	0.2	34.5	0.1	2.25	4	28.2	3.1	0.1	70	—	
2.50 to <10.00	0.3	—	72.7	0.2	4.90	6	30.7	3.1	0.2	112	—	
– 2.5 to <5	0.1	—	—	0.1	3.05	1	20.0	3.0	—	65	—	
– 5 to <10	0.2	—	72.7	0.1	5.75	5	35.6	3.1	0.2	134	—	
10.00 to <100.00	0.2	0.3	51.2	0.4	75.00	6	18.0	3.0	0.2	55	0.1	

Table 31: IRB – Credit risk exposures by portfolio and PD range (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[1]	Exposure weighted average LGD[2] %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors[2] $bn	Density of risk weighted exposure amount %	Expected loss amount $bn	Value adjustments and provisions[3] $bn
– 10 to <20	—	—	—	—	—	—	—	—	—	—	—	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100.00	0.2	0.3	51.2	0.4	75.00	6	18.0	3.0	0.2	55	0.1	
100.00 (Default)	0.1	—	91.5	0.1	100.00	4	26.1	3.9	—	37	—	
Sub-total	**9.0**	**5.0**	**41.8**	**9.7**	**4.47**	**225**	**27.4**	**3.5**	**4.1**	**42**	**0.1**	**0.1**
AIRB – Corporate – SME[6]												
0.00 to <0.15	0.1	0.5	26.9	0.4	0.11	335	44.4	1.7	0.1	19	—	
– 0.00 to <0.10	—	0.1	26.9	0.1	0.06	66	49.5	1.3	—	12	—	
– 0.10 to <0.15	0.1	0.4	26.8	0.3	0.13	269	42.7	1.8	0.1	21	—	
0.15 to <0.25	0.6	1.1	28.8	0.9	0.22	839	34.0	2.0	0.2	24	—	
0.25 to <0.50	0.9	1.6	29.6	1.4	0.37	968	33.3	1.8	0.4	31	—	
0.50 to <0.75	1.0	0.9	27.9	1.4	0.63	803	35.2	1.8	0.6	42	—	
0.75 to <2.50	5.8	3.9	27.3	6.7	1.43	2,889	32.5	1.8	3.6	54	—	
– 0.75 to <1.75	4.6	3.2	27.2	5.4	1.23	2,240	32.9	1.8	2.8	53	—	
– 1.75 to <2.5	1.2	0.7	27.5	1.3	2.25	649	30.6	1.8	0.8	60	—	
2.50 to <10.00	1.4	0.9	28.0	1.5	4.24	777	38.8	1.6	1.4	91	—	
– 2.5 to <5	1.0	0.7	27.8	1.1	3.51	575	37.9	1.6	1.0	83	—	
– 5 to <10	0.4	0.2	28.9	0.4	6.51	202	41.8	1.8	0.4	114	—	
10.00 to <100.00	0.1	0.1	29.2	0.1	33.74	104	45.1	1.0	0.2	134	—	
– 10 to <20	0.1	0.1	29.7	0.1	11.49	56	36.4	1.3	0.1	112	—	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100.00	—	—	28.6	—	62.67	48	56.3	0.8	0.1	162	—	
100.00 (Default)	1.8	0.3	48.9	1.9	100.00	201	41.6	1.6	3.3	175	0.7	
Sub-total	**11.7**	**9.3**	**28.7**	**14.3**	**14.70**	**6,916**	**35.3**	**1.8**	**9.8**	**68**	**0.7**	**0.6**
AIRB – Corporate – Other												
0.00 to <0.15	100.5	173.2	32.1	181.9	0.08	8,523	42.2	1.8	37.3	20	0.1	
– 0.00 to <0.10	68.4	112.7	33.3	124.4	0.05	4,456	40.9	1.9	19.9	16	—	
– 0.10 to <0.15	32.1	60.5	30.0	57.5	0.13	4,067	44.9	1.7	17.4	30	0.1	
0.15 to <0.25	31.4	54.3	29.5	53.7	0.22	5,177	42.9	1.8	21.7	40	0.1	
0.25 to <0.50	28.2	42.3	29.4	46.1	0.37	4,729	40.0	1.7	23.0	50	0.1	
0.50 to <0.75	34.3	39.0	27.7	41.2	0.63	5,491	38.0	1.6	24.8	60	0.1	
0.75 to <2.50	88.5	88.6	28.8	84.5	1.34	22,697	37.7	1.7	72.5	86	0.4	
– 0.75 to <1.75	60.8	58.4	29.1	70.6	1.17	16,422	37.9	1.7	59.2	84	0.3	
– 1.75 to <2.5	27.7	30.2	27.7	13.9	2.24	6,275	36.6	1.7	13.3	96	0.1	
2.50 to <10.00	22.0	20.4	25.1	20.0	4.34	6,989	39.3	1.7	25.3	127	0.3	
– 2.5 to <5	14.2	15.4	24.6	14.5	3.64	5,336	39.6	1.6	17.4	120	0.2	
– 5 to <10	7.8	5.0	27.6	5.5	6.20	1,653	38.6	1.9	7.9	145	0.1	
10.00 to <100.00	7.3	3.8	31.4	6.5	18.94	1,197	38.1	1.6	12.8	196	0.5	
– 10 to <20	6.6	3.4	32.4	5.8	15.75	881	38.2	1.6	11.4	196	0.4	
– 20 to <30	—	—	4.8	—	20.13	22	93.5	1.0	—	492	—	
– 30 to <100.00	0.7	0.4	26.0	0.7	45.68	294	37.4	1.9	1.4	200	0.1	
100.00 (Default)	7.1	0.8	45.6	7.2	100.00	1,171	42.2	1.5	5.3	73	3.6	
Sub-total	**319.3**	**422.4**	**30.3**	**441.1**	**2.52**	**55,974**	**40.6**	**1.8**	**222.7**	**50**	**5.2**	**4.5**
Wholesale AIRB – Total at 30 Jun 2023	**858.2**	**457.0**	**30.2**	**987.2**		**67,958**		**1.8**	**299.0**	**30**	**6.6**	**5.3**

Table 31: IRB – Credit risk exposures by portfolio and PD range (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[1]	Exposure weighted average LGD[2] %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors[2] $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	—	0.1	—	—	0.07	32	27.2	—	—	4	—	
– 0.00 to <0.10	—	0.1	—	—	0.07	32	27.2	—	—	4	—	
– 0.10 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
0.15 to <0.25	—	—	12.4	—	0.22	19	27.4	—	—	10	—	
0.25 to <0.50	0.5	—	0.1	0.5	0.39	1,313	18.6	—	0.1	10	—	
0.50 to <0.75	—	—	116.5	—	0.58	131	26.3	—	—	24	—	
0.75 to <2.50	0.1	—	11.4	0.1	1.43	428	25.0	—	—	35	—	
– 0.75 to <1.75	0.1	—	3.4	0.1	1.19	331	24.6	—	—	32	—	
– 1.75 to <2.5	—	—	50.9	—	2.32	97	26.2	—	—	49	—	
2.50 to <10.00	0.2	—	47.0	0.2	4.54	1,062	24.0	—	0.2	74	—	
– 2.5 to <5	0.1	—	55.0	0.1	3.77	810	23.9	—	0.1	72	—	
– 5 to <10	0.1	—	42.8	0.1	6.69	252	24.4	—	0.1	76	—	
10.00 to <100.00	—	—	30.6	—	20.57	114	25.3	—	—	111	—	
– 10 to <20	—	—	30.6	—	11.95	51	26.3	—	—	102	—	
– 20 to <30	—	—	—	—	25.87	63	24.7	—	—	116	—	
– 30 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
100.00 (Default)	—	—	—	—	100.00	207	28.6	—	—	56	—	
Sub-total	**0.8**	**0.1**	**3.0**	**0.8**	**5.67**	**3,306**	**21.5**	**—**	**0.3**	**33**	**—**	**—**
AIRB – Secured by mortgages on immovable property non-SME[7]												
0.00 to <0.15	110.2	14.9	65.2	119.6	0.08	419,726	15.3	—	12.8	11	—	
– 0.00 to <0.10	68.7	9.8	69.0	75.3	0.06	221,118	17.8	—	8.4	11	—	
– 0.10 to <0.15	41.5	5.1	58.1	44.3	0.12	199,199	11.1	—	4.4	10	—	
0.15 to <0.25	62.5	3.9	42.8	63.9	0.20	214,657	13.8	—	6.3	10	—	
0.25 to <0.50	93.3	4.3	36.7	94.6	0.34	555,649	14.4	—	10.4	11	0.1	
0.50 to <0.75	40.1	0.6	49.6	40.5	0.54	206,631	13.2	—	5.5	14	—	
0.75 to <2.50	53.6	2.0	49.3	54.6	1.11	259,139	19.0	—	10.8	20	0.1	
– 0.75 to <1.75	47.9	1.7	53.0	48.8	1.01	228,624	19.8	—	9.3	19	0.1	
– 1.75 to <2.5	5.7	0.3	23.0	5.8	1.99	33,003	12.3	—	1.5	27	—	
2.50 to <10.00	7.9	0.4	27.6	8.0	4.28	36,631	12.2	—	3.4	43	—	
– 2.5 to <5	7.2	0.3	28.4	7.3	4.02	32,308	11.6	—	2.9	40	—	
– 5 to <10	0.7	0.1	22.1	0.7	6.91	4,332	17.7	—	0.5	73	—	
10.00 to <100.00	1.5	—	167.2	1.5	22.36	10,557	19.5	—	2.1	134	0.1	
– 10 to <20	0.7	—	196.3	0.8	13.48	7,753	13.1	—	0.8	90	—	
– 20 to <30	0.5	—	35.4	0.5	23.40	1,135	36.9	—	1.2	259	0.1	
– 30 to <100.00	0.3	—	96.4	0.2	47.48	1,722	8.7	—	0.1	46	—	
100.00 (Default)	1.7	—	44.6	1.8	100.00	11,511	19.7	—	2.3	131	0.3	
Sub-total	**370.8**	**26.1**	**55.3**	**384.5**	**0.99**	**1,714,501**	**15.1**	**—**	**53.6**	**14**	**0.6**	**0.4**
AIRB – Qualifying revolving retail exposures												
0.00 to <0.15	6.4	82.7	44.7	43.3	0.06	15,633,154	89.8	—	1.9	4	—	
– 0.00 to <0.10	4.7	71.0	44.8	36.5	0.04	13,621,062	89.3	—	1.3	3	—	
– 0.10 to <0.15	1.7	11.7	44.2	6.8	0.13	2,012,682	92.5	—	0.6	9	—	
0.15 to <0.25	1.1	7.4	53.4	5.0	0.21	2,117,901	90.2	—	0.8	15	—	
0.25 to <0.50	2.0	6.9	46.7	5.1	0.38	1,929,599	90.0	—	1.1	22	—	
0.50 to <0.75	1.5	2.2	55.3	2.8	0.60	675,008	90.5	—	0.9	34	—	
0.75 to <2.50	3.9	4.6	56.9	6.5	1.37	1,563,353	91.0	—	3.9	60	0.1	
– 0.75 to <1.75	3.3	4.3	54.6	5.7	1.24	1,254,945	91.3	—	3.2	56	0.1	
– 1.75 to <2.5	0.6	0.3	89.2	0.8	2.25	308,478	88.5	—	0.7	86	—	
2.50 to <10.00	2.1	1.1	81.0	2.9	4.51	759,260	86.3	—	3.7	125	0.2	
– 2.5 to <5	1.5	0.9	73.1	2.1	3.64	514,916	86.0	—	2.3	110	0.1	
– 5 to <10	0.6	0.2	117.0	0.8	6.66	244,344	86.9	—	1.4	160	0.1	
10.00 to <100.00	0.7	0.2	96.2	0.9	23.05	225,240	84.7	—	2.2	240	0.2	
– 10 to <20	0.5	0.1	141.7	0.7	14.17	129,818	83.9	—	1.5	229	0.1	

Table 31: IRB – Credit risk exposures by portfolio and PD range (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[1]	Exposure weighted average LGD[2]	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors[2]	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions[3]
	$bn	$bn	%	$bn	%		%	years	$bn	%	$bn	$bn
– 20 to <30	0.1	0.1	36.9	0.1	24.50	46,172	89.1	—	0.4	300	—	
– 30 to <100.00	0.1	—	56.2	0.1	65.62	49,251	84.4	—	0.3	246	0.1	
100.00 (Default)	0.2	—	37.3	0.2	100.00	188,703	83.7	—	0.4	270	0.1	
Sub-total	**17.9**	**105.1**	**46.7**	**66.7**	**0.99**	**23,092,218**	**89.8**	**—**	**14.9**	**22**	**0.6**	**0.9**
AIRB – Other SME												
0.00 to <0.15	0.9	4.6	0.4	0.9	0.04	32,121	21.6	—	—	3	—	
– 0.00 to <0.10	0.9	4.5	0.1	0.9	0.04	11,393	21.1	—	—	3	—	
– 0.10 to <0.15	—	0.1	10.1	—	0.12	20,728	28.5	—	—	8	—	
0.15 to <0.25	0.1	0.2	19.4	0.1	0.20	38,812	28.3	—	—	11	—	
0.25 to <0.50	0.3	0.6	17.7	0.3	0.36	94,205	36.4	—	0.1	20	—	
0.50 to <0.75	0.4	0.4	46.7	0.6	0.60	77,526	37.3	—	0.2	27	—	
0.75 to <2.50	3.2	1.4	45.4	1.8	1.58	468,818	64.5	—	1.2	67	—	
– 0.75 to <1.75	2.4	1.2	42.2	1.5	1.43	363,659	63.2	—	0.9	61	—	
– 1.75 to <2.5	0.8	0.2	62.8	0.3	2.17	105,159	69.5	—	0.3	89	—	
2.50 to <10.00	2.1	1.7	17.2	1.1	4.99	259,421	62.4	—	0.9	81	—	
– 2.5 to <5	1.1	1.5	12.4	0.6	3.68	150,775	58.9	—	0.5	75	—	
– 5 to <10	1.0	0.2	63.3	0.5	6.84	108,646	67.2	—	0.4	89	—	
10.00 to <100.00	1.8	0.1	51.0	0.5	46.75	143,837	53.6	—	0.5	101	0.1	
– 10 to <20	1.1	0.1	57.5	0.2	13.35	84,728	77.0	—	0.3	126	—	
– 20 to <30	0.3	—	63.2	0.1	24.49	29,148	75.3	—	0.1	157	—	
– 30 to <100.00	0.4	—	29.8	0.2	84.54	29,961	25.0	—	0.1	57	0.1	
100.00 (Default)	1.3	—	43.2	0.2	100.00	25,652	44.0	—	0.2	109	0.1	
Sub-total	**10.1**	**9.0**	**14.9**	**5.5**	**9.39**	**1,140,392**	**49.9**	**—**	**3.1**	**55**	**0.2**	**0.3**
AIRB – Other non-SME												
0.00 to <0.15	7.6	37.3	9.0	11.2	0.07	322,420	36.7	—	0.7	7	—	
– 0.00 to <0.10	6.5	33.0	6.4	8.7	0.05	194,472	40.2	—	0.5	6	—	
– 0.10 to <0.15	1.1	4.3	29.0	2.5	0.13	128,262	24.6	—	0.2	8	—	
0.15 to <0.25	2.2	2.7	28.7	3.3	0.20	322,037	45.5	—	0.6	20	—	
0.25 to <0.50	5.1	3.7	14.9	5.9	0.36	340,056	50.5	—	1.9	32	—	
0.50 to <0.75	2.9	1.5	18.4	3.3	0.61	91,022	30.6	—	0.9	26	—	
0.75 to <2.50	8.6	3.7	7.7	9.1	1.45	475,676	43.9	—	4.9	53	0.1	
– 0.75 to <1.75	6.3	2.6	7.4	6.7	1.22	373,022	45.9	—	3.6	53	0.1	
– 1.75 to <2.5	2.3	1.1	8.3	2.4	2.10	113,984	38.4	—	1.3	53	—	
2.50 to <10.00	1.7	0.5	39.8	2.1	4.31	239,748	61.7	—	1.9	95	0.1	
– 2.5 to <5	1.3	0.5	42.2	1.6	3.54	150,832	56.5	—	1.3	85	0.1	
– 5 to <10	0.4	—	15.9	0.5	6.78	90,570	78.4	—	0.6	128	—	
10.00 to <100.00	0.6	0.1	24.8	0.6	26.23	66,535	78.9	—	0.6	95	0.1	
– 10 to <20	0.4	0.1	9.1	0.4	12.75	32,421	79.2	—	0.3	70	—	
– 20 to <30	0.1	—	17.4	0.1	25.88	19,589	73.8	—	0.2	191	—	
– 30 to <100.00	0.1	—	122.3	0.1	79.47	14,915	82.3	—	0.1	106	0.1	
100.00 (Default)	0.2	—	136.8	0.2	100.00	21,941	69.1	—	0.7	334	0.1	
Sub-total	**28.9**	**49.5**	**11.1**	**35.7**	**1.82**	**1,879,435**	**43.5**	**—**	**12.2**	**34**	**0.4**	**0.4**
Retail AIRB – Total at 30 Jun 2023	**428.5**	**189.8**	**37.1**	**493.2**		**27,829,852**		**—**	**84.1**	**17**	**1.8**	**2.0**
FIRB – Central government and central banks												
0.00 to <0.15	—	—	75.0	0.7	0.04	—	45.0	3.3	0.2	23	—	
– 0.00 to <0.10	—	—	75.0	0.7	0.04	—	45.0	3.3	0.2	23	—	
– 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	—	—	—	—	—	—	—	—	—	—	—	

Table 31: 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[1]	Exposure weighted average LGD[2]	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors[2]	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions[3]
	$bn	$bn	%	$bn	%		%	years	$bn	%	$bn	$bn
– 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**	**3.3**	**0.2**	**23**	**—**	**—**
FIRB – Institutions												
0.00 to <0.15	0.2	0.1	68.1	0.3	0.06	2	45.0	1.0	0.1	14	—	
– 0.00 to <0.10	0.2	0.1	69.3	0.3	0.06	1	45.0	1.0	0.1	14	—	
– 0.10 to <0.15	—	—	19.9	—	0.13	1	44.4	0.1	—	15	—	
0.15 to <0.25	—	—	20.0	—	0.22	—	45.0	2.3	—	47	—	
0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	
0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
0.75 to <2.50	0.1	—	—	0.1	1.90	2	45.0	3.0	0.1	127	—	
– 0.75 to <1.75	0.1	—	—	0.1	1.65	1	45.0	1.6	—	103	—	
– 1.75 to <2.5	—	—	—	—	2.25	1	45.0	5.0	0.1	159	—	
2.50 to <10.00	—	—	—	—	—	—	—	—	—	—	—	
– 2.5 to <5	—	—	—	—	—	—	—	—	—	—	—	
– 5 to <10	—	—	—	—	—	—	—	—	—	—	—	
10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
– 10 to <20	—	—	—	—	—	—	—	—	—	—	—	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
Sub-total	**0.3**	**0.1**	**60.8**	**0.4**	**0.45**	**4**	**45.0**	**1.4**	**0.2**	**38**	**—**	**—**
FIRB – Corporate – SME[6]												
0.00 to <0.15	0.5	0.2	17.8	0.5	0.13	818	39.3	2.7	0.1	26	—	
– 0.00 to <0.10	—	—	20.5	—	0.07	8	45.0	1.2	—	14	—	
– 0.10 to <0.15	0.5	0.2	17.8	0.5	0.13	810	39.3	2.7	0.1	27	—	
0.15 to <0.25	1.4	0.5	18.7	1.5	0.22	2,020	38.2	2.7	0.5	33	—	
0.25 to <0.50	1.8	0.5	14.5	1.8	0.37	2,487	38.0	2.8	0.8	44	—	
0.50 to <0.75	1.3	0.4	15.9	1.3	0.63	1,714	37.5	2.6	0.7	53	—	
0.75 to <2.50	2.6	0.7	23.3	2.6	1.33	3,726	37.8	2.5	1.8	69	—	
– 0.75 to <1.75	2.2	0.6	22.2	2.2	1.17	3,072	38.3	2.5	1.5	67	—	
– 1.75 to <2.5	0.4	0.1	28.8	0.4	2.25	654	35.5	2.7	0.3	79	—	
2.50 to <10.00	0.9	0.2	17.9	0.9	4.81	1,354	38.7	2.3	0.8	100	—	
– 2.5 to <5	0.5	0.1	20.5	0.5	3.65	884	38.9	2.5	0.4	93	—	
– 5 to <10	0.4	0.1	12.2	0.4	6.37	470	38.3	2.1	0.4	108	—	
10.00 to <100.00	0.3	—	15.2	0.2	14.53	298	39.0	1.9	0.3	141	—	
– 10 to <20	0.3	—	15.1	0.2	12.59	266	39.0	1.9	0.3	140	—	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100.00	—	—	17.7	—	43.59	32	37.7	2.6	—	151	—	
100.00 (Default)	0.5	—	27.3	0.4	100.00	476	39.7	2.2	—	—	0.2	
Sub-total	**9.3**	**2.5**	**18.7**	**9.2**	**6.05**	**12,893**	**38.1**	**2.6**	**5.0**	**55**	**0.2**	**0.1**

Table 31: 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[1]	Exposure weighted average LGD[2]	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors[2]	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions[3]
	$bn	$bn	%	$bn	%		%	years	$bn	%	$bn	$bn
FIRB – Corporate – Other												
0.00 to <0.15	**33.1**	**46.5**	**42.0**	**56.0**	**0.08**	**8,892**	**31.5**	**1.9**	**10.1**	**18**	**—**	
– 0.00 to <0.10	**18.5**	**30.0**	**46.4**	**35.0**	**0.06**	**2,782**	**33.8**	**2.0**	**5.4**	**15**	**—**	
– 0.10 to <0.15	**14.6**	**16.5**	**34.5**	**21.0**	**0.13**	**6,110**	**27.7**	**1.9**	**4.7**	**22**	**—**	
0.15 to <0.25	**11.7**	**13.8**	**38.9**	**18.4**	**0.22**	**5,427**	**34.7**	**2.0**	**7.0**	**38**	**—**	
0.25 to <0.50	**10.9**	**8.8**	**26.8**	**13.9**	**0.37**	**5,188**	**36.6**	**1.9**	**6.9**	**50**	**—**	
0.50 to <0.75	**10.9**	**6.3**	**34.5**	**12.9**	**0.63**	**3,956**	**30.8**	**1.7**	**6.9**	**53**	**0.1**	
0.75 to <2.50	**27.5**	**25.3**	**28.4**	**27.8**	**1.45**	**41,267**	**37.8**	**1.9**	**25.0**	**90**	**0.2**	
– 0.75 to <1.75	**17.8**	**16.1**	**25.7**	**21.2**	**1.20**	**37,822**	**38.0**	**1.9**	**18.3**	**87**	**0.1**	
– 1.75 to <2.5	**9.7**	**9.2**	**40.6**	**6.6**	**2.25**	**3,445**	**37.0**	**1.8**	**6.7**	**101**	**0.1**	
2.50 to <10.00	**9.1**	**6.2**	**46.5**	**10.1**	**4.31**	**5,036**	**37.4**	**2.0**	**12.8**	**127**	**0.2**	
– 2.5 to <5	**6.4**	**4.9**	**47.6**	**7.5**	**3.60**	**3,685**	**36.9**	**2.2**	**9.0**	**121**	**0.1**	
– 5 to <10	**2.7**	**1.3**	**41.6**	**2.6**	**6.35**	**1,351**	**38.8**	**1.5**	**3.8**	**146**	**0.1**	
10.00 to <100.00	**2.7**	**1.0**	**45.5**	**2.4**	**12.54**	**913**	**38.1**	**1.6**	**4.4**	**186**	**0.1**	
– 10 to <20	**2.6**	**0.9**	**45.7**	**2.3**	**11.49**	**819**	**38.0**	**1.7**	**4.2**	**184**	**0.1**	
– 20 to <30	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	
– 30 to <100.00	**0.1**	**0.1**	**40.6**	**0.1**	**37.81**	**94**	**39.3**	**1.1**	**0.2**	**232**	**—**	
100.00 (Default)	**3.6**	**0.5**	**42.7**	**3.5**	**100.00**	**1,533**	**45.7**	**1.6**	**—**	**—**	**1.6**	
Sub-total	**109.5**	**108.4**	**37.6**	**145.0**	**3.34**	**72,212**	**34.4**	**1.9**	**73.1**	**50**	**2.2**	**2.0**
FIRB – Total at 30 Jun 2023	**119.1**	**111.0**	**37.2**	**155.3**		**85,109**		**1.9**	**78.5**	**51**	**2.4**	**2.1**

Table 31: IRB – Credit risk exposures by portfolio and PD range (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[1]	Exposure weighted average LGD[2]	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors[2]	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions[3]
	$bn	$bn	%	$bn	%		%	years	$bn	%	$bn	$bn
AIRB – Central government and central banks[4]												
0.00 to <0.15	387.3	2.4	43.4	389.2	0.02	390	42.8	1.8	27.3	7	—	
– 0.00 to <0.10	379.4	2.4	43.6	381.2	0.01	262	42.7	1.8	24.3	6	—	
– 0.10 to <0.15	7.9	—	39.1	8.0	0.13	128	45.3	2.3	3.0	38	—	
0.15 to <0.25	0.9	—	50.0	0.5	0.22	13	43.9	1.6	0.2	42	—	
0.25 to <0.50	1.4	—	41.0	1.4	0.37	12	45.0	1.0	0.7	49	—	
0.50 to <0.75	5.2	0.3	82.9	5.5	0.63	30	40.0	1.2	3.3	60	—	
0.75 to <2.50	6.2	0.1	57.0	6.1	1.92	79	44.8	1.1	6.4	104	0.1	
– 0.75 to <1.75	1.6	0.1	57.0	1.6	0.99	66	45.0	1.2	1.4	89	—	
– 1.75 to <2.5	4.6	—	75.0	4.5	2.25	13	44.7	1.0	5.0	110	0.1	
2.50 to <10.00	0.6	—	—	0.3	6.26	9	38.4	1.3	0.4	136	—	
– 2.5 to <5	0.3	—	—	0.1	4.20	5	45.0	1.0	0.2	138	—	
– 5 to <10	0.3	—	—	0.2	7.85	4	33.3	1.5	0.2	135	—	
10.00 to <100.00	3.2	—	—	3.2	14.97	7	45.0	1.2	6.9	212	0.3	
– 10 to <20	2.6	—	—	2.6	10.48	5	45.0	1.2	5.4	202	0.2	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100.00	0.6	—	—	0.6	36.00	2	45.0	1.0	1.5	261	0.1	
100.00 (Default)	0.3	—	57.0	0.2	100.00	3	20.1	3.5	0.2	102	—	
Sub-total	405.1	2.8	47.5	406.4	0.23	543	42.8	1.8	45.4	11	0.4	0.1
AIRB – Institutions												
0.00 to <0.15	68.8	12.0	28.9	72.6	0.05	3,056	38.5	1.4	10.3	14	—	
– 0.00 to <0.10	59.5	8.0	28.3	61.7	0.04	1,967	37.8	1.4	6.7	11	—	
– 0.10 to <0.15	9.3	4.0	30.1	10.9	0.13	1,089	42.3	1.3	3.6	33	—	
0.15 to <0.25	2.1	1.8	24.9	2.6	0.22	220	44.5	1.4	1.1	42	—	
0.25 to <0.50	0.8	0.5	39.1	1.0	0.37	118	41.6	1.2	0.5	55	—	
0.50 to <0.75	1.4	0.1	25.2	1.4	0.63	115	44.7	1.1	1.1	74	—	
0.75 to <2.50	0.4	0.6	32.6	0.4	1.72	140	48.5	1.7	0.5	112	—	
– 0.75 to <1.75	0.2	0.1	28.8	0.2	1.36	76	50.6	1.4	0.3	98	—	
– 1.75 to <2.5	0.2	0.5	33.5	0.2	2.25	64	45.5	2.1	0.2	132	—	
2.50 to <10.00	0.1	0.1	22.7	0.1	4.60	41	48.3	1.2	0.1	154	—	
– 2.5 to <5	0.1	0.1	19.9	0.1	3.79	35	53.6	1.4	0.1	167	—	
– 5 to <10	—	—	31.9	—	5.79	6	40.5	1.0	—	134	—	
10.00 to <100.00	—	—	90.0	—	10.00	2	60.5	0.5	—	244	—	
– 10 to <20	—	—	90.0	—	10.00	2	60.5	0.5	—	244	—	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
100.00 (Default)	—	—	—	—	100.00	3	21.9	2.2	0.2	914	—	
Sub-total	73.6	15.1	28.8	78.1	0.11	3,695	38.9	1.4	13.8	18	—	—
AIRB – Corporate – specialised lending (excluding slotting)[5]												
0.00 to <0.15	3.0	0.3	62.0	2.8	0.09	39	20.2	3.9	0.5	16	—	
– 0.00 to <0.10	1.8	0.1	85.4	1.8	0.07	12	16.8	4.4	0.2	12	—	
– 0.10 to <0.15	1.2	0.2	50.5	1.0	0.13	27	26.0	3.1	0.3	22	—	
0.15 to <0.25	0.9	0.9	40.9	1.1	0.22	41	27.9	3.4	0.3	29	—	
0.25 to <0.50	0.7	0.3	48.7	0.8	0.37	27	31.6	4.1	0.4	51	—	
0.50 to <0.75	0.9	1.0	45.2	1.4	0.63	32	29.6	3.3	0.8	55	—	
0.75 to <2.50	2.4	1.0	39.4	2.2	1.12	50	28.5	3.8	1.4	63	—	
– 0.75 to <1.75	2.3	1.0	39.4	2.1	1.08	47	28.9	3.8	1.4	64	—	
– 1.75 to <2.5	0.1	—	—	0.1	2.25	3	13.9	4.4	—	46	—	
2.50 to <10.00	0.4	0.1	57.2	0.3	5.23	9	22.0	4.0	0.2	75	—	
– 2.5 to <5	0.1	—	—	0.1	3.05	4	20.0	3.3	—	67	—	
– 5 to <10	0.3	0.1	57.2	0.2	5.75	5	22.5	4.1	0.2	77	—	
10.00 to <100.00	0.2	0.3	56.3	0.4	38.46	6	19.8	3.0	0.5	114	—	
– 10 to <20	—	—	—	—	—	—	—	—	—	—	—	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100.00	0.2	0.3	56.3	0.4	38.46	6	19.8	3.0	0.5	114	—	
100.00 (Default)	0.1	—	100.0	0.1	100.00	4	25.2	3.5	—	28	0.1	
Sub-total	8.6	3.9	45.8	9.1	3.64	208	25.6	3.7	4.1	44	0.1	0.1

Table 31: IRB – Credit risk exposures by portfolio and PD range[1] (CR6) (continued)

	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[1]	Exposure weighted average LGD[2]	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors[2]	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions[3]
PD scale	$bn	$bn	%	$bn	%		%	years	$bn	%	$bn	$bn
AIRB – Corporate – SME												
0.00 to <0.15	0.2	0.6	29.4	0.6	0.12	315	41.6	1.7	0.2	23	—	
– 0.00 to <0.10	—	0.1	26.4	0.1	0.06	70	35.7	1.4	—	11	—	
– 0.10 to <0.15	0.2	0.5	30.0	0.5	0.13	245	42.7	1.7	0.2	26	—	
0.15 to <0.25	0.5	1.1	23.4	1.0	0.22	612	44.6	1.5	0.3	33	—	
0.25 to <0.50	1.0	1.6	24.7	1.5	0.37	879	33.9	2.0	0.6	38	—	
0.50 to <0.75	1.7	1.6	24.8	2.1	0.63	945	37.0	2.0	1.1	54	—	
0.75 to <2.50	7.3	4.8	25.9	8.3	1.50	3,453	31.4	1.9	5.1	62	0.1	
– 0.75 to <1.75	5.2	3.6	25.7	6.2	1.25	2,459	31.7	1.9	3.7	60	0.1	
– 1.75 to <2.5	2.1	1.2	26.5	2.1	2.25	994	30.8	1.7	1.4	68	—	
2.50 to <10.00	2.4	1.4	25.2	2.5	4.09	1,092	34.1	1.7	2.3	91	—	
– 2.5 to <5	1.9	1.2	24.3	2.1	3.59	874	34.3	1.7	1.8	88	—	
– 5 to <10	0.5	0.2	30.8	0.4	6.51	218	33.4	1.7	0.5	105	—	
10.00 to <100.00	0.2	0.1	32.6	0.2	23.79	127	51.4	1.3	0.4	221	—	
– 10 to <20	0.1	0.1	32.9	0.1	13.07	69	46.5	1.4	0.2	173	—	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100.00	0.1	—	32.3	0.1	36.00	58	57.0	1.1	0.2	277	—	
100.00 (Default)	1.4	0.2	41.8	1.4	100.00	270	34.6	1.7	2.6	180	0.3	
Sub-total	14.7	11.4	25.8	17.6	9.87	7,693	34.2	1.8	12.6	71	0.4	0.3
AIRB – Corporate – Other												
0.00 to <0.15	94.1	166.6	32.0	179.2	0.08	8,780	42.6	1.9	38.2	21	0.1	
– 0.00 to <0.10	64.0	106.9	33.7	121.5	0.05	4,808	41.4	2.0	20.5	17	—	
– 0.10 to <0.15	30.1	59.7	28.9	57.7	0.13	3,972	45.2	1.7	17.7	31	0.1	
0.15 to <0.25	31.7	53.7	30.2	54.2	0.22	5,838	42.6	1.8	22.4	41	0.1	
0.25 to <0.50	26.4	36.9	28.7	42.2	0.37	4,880	40.2	1.7	21.3	51	0.1	
0.50 to <0.75	34.2	36.7	27.1	42.1	0.63	5,651	39.1	1.7	27.2	65	0.1	
0.75 to <2.50	87.2	87.3	28.6	79.7	1.36	20,154	38.2	1.7	69.0	87	0.4	
– 0.75 to <1.75	57.0	55.4	28.8	66.2	1.19	14,415	38.4	1.8	55.7	84	0.3	
– 1.75 to <2.5	30.2	31.9	27.8	13.5	2.24	5,739	37.1	1.6	13.3	98	0.1	
2.50 to <10.00	27.1	19.9	26.5	22.1	4.45	6,665	38.3	1.7	27.8	126	0.4	
– 2.5 to <5	16.9	14.4	25.3	15.0	3.59	4,675	38.5	1.6	17.8	119	0.2	
– 5 to <10	10.2	5.5	30.2	7.1	6.28	1,990	37.8	1.9	10.0	141	0.2	
10.00 to <100.00	7.6	3.8	26.4	6.2	21.83	1,342	44.4	1.7	14.3	231	0.6	
– 10 to <20	6.2	3.2	26.6	4.7	14.72	1,014	43.9	1.7	10.6	228	0.3	
– 20 to <30	—	—	—	—	23.69	1	93.6	1.0	—	509	—	
– 30 to <100.00	1.4	0.6	25.7	1.5	43.42	327	46.0	1.9	3.7	240	0.3	
100.00 (Default)	7.6	0.8	40.0	7.0	100.00	1,029	42.0	1.5	5.4	77	3.3	
Sub-total	315.9	405.7	30.2	432.7	2.57	54,339	41.0	1.8	225.6	52	5.1	5.0
Wholesale AIRB – Total at 31 Dec 2022	817.9	438.9	30.3	943.9		66,478		1.8	301.5	32	6.0	5.5

Table 31: IRB – Credit risk exposures by portfolio and PD range (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[1]	Exposure weighted average LGD[2] %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors[2] $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	—	—	—	—	0.07	14	18.6	—	—	3	—	
– 0.00 to <0.10	—	—	—	—	0.07	14	18.6	—	—	3	—	
– 0.10 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
0.15 to <0.25	—	—	—	—	0.22	6	25.2	—	—	9	—	
0.25 to <0.50	0.4	—	—	0.4	0.38	1,327	18.3	—	—	10	—	
0.50 to <0.75	—	—	116.5	0.1	0.65	351	33.9	—	—	30	—	
0.75 to <2.50	0.1	—	135.2	0.1	1.72	664	37.7	—	0.1	60	—	
– 0.75 to <1.75	—	—	77.7	—	1.15	287	26.2	—	—	35	—	
– 1.75 to <2.5	0.1	—	150.6	0.1	2.22	377	47.9	—	0.1	82	—	
2.50 to <10.00	0.2	—	81.2	0.2	4.46	1,213	24.8	—	0.2	68	—	
– 2.5 to <5	0.2	—	51.3	0.2	3.77	935	24.3	—	0.1	61	—	
– 5 to <10	—	—	91.7	—	6.79	278	26.6	—	0.1	90	—	
10.00 to <100.00	—	—	31.6	—	19.23	151	26.0	—	—	119	—	
– 10 to <20	—	—	23.6	—	12.14	81	29.5	—	—	124	—	
– 20 to <30	—	—	58.6	—	25.44	70	23.0	—	—	115	—	
– 30 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
100.00 (Default)	0.1	—	95.6	0.1	100.00	244	29.5	—	—	83	—	
Sub-total	0.8	—	114.1	0.9	5.75	3,970	24.1	—	0.3	38	—	0.0
AIRB – Secured by mortgages on immovable property non-SME												
0.00 to <0.15	218.2	17.0	83.5	234.8	0.07	1,137,440	14.4	—	24.3	10	0.1	
– 0.00 to <0.10	176.1	13.1	78.9	188.6	0.06	942,653	14.5	—	16.4	9	0.1	
– 0.10 to <0.15	42.1	3.9	99.0	46.2	0.12	199,433	13.9	—	7.9	17	—	
0.15 to <0.25	47.9	2.9	93.2	50.6	0.20	228,267	15.7	—	8.3	16	—	
0.25 to <0.50	39.2	3.7	43.8	40.8	0.36	196,491	15.2	—	8.0	20	—	
0.50 to <0.75	15.6	1.0	52.6	16.1	0.59	64,122	13.6	—	3.9	24	—	
0.75 to <2.50	25.4	1.7	47.5	26.2	1.29	116,080	12.6	—	7.8	30	0.1	
– 0.75 to <1.75	21.9	1.5	48.9	22.6	1.17	104,293	12.8	—	6.7	30	0.1	
– 1.75 to <2.5	3.5	0.2	36.5	3.6	2.03	12,483	11.6	—	1.1	30	—	
2.50 to <10.00	7.5	0.2	73.0	7.7	4.30	32,756	11.4	—	3.4	44	—	
– 2.5 to <5	6.6	0.1	76.4	6.8	3.96	27,316	11.1	—	2.8	41	—	
– 5 to <10	0.9	0.1	64.8	0.9	6.80	5,612	13.7	—	0.6	69	—	
10.00 to <100.00	1.7	0.1	80.3	1.9	21.35	17,412	17.9	—	2.7	143	0.1	
– 10 to <20	0.9	0.1	100.0	1.0	13.88	13,257	12.9	—	1.1	105	—	
– 20 to <30	0.6	—	47.9	0.6	23.82	2,189	30.1	—	1.3	224	0.1	
– 30 to <100.00	0.2	—	25.3	0.3	46.31	2,130	10.1	—	0.3	111	—	
100.00 (Default)	1.7	—	19.0	1.7	100.00	14,634	19.3	—	2.1	126	0.3	
Sub-total	357.2	26.6	75.5	379.8	0.86	1,807,202	14.5	—	60.5	16	0.6	0.6
AIRB – Qualifying revolving retail exposures												
0.00 to <0.15	6.4	77.7	44.7	41.0	0.06	17,770,403	90.0	—	1.8	4	—	
– 0.00 to <0.10	4.9	67.1	44.6	34.8	0.04	15,413,204	89.5	—	1.2	3	—	
– 0.10 to <0.15	1.5	10.6	44.7	6.2	0.13	2,358,283	92.8	—	0.6	9	—	
0.15 to <0.25	1.0	6.8	53.7	4.6	0.21	2,214,698	90.9	—	0.7	16	—	
0.25 to <0.50	1.7	6.4	48.1	4.8	0.38	2,103,146	90.7	—	1.0	22	0.1	
0.50 to <0.75	1.3	1.9	58.7	2.5	0.59	740,517	90.8	—	0.9	35	—	
0.75 to <2.50	3.5	4.5	56.2	5.9	1.37	1,764,020	91.1	—	3.6	60	0.1	
– 0.75 to <1.75	3.0	4.1	54.0	5.1	1.23	1,416,077	91.7	—	2.9	56	0.1	
– 1.75 to <2.5	0.5	0.4	78.5	0.8	2.22	348,030	87.6	—	0.7	84	—	
2.50 to <10.00	1.9	0.9	85.2	2.6	4.55	842,575	86.4	—	3.3	125	0.1	
– 2.5 to <5	1.3	0.7	77.5	1.8	3.67	576,290	86.3	—	2.0	110	0.1	
– 5 to <10	0.6	0.2	116.6	0.8	6.64	266,299	86.7	—	1.3	160	—	
10.00 to <100.00	0.7	0.2	90.4	0.8	23.18	238,340	85.1	—	2.0	243	0.2	
– 10 to <20	0.5	0.1	128.0	0.6	14.21	157,412	84.3	—	1.4	230	0.1	
– 20 to <30	0.1	0.1	36.3	0.1	25.95	44,627	90.7	—	0.3	333	—	
– 30 to <100.00	0.1	—	50.3	0.1	68.70	36,311	85.1	—	0.3	245	0.1	
100.00 (Default)	0.2	—	51.6	0.2	100.00	226,907	67.9	—	0.4	238	0.1	

Table 31: IRB – Credit risk exposures by portfolio and PD range (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[1]	Exposure weighted average LGD[2]	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors[2]	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions[3]
	$bn	$bn	%	$bn	%		%	years	$bn	%	$bn	$bn
Sub-total	16.7	98.4	46.7	62.4	1.02	25,900,606	90.0	—	13.7	22	0.6	0.6
AIRB – Other SME												
0.00 to <0.15	—	—	100.2	—	0.11	31,363	89.5	—	—	20	—	
– 0.00 to <0.10	—	—	100.0	—	0.07	6,564	79.1	—	—	13	—	
– 0.10 to <0.15	—	—	100.2	—	0.13	24,799	93.3	—	—	23	—	
0.15 to <0.25	—	—	73.5	—	0.21	29,212	92.5	—	—	31	—	
0.25 to <0.50	—	0.1	62.1	0.1	0.41	83,283	78.2	—	0.1	41	—	
0.50 to <0.75	0.2	0.2	81.0	0.3	0.61	76,334	61.4	—	0.1	40	—	
0.75 to <2.50	2.9	1.2	57.0	1.5	1.61	543,172	75.0	—	1.1	77	—	
– 0.75 to <1.75	2.0	0.9	56.0	1.1	1.45	399,430	76.2	—	0.8	75	—	
– 1.75 to <2.5	0.9	0.3	60.3	0.4	2.15	143,742	71.0	—	0.3	82	—	
2.50 to <10.00	2.4	0.8	36.0	1.0	5.06	333,499	65.5	—	0.9	90	—	
– 2.5 to <5	1.2	0.6	29.1	0.6	3.67	186,820	63.1	—	0.5	87	—	
– 5 to <10	1.2	0.2	59.4	0.4	6.89	146,679	68.5	—	0.4	94	—	
10.00 to <100.00	1.7	0.1	60.4	0.3	22.05	215,793	78.7	—	0.4	142	0.1	
– 10 to <20	1.1	0.1	50.1	0.2	13.75	135,916	80.9	—	0.2	130	—	
– 20 to <30	0.3	—	83.7	0.1	24.19	36,354	68.4	—	0.1	139	—	
– 30 to <100.00	0.3	—	70.9	—	44.93	43,523	87.5	—	0.1	183	0.1	
100.00 (Default)	1.5	0.2	5.5	0.2	100.00	58,538	46.8	—	0.2	104	0.1	
Sub-total	8.7	2.6	49.3	3.4	10.15	1,371,194	69.9	—	2.8	83	0.2	0.4
AIRB – Other non-SME												
0.00 to <0.15	10.1	44.5	9.8	14.7	0.07	612,413	28.8	—	0.8	6	—	
– 0.00 to <0.10	7.1	38.9	7.3	10.0	0.04	417,003	31.4	—	0.4	4	—	
– 0.10 to <0.15	3.0	5.6	27.1	4.7	0.12	195,957	23.3	—	0.4	8	—	
0.15 to <0.25	2.3	3.6	20.8	3.4	0.21	317,038	40.3	—	0.6	19	—	
0.25 to <0.50	7.0	5.3	13.5	7.9	0.37	354,354	38.3	—	2.1	26	—	
0.50 to <0.75	3.0	3.5	9.9	3.4	0.63	98,836	27.7	—	0.8	25	—	
0.75 to <2.50	11.1	4.1	8.2	11.7	1.32	473,196	32.9	—	4.8	41	—	
– 0.75 to <1.75	9.5	3.6	7.3	10.0	1.17	381,069	30.6	—	3.7	37	—	
– 1.75 to <2.5	1.6	0.5	14.4	1.7	2.1	99,885	45.7	—	1.1	66	—	
2.50 to <10.00	2.2	0.7	35.3	2.5	4.42	252,503	51.6	—	2.1	81	0.1	
– 2.5 to <5	1.5	0.5	47.0	1.8	3.39	152,003	48.6	—	1.4	74	0.1	
– 5 to <10	0.7	0.2	5.3	0.7	7.06	101,211	59.0	—	0.7	99	—	
10.00 to <100.00	0.5	0.2	11.4	0.6	33.81	90,328	52.9	—	0.7	106	0.1	
– 10 to <20	0.2	0.1	16.7	0.3	14.17	44,922	65.2	—	0.4	136	—	
– 20 to <30	0.1	—	9.2	0.1	26.71	27,259	57.3	—	0.1	150	—	
– 30 to <100.00	0.2	0.1	9.5	0.2	59.78	18,474	36.6	—	0.2	55	0.1	
100.00 (Default)	0.2	—	19.7	0.2	100.00	21,327	71.8	—	0.4	267	0.1	
Sub-total	36.4	61.9	10.9	44.4	1.59	2,219,995	34.1	—	12.3	28	0.3	0.3
Retail AIRB - Total at 31 Dec 2022	419.8	189.5	39.1	490.9		31,302,967		—	89.6	18	1.7	1.9

Table 31: IRB – Credit risk exposures by portfolio and PD range (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[1]	Exposure weighted average LGD[2] %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors[2] $bn	Density of risk weighted exposure amount %	Expected loss amount $bn	Value adjustments and provisions[3] $bn
FIRB – Central government and central banks												
0.00 to <0.15	—	—	75.0	0.7	0.04	—	45.0	3.6	0.2	24	—	
– 0.00 to <0.10	—	—	75.0	0.7	0.04	—	45.0	3.6	0.2	24	—	
– 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 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
Sub-total	—	—	75.0	0.7	0.04	—	45.0	3.6	0.2	24	—	—
FIRB – Institutions												
0.00 to <0.15	—	—	14.6	0.1	0.05	1	45.0	2.3	—	19	—	
– 0.00 to <0.10	—	—	18.0	0.1	0.05	1	45.0	2.3	—	19	—	
– 0.10 to <0.15	—	—	6.3	—	0.13	—	45.0	0.2	—	17	—	
0.15 to <0.25	—	—	20.1	—	0.22	—	45.0	2.5	—	49	—	
0.25 to <0.50	0.1	—	—	0.1	0.37	1	45.0	1.6	0.1	53	—	
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 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
Sub-total	0.1	—	15.9	0.2	0.25	2	45.0	1.9	0.1	41	—	—
FIRB – Corporate – SME												
0.00 to <0.15	0.8	0.3	18.9	0.8	0.13	1,425	40.8	2.7	0.2	31	—	
– 0.00 to <0.10	—	—	—	—	0.07	2	45.0	1.5	—	17	—	
– 0.10 to <0.15	0.8	0.3	18.9	0.8	0.13	1,423	40.8	2.7	0.2	31	—	
0.15 to <0.25	1.9	0.7	16.3	2.0	0.22	2,647	38.9	2.3	0.7	35	—	
0.25 to <0.50	2.3	0.7	10.8	2.3	0.37	2,734	38.1	2.7	1.1	48	—	
0.50 to <0.75	2.0	0.5	18.9	2.0	0.63	1,962	38.2	2.6	1.2	60	—	
0.75 to <2.50	3.9	0.9	20.7	3.8	1.33	4,346	38.3	2.4	2.9	75	0.1	
– 0.75 to <1.75	3.3	0.8	21.5	3.3	1.18	3,708	38.3	2.4	2.4	73	0.1	
– 1.75 to <2.5	0.6	0.1	15.1	0.5	2.25	638	38.3	2.3	0.5	88	—	
2.50 to <10.00	1.2	0.3	21.7	1.1	4.79	1,449	37.5	2.4	1.2	107	—	
– 2.5 to <5	0.7	0.2	27.4	0.7	3.59	852	37.0	2.5	0.6	97	—	
– 5 to <10	0.5	0.1	11.4	0.4	6.55	597	38.1	2.1	0.6	122	—	
10.00 to <100.00	0.4	—	17.7	0.3	14.60	412	38.4	1.9	0.5	157	—	
– 10 to <20	0.4	—	18.1	0.3	12.71	359	38.3	1.9	0.5	154	—	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100.00	—	—	11.2	—	38.02	53	39.7	2.1	—	190	—	
100.00 (Default)	0.6	—	15.0	0.6	100.00	348	38.7	2.2	—	—	0.2	
Sub-total	13.1	3.4	17.4	12.9	5.79	15,323	38.5	2.4	7.8	61	0.3	0.2

Table 31: IRB – Credit risk exposures by portfolio and PD range (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[1]	Exposure weighted average LGD[2] %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors[2] $bn	Density of risk weighted exposure amount %	Expected loss amount $bn	Value adjustments and provisions[3] $bn
FIRB – Corporate – Other												
0.00 to <0.15	26.0	44.3	44.4	53.0	0.08	7,716	33.4	2.0	9.9	19	—	
– 0.00 to <0.10	16.3	29.0	48.2	34.1	0.05	2,835	34.5	2.0	5.4	16	—	
– 0.10 to <0.15	9.7	15.3	37.4	18.9	0.13	4,881	31.6	1.9	4.5	24	—	
0.15 to <0.25	10.9	13.7	35.7	17.7	0.22	5,058	34.7	1.9	6.6	37	—	
0.25 to <0.50	9.8	9.8	34.1	12.8	0.37	4,397	36.5	1.8	6.3	49	—	
0.50 to <0.75	8.2	6.4	32.5	10.6	0.63	3,620	30.9	1.6	5.6	53	—	
0.75 to <2.50	29.7	23.5	35.2	27.2	1.45	37,293	40.0	2.0	26.8	98	0.2	
– 0.75 to <1.75	17.4	15.6	34.4	21.7	1.25	34,021	40.2	2.0	20.6	95	0.1	
– 1.75 to <2.5	12.3	7.9	39.6	5.5	2.25	3,272	39.5	2.1	6.2	114	0.1	
2.50 to <10.00	8.8	6.3	38.5	9.2	4.31	4,810	39.5	2.1	12.4	135	0.2	
– 2.5 to <5	6.3	4.3	42.4	6.8	3.60	3,750	38.9	2.3	8.7	129	0.1	
– 5 to <10	2.5	2.0	28.1	2.4	6.26	1,060	41.0	1.6	3.7	153	0.1	
10.00 to <100.00	2.2	0.7	47.7	1.7	12.90	740	35.3	1.7	3.1	179	0.1	
– 10 to <20	2.1	0.7	48.8	1.7	12.05	651	35.3	1.7	3.0	180	0.1	
– 20 to <30	—	—	—	—	—	—	—	—	—	—	—	
– 30 to <100.00	0.1	—	11.2	—	58.60	89	36.4	1.2	0.1	151	—	
100.00 (Default)	3.4	0.7	49.1	3.5	100.00	1,664	44.8	2.2	—	—	1.6	
Sub-total	99	105.4	39.6	135.7	3.43	65,298	35.7	1.9	70.7	52	2.1	1.7
FIRB – Total at 31 Dec 2022	112.2	108.8	38.9	149.5		80,623		2.0	78.8	53	2.4	1.9

1 Single obligors 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.
2 The disclosures across all PD ranges are modelled LGD.
3 Figures have been prepared on an IFRS 9 transitional basis.
4 Deferred tax RWAs reported on IRB approach are not included in this table.
5 Slotting exposures are disclosed in Table 34: Specialised lending and equity exposures under the simple risk-weight approach (CR10).
6 Some exposures were reclassified to Corporate Other in June 2023.
7 A new mortgage model was implemented for HSBC UK in May 23, which changed the exposure distribution across PD bands.

Table 32 provides a breakdown of IRB credit risk RWAs before and after credit derivatives CRM effects. The table excludes securitisation positions, free deliveries and non-credit obligation assets.

Table 32: IRB – Effect on the RWA of credit derivatives used as CRM techniques (CR7)

		At 30 Jun 2023		At 31 Dec 2022	
		Pre-credit derivatives RWAs	**Actual RWAs**	Pre-credit derivatives RWAs	Actual RWAs
		$m	**$m**	$m	$m
1	**Exposures under FIRB**	**78,861**	**78,494**	79,264	78,790
2	Central governments and central banks	**164**	**164**	167	167
3	Institutions	**168**	**168**	67	67
4	Corporates	**78,529**	**78,162**	79,030	78,556
4.1	– *of which: SMEs*	***5,039***	***5,039***	*7,828*	*7,828*
4.2	– *of which: Specialised lending*[1]	**—**	**—**	—	—
4.3	– *of which: Others*	***73,490***	***73,123***	*71,202*	*70,728*
5	**Exposures under AIRB**[1]	**391,340**	**390,591**	399,697	398,888
6	Central governments and central banks	**57,855**	**57,855**	53,383	53,383
7	Institutions	**12,078**	**12,070**	13,779	13,768
8	Corporates[1]	**237,316**	**236,575**	242,935	242,137
8.1	– *of which: SMEs*	***9,766***	***9,766***	*12,552*	*12,552*
8.2	– *of which: Specialised lending*[1]	***4,091***	***4,091***	*4,019*	*4,019*
8.3	– *of which: Others*	***223,459***	***222,718***	*226,364*	*225,566*
9	Retail	**84,091**	**84,091**	89,600	89,600
9.1	– *of which: Retail – SMEs – Secured by immovable property collateral*	***265***	***265***	*328*	*328*
9.2	– *of which: Retail – non-SMEs – Secured by immovable property collateral*	***53,663***	***53,663***	*60,476*	*60,476*
9.3	– *of which: Retail – qualifying revolving*	***14,882***	***14,882***	*13,679*	*13,679*
9.4	– *of which: Retail – SMEs – Other*	***3,060***	***3,060***	*2,842*	*2,842*
9.5	– *of which: Retail – non-SMEs – Other*	***12,221***	***12,221***	*12,275*	*12,275*
10	**Total (including FIRB exposures and AIRB exposures)**[1]	**470,201**	**469,085**	478,961	477,678

1 *From 1 January 2023, specialised lending exposures under the slotting approach are excluded from this table. Prior period comparatives have been restated accordingly.*

The following table 33 discloses percentage of exposures secured by various CRM techniques, separately for each exposure class in AIRB and FIRB approaches. Free deliveries are not included in the table.

Table 33: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A)

			Funded credit protection								
				Part of exposures covered by Other eligible collateral (%)				Part of exposures covered by Other funded credit protection (%)			
		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
AIRB		**$bn**	%	%	%	%	%	%	%	%	%
1	Central governments and central banks	**449.2**	**6.77**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2	Institutions	**76.8**	**4.74**	**0.50**	**—**	**—**	**0.49**	**—**	**—**	**—**	**—**
3	Corporates	**474.0**	**7.54**	**20.66**	**14.45**	**2.75**	**3.47**	**0.27**	**—**	**0.27**	**—**
3.1	*– of which: Corporates – SMEs*	***14.4***	***5.24***	***63.96***	***53.52***	***3.21***	***7.22***	***2.83***	**—**	***2.83***	**—**
3.2	*Corporates – specialised lending*[1]	***11.2***	***0.28***	***1.25***	***0.82***	***0.01***	***0.42***	**—**	**—**	**—**	**—**
3.3	*Corporates – other*	***448.4***	***7.79***	***19.76***	***13.53***	***2.80***	***3.43***	***0.19***	**—**	***0.19***	**—**
4	Retail	**500.5**	**3.77**	**71.83**	**70.87**	**0.01**	**0.96**	**0.77**	**—**	**0.77**	**—**
4.1	*– of which: Retail – immovable property SMEs*	***0.8***	***1.65***	***94.10***	***93.64***	***0.46***	**—**	**—**	**—**	**—**	**—**
4.2	*Retail – immovable property non-SMEs*	***385.8***	***0.09***	***91.73***	***91.73***	**—**	**—**	**—**	**—**	**—**	**—**
4.3	*Retail – qualifying revolving*	***67.1***	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
4.4	*Retail – other SMEs*	***11.1***	***2.82***	***0.31***	**—**	***0.28***	***0.02***	**—**	**—**	**—**	**—**
4.5	*Retail – other non-SMEs*	***35.7***	***50.90***	***13.43***	**—**	**—**	***13.43***	***10.74***	**—**	***10.74***	**—**
5	**Total at 30 Jun 2023**	**1,500.5**	**5.91**	**30.51**	**28.20**	**0.87**	**1.44**	**0.34**	**—**	**0.34**	**—**
FIRB											
1	Central governments and central banks	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2	Institutions	**0.4**	**0.01**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
3	Corporates	**160.3**	**18.65**	**16.91**	**12.31**	**3.25**	**1.35**	**—**	**—**	**—**	**—**
3.1	*– of which: Corporates – SMEs*	***9.8***	***0.62***	***63.59***	***50.41***	***9.28***	***3.90***	**—**	**—**	**—**	**—**
3.2	*Corporates – specialised lending*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
3.3	*Corporates – other*	***150.5***	***19.82***	***13.88***	***9.84***	***2.86***	***1.18***	**—**	**—**	**—**	**—**
4	**Total at 30 Jun 2023**	**160.7**	**18.61**	**16.87**	**12.28**	**3.25**	**1.34**	**—**	**—**	**—**	**—**
IRB											
	Specialised lending under the slotting approach	**36.5**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	Equity exposures	**2.2**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

Table 33: 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	
		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
AIRB		%	%	$bn	$bn
1	Central governments and central banks	0.09	—	57.8	57.8
2	Institutions	0.16	—	11.8	12.1
3	Corporates	1.10	—	236.9	236.6
3.1	– *of which:* *Corporates – SMEs*	*1.89*	—	*10.0*	*9.8*
3.2	*Corporates – specialised lending*[1]	*10.55*	—	*4.1*	*4.1*
3.3	*Corporates – other*	*0.84*	—	*222.8*	*222.7*
4	Retail	6.32	—	84.1	84.1
4.1	– *of which:* *Retail – immovable property SMEs*	*0.12*	—	*0.3*	*0.3*
4.2	*Retail – immovable property non-SMEs*	*8.19*	—	*53.6*	*53.6*
4.3	*Retail – qualifying revolving*	—	—	*14.9*	*14.9*
4.4	*Retail – other SMEs*	*0.24*	—	*3.1*	*3.1*
4.5	*Retail – other non-SMEs*	*0.09*	—	*12.2*	*12.2*
5	**Total at 30 Jun 2023**	2.49	—	390.6	390.6
FIRB					
1	Central governments and central banks	—	—	—	0.2
2	Institutions	—	—	0.2	0.2
3	Corporates	—	—	78.3	78.1
3.1	– *of which:* *Corporates – SMEs*	—	—	*5.0*	*5.0*
3.2	*Corporates – specialised lending*	—	—	—	—
3.3	*Corporates – other*	—	—	*73.3*	*73.1*
4	**Total at 30 Jun 2023**	—	—	78.5	78.5
IRB					
	Specialised lending under the slotting approach	—	—	26.8	26.8
	Equity exposures	—	—	5.2	5.2

Table 33: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) (continued)

			Funded credit protection								
				Part of exposures covered by Other eligible collateral (%)				Part of exposures covered by Other funded credit protection (%)			
		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
AIRB		$bn	%	%	%	%	%	%	%	%	%
1	Central governments and central banks	409.7	6.48	—	—	—	—	—	—	—	—
2	Institutions	77.6	4.66	1.27	0.05	0.41	0.80	—	—	—	—
3	Corporates	467.2	7.26	22.08	15.60	2.63	3.80	0.55	—	0.55	—
3.1	– *of which:* *Corporates – SMEs*	*17.7*	*12.72*	*61.46*	*54.85*	*1.48*	*3.81*	*6.69*	—	*6.69*	—
3.2	*Corporates – specialised lending*[1]	*10.4*	*2.40*	—	—	—	—	—	—	—	—
3.3	*Corporates – other*	*439.1*	*7.15*	*21.01*	*14.39*	*2.74*	*3.89*	*0.32*	—	*0.32*	—
4	Retail	497.7	5.36	70.85	69.96	—	0.89	0.11	—	0.11	—
4.1	– *of which:* *Retail – immovable property SMEs*	*0.8*	*1.56*	*91.73*	*91.15*	*0.54*	*0.05*	—	—	—	—
4.2	*Retail – immovable property non-SMEs*	*380.9*	*0.09*	*91.21*	*91.21*	—	—	—	—	—	—
4.3	*Retail – qualifying revolving*	*62.8*	—	—	—	—	—	—	—	—	—
4.4	*Retail – other SMEs*	*9.7*	*1.68*	*0.13*	—	*0.07*	*0.06*	—	—	—	—
4.5	*Retail – other non-SMEs*	*43.5*	*60.08*	*10.18*	—	—	*10.18*	*1.25*	—	*1.25*	—
5	Total at 31 Dec 2022	1,452.2	6.25	31.45	29.00	0.87	1.57	0.22	—	0.22	—
FIRB											
1	Central governments and central banks	—	—	—	—	—	—	—	—	—	—
2	Institutions	0.2	—	—	—	—	—	—	—	—	—
3	Corporates	154.3	15.50	16.89	11.85	3.61	1.44	—	—	—	—
3.1	– *of which:* *Corporates – SMEs*	*13.7*	*0.67*	*61.01*	*44.78*	*11.78*	*4.46*	—	—	—	—
3.2	*Corporates – specialised lending*	—	—	—	—	—	—	—	—	—	—
3.3	*Corporates – other*	*140.6*	*16.95*	*12.59*	*8.64*	*2.81*	*1.14*	—	—	—	—
4	Total at 31 Dec 2022	154.5	15.49	16.88	11.84	3.61	1.44	—	—	—	—
IRB											
	Specialised lending under the slotting approach	38.7	—	—	—	—	—	—	—	—	—
	Equity exposures[2]	—	—	—	—	—	—	—	—	—	—

Table 33: 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	
		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
AIRB		%	%	$bn	$bn
1	Central governments and central banks	0.12	—	53.4	53.4
2	Institutions	0.16	—	13.3	13.8
3	Corporates	1.36	—	242.6	242.2
3.1	– *of which:* *Corporates – SMEs*	*1.75*	—	*12.5*	*12.5*
3.2	*Corporates – specialised lending*[1]	*2.13*	—	*4.1*	*4.1*
3.3	*Corporates – other*	*1.33*	—	*226.0*	*225.6*
4	Retail	6.44	—	89.6	89.6
4.1	– *of which:* *Retail – immovable property SMEs*	*0.11*	—	*0.3*	*0.3*
4.2	*Retail – immovable property non-SMEs*	*8.4*	—	*60.5*	*60.5*
4.3	*Retail – qualifying revolving*	*0*	—	*13.7*	*13.7*
4.4	*Retail – other SMEs*	*0.32*	—	*2.8*	*2.8*
4.5	*Retail – other non-SMEs*	*0.05*	—	*12.3*	*12.3*
5	Total at 31 Dec 2022	*2.69*	—	398.9	399.0
FIRB					
1	Central governments and central banks	—	—	—	0.2
2	Institutions	—	—	0.1	0.1
3	Corporates	—	—	78.7	78.5
3.1	– *of which:* *Corporates – SMEs*	—	—	*7.8*	*7.8*
3.2	*Corporates – specialised lending*	—	—	—	—
3.3	*Corporates – other*	—	—	*70.9*	*70.7*
4	Total at 31 Dec 2022	—	—	78.8	78.8
IRB					
	Specialised lending under the slotting approach	—	—	27.0	27.0
	Equity exposures[2]	—	—	—	—

1 Specialised lending exposures under the slotting approach are disclosed separately in the table.
2 No comparatives are provided for December 2022, as disclosures were enhanced from June 2023.

Table 34 sets out the specialised lending exposures by different regulatory slotting categories split by remaining maturity. It also includes a separate disclosure of equity exposures under the simple risk-weighted approach.

Table 34: Specialised lending and equity exposures under the simple risk-weight approach (CR10)

Specialised lending: Project finance (Slotting approach)							
Regulatory categories	**Remaining maturity**	**On-balance sheet amount $m**	**Off-balance sheet amount $m**	**Risk weight %**	**Exposure amount $m**	**RWAs $m**	**Expected loss $m**
Category 1	Less than 2.5 years	**—**	**—**	**50**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**70**	**—**	**—**	**—**
Category 2	Less than 2.5 years	**—**	**—**	**70**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**3**	**—**	**90**	**3**	**2**	**—**
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	**—**	**—**	**—**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**1**	**—**	**—**	**1**	**—**	**—**
Total at 30 Jun 2023	Less than 2.5 years	**—**	**—**		**—**	**—**	**—**
	Equal to or more than 2.5 years	**4**	**—**		**4**	**2**	**—**
Category 1	Less than 2.5 years	—	—	50	—	—	—
	Equal to or more than 2.5 years	—	—	70	—	—	—
Category 2	Less than 2.5 years	—	10	70	—	—	—
	Equal to or more than 2.5 years	169	25	90	181	154	2
Category 3	Less than 2.5 years	—	—	115	—	—	—
	Equal to or more than 2.5 years	—	—	115	—	—	—
Category 4	Less than 2.5 years	2	—	250	2	5	—
	Equal to or more than 2.5 years	1	—	250	1	2	—
Category 5	Less than 2.5 years	3	6	—	4	—	2
	Equal to or more than 2.5 years	—	1	—	—	—	—
Total at 31 Dec 2022	Less than 2.5 years	5	16		6	5	2
	Equal to or more than 2.5 years	170	26		182	156	2

Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)							
Regulatory categories	**Remaining maturity**	**On-balance sheet amount $m**	**Off-balance sheet amount $m**	**Risk weight %**	**Exposure amount $m**	**RWAs $m**	**Expected loss $m**
Category 1	Less than 2.5 years	**12,453**	**1,720**	**50**	**13,272**	**6,462**	**—**
	Equal to or more than 2.5 years	**6,037**	**947**	**70**	**6,615**	**4,560**	**26**
Category 2	Less than 2.5 years	**7,410**	**972**	**70**	**7,808**	**5,357**	**31**
	Equal to or more than 2.5 years	**3,329**	**447**	**90**	**3,552**	**3,153**	**28**
Category 3	Less than 2.5 years	**1,716**	**122**	**115**	**1,762**	**1,993**	**49**
	Equal to or more than 2.5 years	**688**	**—**	**115**	**687**	**783**	**19**
Category 4	Less than 2.5 years	**1,178**	**584**	**250**	**1,403**	**3,455**	**112**
	Equal to or more than 2.5 years	**407**	**—**	**250**	**407**	**1,000**	**33**
Category 5	Less than 2.5 years	**717**	**6**	**—**	**721**	**—**	**361**
	Equal to or more than 2.5 years	**173**	**—**	**—**	**166**	**—**	**83**
Total at 30 Jun 2023	Less than 2.5 years	**23,474**	**3,404**		**24,966**	**17,267**	**553**
	Equal to or more than 2.5 years	**10,634**	**1,394**		**11,427**	**9,496**	**189**
Category 1	Less than 2.5 years	13,533	2,404	50	14,678	7,287	—
	Equal to or more than 2.5 years	7,875	847	70	8,380	5,815	33
Category 2	Less than 2.5 years	6,093	970	70	6,501	4,504	26
	Equal to or more than 2.5 years	3,183	501	90	3,449	3,041	27
Category 3	Less than 2.5 years	2,038	51	115	2,058	2,342	58
	Equal to or more than 2.5 years	346	6	115	345	384	10
Category 4	Less than 2.5 years	855	112	250	905	2,232	72
	Equal to or more than 2.5 years	187	46	250	196	485	16
Category 5	Less than 2.5 years	447	—	—	447	—	222
	Equal to or more than 2.5 years	235	11	—	237	—	119
Total at 31 Dec 2022	Less than 2.5 years	22,966	3,537		24,589	16,365	378
	Equal to or more than 2.5 years	11,826	1,411		12,607	9,725	205

Table 34: 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	**34**	**13**	**50**	**43**	**22**	**—**
	Equal to or more than 2.5 years	**69**	**—**	**70**	**69**	**48**	**—**
Category 2	Less than 2.5 years	**—**	**—**	**70**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**90**	**—**	**—**	**—**
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	**3**	**—**	**—**	**3**	**—**	**1**
	Equal to or more than 2.5 years	**—**	**—**	**—**	**—**	**—**	**—**
Total at 30 Jun 2023	Less than 2.5 years	**37**	**13**		**46**	**22**	**1**
	Equal to or more than 2.5 years	**69**	**—**		**69**	**48**	**—**
Category 1	Less than 2.5 years	587	35	50	613	306	—
	Equal to or more than 2.5 years	542	28	70	563	393	2
Category 2	Less than 2.5 years	58	2	70	59	42	—
	Equal to or more than 2.5 years	38	—	90	38	34	—
Category 3	Less than 2.5 years	4	—	115	5	5	—
	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	3	—	—	3	—	1
	Equal to or more than 2.5 years	—	—	—	—	—	—
Total at 31 Dec 2022	Less than 2.5 years	652	37		680	353	1
	Equal to or more than 2.5 years	580	28		601	427	2

Equity exposures under simple risk-weighted approach[1]	On-balance sheet amount	Off-balance sheet amount	RW	Exposure amount	RWAs	Expected losses
Regulatory categories	**$m**	**$m**	**%**	**$m**	**$m**	**$m**
Private equity exposures	**1,398**	**—**	**190**	**1,398**	**2,655**	**11**
Exchange-traded equity exposures	**150**	**—**	**290**	**150**	**435**	**1**
Other equity exposures	**195**	**—**	**370**	**195**	**723**	**5**
Off balance sheet CIU equity exposures[2]	**—**	**838**		**486**	**1,364**	**6**
Total at 30 Jun 2023	**1,743**	**838**		**2,229**	**5,177**	**23**

1 *No comparatives are provided as disclosures were enhanced from June 2023.*
2 *Off-balance sheet collective investment undertakings ('CIU') equity exposures are calculated as per CRR II Article 132c.*

Counterparty credit risk

Counterparty credit risk management

Counterparty credit risk ('CCR') arises for derivatives, long settlement transactions 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 final settlement, for cases where there is a bilateral risk of loss. We cover CVA in the subsequent section.

Under the SA-CCR approach, the EAD is calculated as the sum of replacement cost ('RC') and potential future exposure ('PFE') multiplied by an alpha factor of 1.4. We use this approach for all derivative and long settlement transactions not covered by our IMM permission. Under the IMM approach, EAD is calculated by multiplying the effective expected positive exposure ('EEPE') with a multiplier 'alpha'. The two alpha factors for standardised and internal model method are distinct.

Alpha, for IMM, is currently set at 1.45 and 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, which have been 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.

Limits for CCR exposures, including to central counterparties ('CCPs'), 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.

During 2022, HSBC implemented a new counterparty risk framework to provide enhanced oversight of its financing activities across derivative financing and securities financing transactions. The new risk measure, Cat F, is an ancillary measure to the existing Cat B counterparty credit risk measure and improves the control of both the quality and quantum of financing at a counterparty level.

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 68 of the Pillar 3 Disclosures at *31 December 2022.*

Table 35 analyses CCR exposures by approach for derivatives and securities financing transactions, excluding the CVA charge, failed settlements, free deliveries and exposures to CCPs.

Table 35: Analysis of counterparty credit risk exposure by approach (excluding centrally cleared exposures) (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**
UK-1	Original exposure method (for derivatives)	—	—	—	—	—	—	—	—
UK-2	Simplified SA-CCR (for derivatives)	—	—	—	—	—	—	—	—
1	SA-CCR (for derivatives)	**7,813**	**10,627**	—	**1.40**	**25,815**	**25,815**	**25,815**	**11,121**
2	IMM (for derivatives and SFTs)	—	—	**27,200**	**1.45**	**39,439**	**39,439**	**39,439**	**12,029**
2a	– *of which: securities financing transactions netting sets*					—		—	
2b	*derivatives and long settlement transactions netting sets*	—	—	***27,200***	***1.45***	***39,439***	***39,439***	***39,439***	***12,029***
2c	*from contractual cross-product netting sets*	—	—	—	—	—	—	—	—
3	Financial collateral simple method (for SFTs)	—	—	—	—	—	—	—	—
4	Financial collateral comprehensive method (for SFTs)					**54,883**	**55,085**	**55,085**	**8,688**
5	VaR for SFTs					—	—	—	—
6	**Total at 30 Jun 2023**					**120,137**	**120,339**	**120,339**	**31,838**
UK-1	Original exposure method (for derivatives)	—	—	—	—	—	—	—	—
UK-2	Simplified SA-CCR (for derivatives)	—	—	—	—	—	—	—	—
1	SA-CCR (for derivatives)	6,718	9,675	—	1.40	22,950	22,950	22,950	9,451
2	IMM (for derivatives and SFTs)	—	—	26,664	1.45	38,663	38,663	38,663	11,759
2a	– *of which: securities financing transactions netting sets*	—	—	—	—	—	—	—	—
2b	*derivatives and long settlement transactions netting sets*	—	—	*26,664*	*1.45*	*38,663*	*38,663*	*38,663*	*11,759*
2c	*from contractual cross-product netting sets*	—	—	—	—	—	—	—	—
3	Financial collateral simple method (for SFTs)	—	—	—	—	—	—	—	—
4	Financial collateral comprehensive method (for SFTs)					56,378	56,524	56,524	7,795
5	VaR for SFTs					—	—	—	—
6	Total at 31 Dec 2022					117,991	118,137	118,137	29,005

Credit valuation adjustment

Credit valuation adjustments ('CVA') represent the risk of mark-to-market losses on the expected counterparty risk to over-the-counter ('OTC') derivatives and SFTs which are subject to fair-value accounting. Certain central counterparties are exempt from CVA.

Table 36 sets out exposures and RWAs related to CVA regulatory calculations with the breakdown by standardised and advanced approaches.

Table 36: Credit valuation adjustment capital charge (CCR2)

		At 30 Jun 2023		At 31 Dec 2022	
		Exposure value	**RWAs**	Exposure value	RWAs
		$m	**$m**	$m	$m
1	Total transactions subject to the Advanced method	**24,472**	**1,857**	21,969	1,313
2	– VaR component (including the 3 × multiplier)		**306**		246
3	– stressed VaR component (including the 3 × multiplier)		**1,551**		1,067
4	Transactions subject to the Standardised method	**13,116**	**2,024**	12,291	1,971
5	**Total transactions subject to own funds requirements for CVA risk**	**37,588**	**3,881**	34,260	3,284

Table 37 presents information on the risk weighting of CCR exposures under the standardised approach by regulatory portfolio. It excludes the failed settlements, free deliveries, default fund contributions and CVA charge.

Table 37: Standardised approach – CCR exposures by regulatory exposure class and risk weights (CCR3)

	Risk weight	0% $m	4% $m	20% $m	50% $m	100% $m	150% $m	Others $m	Total exposure value $m
1	Central governments and central banks	**3,090**	**—**	**582**	**11**	**10**	**—**	**—**	**3,693**
2	Regional government or local authorities	**290**	**—**	**2**	**—**	**13**	**—**	**—**	**305**
6	Institutions	**—**	**422**	**43**	**48**	**445**		**—**	**958**
7	Corporates	**—**	**—**	**45**	**72**	**2,147**	**814**	**—**	**3,078**
	Total at 30 Jun 2023	**3,380**	**422**	**672**	**131**	**2,615**	**814**	**—**	**8,034**
1	Central governments and central banks	7,640	—	35	7	45	—	—	7,727
2	Regional government or local authorities	151	—	2	—	14	—	—	167
6	Institutions	—	—	54	5	403	—	—	462
7	Corporates	—	—	12	37	1,578	418	—	2,045
	Total at 31 Dec 2022	7,791	—	103	49	2,040	418	—	*10,401*

Table 38 discloses detailed key parameters used for the calculation of capital requirements of counterparty credit risk exposure under the IRB approach split by portfolio and PD range. It excludes the failed settlements, free deliveries, default fund contributions and CVA charge.

Table 38: 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	**11,437**	**0.03**	**101**	**45.0**	**0.47**	**603**	**5**
0.15 to <0.25	**115**	**0.22**	**8**	**45.0**	**0.57**	**36**	**31**
0.25 to <0.50	**—**	**0.37**	**1**	**45.0**	**1.00**	**—**	**47**
0.50 to <0.75	**2**	**0.63**	**2**	**45.0**	**1.11**	**1**	**67**
0.75 to <2.50	**101**	**2.22**	**6**	**45.0**	**1.00**	**113**	**112**
2.50 to <10.00	**44**	**3.05**	**1**	**45.0**	**0.73**	**61**	**138**
10.00 to <100.00	**203**	**18.98**	**2**	**45.0**	**1.02**	**506**	**249**
100.00 (Default)	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Sub-total	**11,902**	**0.39**	**121**	**45.0**	**0.49**	**1,320**	**11**
AIRB – Institutions							
0.00 to <0.15	**50,701**	**0.07**	**5,713**	**44.9**	**0.78**	**8,154**	**16**
0.15 to <0.25	**2,711**	**0.22**	**568**	**45.1**	**1.10**	**1,196**	**44**
0.25 to <0.50	**550**	**0.37**	**104**	**45.5**	**0.81**	**287**	**52**
0.50 to <0.75	**665**	**0.63**	**99**	**45.1**	**0.71**	**475**	**71**
0.75 to <2.50	**414**	**1.41**	**130**	**45.3**	**0.85**	**409**	**99**
2.50 to <10.00	**29**	**3.31**	**22**	**45.7**	**1.15**	**37**	**129**
10.00 to <100.00	**—**	**17.77**	**2**	**45.0**	**3.97**	**2**	**726**
100.00 (Default)	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Sub-total	**55,070**	**0.10**	**6,638**	**44.9**	**0.80**	**10,560**	**19**
AIRB – Corporates							
0.00 to <0.15	**11,844**	**0.07**	**3,285**	**45.4**	**1.25**	**2,359**	**20**
0.15 to <0.25	**3,245**	**0.22**	**1,167**	**47.4**	**0.99**	**1,336**	**41**
0.25 to <0.50	**2,508**	**0.37**	**648**	**46.2**	**2.25**	**1,473**	**59**
0.50 to <0.75	**752**	**0.63**	**492**	**45.5**	**1.13**	**527**	**70**
0.75 to <2.50	**2,335**	**1.38**	**2,303**	**47.4**	**1.15**	**2,374**	**102**
2.50 to <10.00	**217**	**4.63**	**240**	**50.8**	**2.44**	**386**	**178**
10.00 to <100.00	**36**	**21.43**	**37**	**47.6**	**1.07**	**85**	**239**
100.00 (Default)	**81**	**100.00**	**9**	**48.0**	**0.04**	**—**	**—**
Sub-total	**21,018**	**0.76**	**8,181**	**46.1**	**1.32**	**8,540**	**41**
AIRB – Total at 30 Jun 2023	**87,990**	**0.30**	**14,940**	**45.2**	**0.88**	**20,420**	**23**
FIRB – Corporates							
0.00 to <0.15	**17,203**	**0.07**	**4,272**	**45.0**	**1.24**	**3,203**	**19**
0.15 to <0.25	**3,541**	**0.22**	**1,092**	**45.0**	**0.64**	**1,356**	**38**
0.25 to <0.50	**878**	**0.37**	**611**	**45.0**	**1.40**	**490**	**56**
0.50 to <0.75	**1,123**	**0.63**	**524**	**45.0**	**0.61**	**780**	**69**
0.75 to <2.50	**2,202**	**1.50**	**1,622**	**45.0**	**2.12**	**2,459**	**112**
2.50 to <10.00	**226**	**4.11**	**347**	**45.0**	**1.13**	**310**	**137**
10.00 to <100.00	**28**	**17.83**	**55**	**45.0**	**1.36**	**64**	**232**
100.00 (Default)	**20**	**100.00**	**32**	**45.0**	**1.62**	**—**	**—**
FIRB – Total at 30 Jun 2023	**25,221**	**0.42**	**8,555**	**45.0**	**1.47**	**8,662**	**34**
Total (all portfolios) at 30 Jun 2023	**113,211**	**0.32**	**23,495**	**45.0**	**1.01**	**29,082**	**26**

Table 38: 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	11,835	0.03	99	45.0	0.58	732	6
0.15 to <0.25	231	0.22	10	45.0	0.28	65	28
0.25 to <0.50	—	—	—	—	—	—	—
0.50 to <0.75	1	0.63	3	45.0	1.45	1	76
0.75 to <2.50	204	2.22	7	45.0	0.91	224	110
2.50 to <10.00	—	—	—	—	—	—	—
10.00 to <100.00	20	10.00	2	45.0	1.00	39	197
100.00 (Default)	—	—	—	—	—	—	—
Sub-total	12,291	0.09	121	45.0	0.58	1,061	9
AIRB – Institutions							
0.00 to <0.15	48,882	0.07	5,561	45.0	0.81	7,842	16
0.15 to <0.25	2,237	0.22	490	46.0	0.90	941	42
0.25 to <0.50	595	0.37	104	45.4	0.76	312	52
0.50 to <0.75	692	0.63	101	45.1	0.77	500	72
0.75 to <2.50	342	1.53	129	45.3	0.54	551	161
2.50 to <10.00	36	3.32	20	45.8	0.97	45	126
10.00 to <100.00	—	20.39	4	45.0	0.46	1	218
100.00 (Default)	—	—	—	—	—	—	—
Sub-total	52,784	0.10	6,409	45.0	0.81	10,192	19
AIRB – Corporates							
0.00 to <0.15	13,936	0.07	3,365	45.8	1.34	2,816	20
0.15 to <0.25	3,258	0.22	1,178	47.2	0.97	1,301	40
0.25 to <0.50	1,993	0.37	616	47.8	2.04	1,188	60
0.50 to <0.75	1,044	0.63	501	45.7	1.00	743	71
0.75 to <2.50	2,658	1.39	1,937	45.7	1.24	2,603	98
2.50 to <10.00	342	4.69	253	46.4	2.76	575	168
10.00 to <100.00	32	32.65	38	44.2	1.72	67	211
100.00 (Default)	78	100.00	9	47.9	0.03	—	—
Sub-total	23,341	0.74	7,897	46.1	1.34	9,293	40
AIRB – Total at 31 Dec 2022	88,416	0.27	14,427	45.3	0.92	20,546	23
FIRB – Corporates							
0.00 to <0.15	20,421	0.07	4,362	45.0	1.25	3,697	18
0.15 to <0.25	3,270	0.22	1,058	45.0	0.91	1,231	38
0.25 to <0.50	1,084	0.37	526	45.0	1.45	626	58
0.50 to <0.75	1,281	0.63	544	45.0	0.21	910	71
0.75 to <2.50	1,854	1.43	1,552	45.0	1.80	1,861	100
2.50 to <10.00	295	4.16	295	45.0	1.13	410	139
10.00 to <100.00	31	19.51	51	45.0	1.18	70	225
100.00 (Default)	15	100.00	38	45.0	0.97	—	—
FIRB – Total at 31 Dec 2022	28,251	0.33	8,426	45.0	1.21	8,805	31
Total (all portfolios) at 31 Dec 2022	116,667	0.28	22,853	45.2	0.99	29,351	25

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.

Further information on gross fair value exposure and the offset due to legally enforceable netting and collateral is set out on page 401 of the Annual Report and Accounts 2022.

Table 39 below analyses collateral used in derivatives and SFT transactions.

Table 39: 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	**141**	**158,129**	**392**	**122,462**	**160**	**317**
2	Debt	**10,430**	**23,752**	**16,721**	**24,431**	**462,556**	**332,902**
3	Equity	**—**	**—**	**—**	**—**	**49,065**	**38,378**
4	Other	**—**	**—**	**—**	**—**	**1,505**	**1,933**
5	**Total at 30 Jun 2023**	**10,571**	**181,881**	**17,113**	**146,893**	**513,286**	**373,530**
1	Cash	152	177,183	248	122,264	—	466
2	Debt	10,204	20,969	16,038	23,899	450,480	288,372
3	Equity	—	—	—	—	48,339	36,566
4	Other	—	—	—	—	1,316	1,480
5	Total at 31 Dec 2022	10,356	198,152	16,286	146,163	500,135	326,884

Table 40 shows the credit derivative exposures that HSBC holds for client intermediation and those amounts booked as part of HSBC's own credit portfolio. Where the credit derivative is used to hedge our own portfolio, no counterparty credit risk capital requirement arises.

Table 40: Credit derivatives exposures (CCR6)

		At 30 Jun 2023		At 31 Dec 2022	
		Protection bought	Protection sold	Protection bought	Protection sold
		$m	$m	$m	$m
Notionals					
1	Single-name credit default swaps	**51,828**	**44,273**	60,822	52,598
2	Index credit default swaps	**28,423**	**24,695**	30,108	28,584
3	Total return swaps	**2,816**	**8,195**	1,015	10,745
6	**Total notionals[1]**	**83,067**	**77,163**	91,945	91,927
Fair values					
7	Positive fair value (asset)	**528**	**937**	594	496
8	Negative fair value (liability)	**(934)**	**(679)**	(774)	(490)

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.*

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 41 below provides the exposures and RWAs breakdown related to CCPs.

Table 41: Exposures to central counterparties (CCR8)

		At 30 Jun 2023		At 31 Dec 2022	
		Exposure value	RWAs	Exposure value	RWAs
		$m	$m	$m	$m
1	**Exposures to qualifying central counterparties ('QCCPs') (total)**		**1,333**		1,258
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	**11,946**	**239**	13,654	273
3	– OTC derivatives	**4,316**	**86**	4,676	94
4	– exchange-traded derivatives	**3,645**	**73**	3,760	75
5	– securities financing transactions	**3,985**	**80**	5,218	104
7	Segregated initial margin	**7,282**		7,452	
8	Non-segregated initial margin	**18,402**	**368**	17,510	350
9	Pre-funded default fund contributions		**726**	—	635
10	Unfunded default fund contributions			—	—
11	**Exposures to non-QCCPs (total)**		**1,436**		1,082
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)	**892**	**1,276**	644	840
13	– OTC derivatives	**—**	**—**	5	7
14	– exchange-traded derivatives	**1**	**1**	—	—
15	– securities financing transactions	**891**	**1,275**	639	833
18	Non-segregated initial margin	**26**	**26**	38	38
19	Pre-funded default fund contributions	**—**	**26**	—	204
20	Unfunded default fund contributions	**—**	**108**	—	—

Wrong-way risk

Wrong-way risk occurs when a counterparty's exposures are adversely correlated with its credit quality.

There are two types of wrong-way risk:

- General wrong-way risk occurs when the probability of counterparty default is positively correlated with general risk factors, for example, where a counterparty is resident and/or incorporated in a higher-risk country and seeks to sell a non-domestic currency in exchange for its home currency.
- Specific wrong-way risk occurs in self-referencing transactions. These are transactions in which exposure is driven by capital or financing instruments issued by the counterparty and occurs where exposure from HSBC's perspective materially increases as the value of the counterparty's capital or financing instruments referenced in the contract decreases. It is HSBC's policy that specific wrong-way transactions are approved on a case-by-case basis.

We use a range of tools to monitor and control wrong-way risk, including requiring the business to obtain prior approval before undertaking wrong-way risk transactions outside pre-agreed guidelines.

The regional Traded Risk functions are responsible for the control and monitoring process within an overarching Group framework and limit framework.

Credit rating downgrade

A credit rating downgrade clause in a Master Agreement or a credit rating downgrade threshold clause in a credit support annex ('CSA') is designed to trigger an action if the credit rating of the affected party falls below a specified level. These actions may include the requirement to pay or increase collateral, the termination of transactions by the non-affected party or the assignment of transactions by the affected party.

At 30 June 2023, the value of the additional collateral pertaining to International Swaps and Derivatives Association CSA downgrade thresholds that we would potentially need to post with counterparties in the event of a one-notch downgrade of our rating was $0.07bn (31 December 2022: $0.04bn) and for a two-notch downgrade was $0.16bn (31 December 2022: $0.13bn).

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 non-trading 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, other than through any interest it has retained in the securitised exposures.

Securitisation activity

Our roles in the securitisation process are as follows:

- 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	N/A[1]	Corporate loans	Dec-21	Dec-28	2,187	187	27
HBEU	Metrix Portfolio Distribution plc	Corporate loans	Dec-19	Dec-26	1,341	34	37
HBUK	Neon Portfolio Distribution DAC	Corporate loans	Dec-19	Dec-26	1,970	130	26
HBCE	N/A[1]	Corporate loans	Dec-22	Dec-29	3,565	153	47

1 *SPE not used. Transfer of risk executed via issue of credit-linked notes by HSBC.*

HSBC as originator

We are originator in four synthetic securitisation programmes outstanding as at 30 June 2023, 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 an unhedged holding of at least 5% in each reference obligation. None of these transactions are categorised as simple transparent and standardised ('STS').

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.

Further details are available in Note 20 of the financial statements in the Annual Report and Accounts 2022.

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.

We reassess the need to consolidate whenever there is a change in the substance of the relationship between HSBC and a structured 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 2022.

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 2022.

Valuation of securitisation positions

The valuation of 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 regards to retained securitisation and re-securitisation exposures, is to continually review our positions.

Securitisation 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.

Further details of our securitisation regulatory treatment may be found on page 13 of this document.

Analysis of securitisation positions

Our involvement in securitisation activities reflected the following in 1H23:

- $9.0bn positions held as synthetic transactions (2022: $10.4bn);
- 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 (2022: $0.1bn), which relates to assets within SPEs that are consolidated for regulatory purposes; and
- total exposures include off-balance sheet exposures of $11.0bn (2022: $14.0bn), 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 42 provides the carrying amount of non-trading securitisation exposures, separately for traditional and synthetic securitisations where the bank acts as originator, sponsor or investor.

Table 42: 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**	**Syn-thetic**	**Sub-total**	**STS**	**Non-STS**	**Syn-thetic**	**Sub-total**
		$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
1	**Total at 30 Jun 2023**	**—**	**—**	**70**	***70***	**9,063**	***9,063***	**9,133**	**2,173**	**5,424**	**—**	**7,597**	**1,906**	**14,358**	**—**	**16,264**
2	Retail (total)	**—**	**—**	**70**	***70***	**—**	**—**	**70**	**1,215**	**4,704**	**—**	**5,919**	**1,906**	**8,252**	**—**	**10,158**
3	– residential mortgage	**—**	**—**	**70**	***70***	**—**	**—**	**70**	**119**	**1,719**	**—**	**1,838**	**273**	**1,273**	**—**	**1,546**
4	– credit card	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,051**	**—**	**1,051**
5	– other retail exposures	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,096**	**2,985**	**—**	**4,081**	**1,633**	**5,928**	**—**	**7,561**
6	– re-securitisation	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
7	Wholesale (total)	**—**	**—**	**—**	**—**	**9,063**	***9,063***	**9,063**	**958**	**720**	**—**	**1,678**	**—**	**6,106**	**—**	**6,106**
8	– loans to corporates	**—**	**—**	**—**	**—**	**9,063**	***9,063***	**9,063**	**—**	**68**	**—**	**68**	**—**	**1,846**	**—**	**1,846**
9	– commercial mortgage	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**66**	**—**	**66**	**—**	**3,999**	**—**	**3,999**
10	– lease and receivables	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**958**	**496**	**—**	**1,454**	**—**	**115**	**—**	**115**
11	– other wholesale	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**90**	**—**	**90**	**—**	**146**	**—**	**146**
12	– re-securitisation	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
1	Total at 31 Dec 2022	—	—	41	*41*	10,418	*10,418*	10,459	2,011	5,384	—	7,395	1,419	14,156	—	15,575
2	Retail (total)	—	—	41	*41*	—	—	41	1,127	4,812	—	5,939	1,206	7,632	—	8,838
3	– residential mortgage	—	—	41	*41*	—	—	41	50	1,736	—	1,786	267	1,355	—	1,622
4	– credit card	—	—	—	—	—	—	—	—	—	—	—	—	1,276	—	1,276
5	– other retail exposures	—	—	—	—	—	—	—	1,077	3,076	—	4,153	939	5,001	—	5,940
6	– re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Wholesale (total)	—	—	—	—	10,418	*10,418*	10,418	884	572	—	1,456	213	6,524	—	6,737
8	– loans to corporates	—	—	—	—	10,418	*10,418*	10,418	—	67	—	67	—	2,622	—	2,622
9	– commercial mortgage	—	—	—	—	—	—	—	—	65	—	65	—	3,397	—	3,397
10	– lease and receivables	—	—	—	—	—	—	—	884	342	—	1,226	213	339	—	552
11	– other wholesale	—	—	—	—	—	—	—	—	98	—	98	—	166	—	166
12	– re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Table 43 provides carrying amount of trading securitisation exposures, separately for traditional and synthetic securitisations where the bank acts as originator, sponsor or investor.

Table 43: Securitisation exposures in the trading book (SEC2)

		At 30 Jun 2023				At 31 Dec 2022			
		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**	**571**	**3,132**	**—**	**3,703**	552	3,110	—	3,662
2	**Retail (total)**	**542**	**1,882**	**—**	**2,424**	512	1,914	—	2,426
3	– residential mortgage	**139**	**1,491**	**—**	**1,630**	129	1,458	—	1,587
4	– credit card	**25**	**—**	**—**	**25**	9	4	—	13
5	– other retail exposures	**378**	**391**	**—**	**769**	374	452	—	826
6	– re-securitisation	**—**	**—**	**—**	**—**	—	—	—	—
7	**Wholesale (total)**	**29**	**1,250**	**—**	**1,279**	40	1,196	—	1,236
8	– loans to corporates	**—**	**1**	**—**	**1**	—	1	—	1
9	– commercial mortgage	**—**	**807**	**—**	**807**	—	807	—	807
10	– lease and receivables	**2**	**—**	**—**	**2**	3	—	—	3
11	– other wholesale	**27**	**442**	**—**	**469**	37	388	—	425
12	– re-securitisation	**—**	**—**	**—**	**—**	—	—	—	—

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

Table 44 provides RWAs and exposures by type, risk-weight bands and regulatory approach for non-trading securitisation exposures where the bank acts as originator or sponsor.

Table 44: 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
1	**Total at 30 Jun 2023**	**13,187**	**3,205**	**168**	**159**	**11**	**9,122**	**7,347**	**250**	**11**
2	Traditional transactions	**4,153**	**3,205**	**168**	**141**	—	**70**	**7,347**	**250**	—
3	Securitisation	**4,153**	**3,205**	**168**	**141**	—	**70**	**7,347**	**250**	—
4	– retail underlying	**2,708**	**3,039**	**168**	**74**	—	**70**	**5,826**	**93**	—
5	– *of which: STS*	***1,215***	—	—	—	—	—	***1,215***	—	—
6	– wholesale	**1,445**	**166**	—	**67**	—	—	**1,521**	**157**	—
7	– *of which: STS*	***958***	—	—	—	—	—	***958***	—	—
8	Re-securitisation	—	—	—	—	—	—	—	—	—
9	Synthetic transactions	**9,034**	—	—	**18**	**11**	**9,052**	—	—	**11**
10	Securitisation	**9,034**	—	—	**18**	**11**	**9,052**	—	—	**11**
11	– retail underlying	—	—	—	—	—	—	—	—	—
12	– wholesale	**9,034**	—	—	**18**	**11**	**9,052**	—	—	**11**
13	Re-securitisation	—	—	—	—	—	—	—	—	—
1	Total at 31 Dec 2022	14,894	2,574	202	159	25	10,434	7,136	259	25
2	Traditional transactions	4,520	2,574	202	140	—	41	7,136	259	—
3	Securitisation	4,520	2,574	202	140	—	41	7,136	259	—
4	– retail underlying	3,280	2,425	202	73	—	41	5,843	96	—
5	– *of which: STS*	*1,127*	—	—	—	—	—	*1,127*	—	—
6	– wholesale	1,240	149	—	67	—	—	1,293	163	—
7	– *of which: STS*	*884*	—	—	—	—	—	*884*	—	—
8	Re-securitisation	—	—	—	—	—	—	—	—	—
9	Synthetic securitisation	10,374	—	—	19	25	10,393	—	—	25
10	Securitisation	10,374	—	—	19	25	10,393	—	—	25
11	– retail underlying	—	—	—	—	—	—	—	—	—
12	– wholesale	10,374	—	—	19	25	10,393	—	—	25
13	Re-securitisation	—	—	—	—	—	—	—	—	—

		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
1	**Total at 30 Jun 2023**	**1,574**	**1,720**	**123**	**143**	**126**	**138**	**10**	**11**
2	Traditional transactions	**3**	**1,720**	**123**	—	—	**138**	**10**	—
3	Securitisation	**3**	**1,720**	**123**	—	—	**138**	**10**	—
4	– retail underlying	**3**	**1,325**	**100**	—	—	**106**	**8**	—
5	– *of which: STS*	—	***150***	—	—	—	***12***	—	—
6	– wholesale	—	**395**	**23**	—	—	**32**	**2**	—
7	– *of which: STS*	—	***101***	—	—	—	***8***	—	—
8	Re-securitisation	—	—	—	—	—	—	—	—
9	Synthetic transactions	**1,571**	—	—	**143**	**126**	—	—	**11**
10	Securitisation	**1,571**	—	—	**143**	**126**	—	—	**11**
11	– retail underlying	—	—	—	—	—	—	—	—
12	– wholesale	**1,571**	—	—	**143**	**126**	—	—	**11**
13	Re-securitisation	—	—	—	—	—	—	—	—
1	Total at 31 Dec 2022	1,729	1,681	130	306	138	134	10	24
2	Traditional transactions	2	1,681	130	—	—	134	10	—
3	Securitisation	2	1,681	130	—	—	134	10	—
4	– retail underlying	2	1,327	106	—	—	106	8	—
5	– *of which: STS*	—	*143*	—	—	—	*11*	—	—
6	– wholesale	—	354	24	—	—	28	2	—
7	– *of which: STS*	—	*95*	—	—	—	*8*	—	—
8	Re-securitisation	—	—	—	—	—	—	—	—
9	Synthetic securitisation	1,727	—	—	306	138	—	—	24
10	Securitisation	1,727	—	—	306	138	—	—	24
11	– retail underlying	—	—	—	—	—	—	—	—
12	– wholesale	1,727	—	—	306	138	—	—	24
13	Re-securitisation	—	—	—	—	—	—	—	—

Table 45a presents RWAs and exposures by type, risk-weight bands and regulatory approach for non-trading securitisation exposures where the bank acts as investor.

Table 45a: 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
1	**Total at 30 Jun 2023**	**12,610**	**2,544**	**1,009**	**100**	**1**	**—**	**1,437**	**14,826**	**1**
2	**Traditional securitisation**	**12,610**	**2,544**	**1,009**	**100**	**1**	**—**	**1,437**	**14,826**	**1**
3	Securitisation	**12,610**	**2,544**	**1,009**	**100**	**1**	**—**	**1,437**	**14,826**	**1**
4	– retail underlying	**8,729**	**1,023**	**361**	**44**	**1**	**—**	**785**	**9,372**	**1**
5	– *of which: STS*	***1,906***	**—**	**—**	**—**	**—**	**—**	**—**	***1,906***	**—**
6	– wholesale	**3,881**	**1,521**	**648**	**56**	**—**	**—**	**652**	**5,454**	**—**
7	– *of which: STS*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
8	Re-securitisation	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
1	Total at 31 Dec 2022	12,592	2,033	899	50	1	235	1,434	13,905	1
2	Traditional securitisation	12,592	2,033	899	50	1	235	1,434	13,905	1
3	Securitisation	12,592	2,033	899	50	1	235	1,434	13,905	1
4	– retail underlying	7,960	634	196	48	—	—	835	8,003	—
5	– *of which: STS*	*1,206*	—	—	—	—	—	—	*1,206*	—
6	– wholesale	4,632	1,399	703	2	1	235	599	5,902	1
7	– *of which: STS*	*213*	—	—	—	—	—	—	*213*	—
8	Re-securitisation	—	—	—	—	—	—	—	—	—

		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
1	**Total at 30 Jun 2023**	**—**	**772**	**2,814**	**8**	**—**	**62**	**225**	**1**
2	**Traditional securitisation**	**—**	**772**	**2,814**	**8**	**—**	**62**	**225**	**1**
3	Securitisation	**—**	**772**	**2,814**	**8**	**—**	**62**	**225**	**1**
4	– retail underlying	**—**	**184**	**1,694**	**6**	**—**	**15**	**135**	**1**
5	– *of which: STS*	**—**	**—**	***195***	**—**	**—**	**—**	***16***	**—**
6	– wholesale	**—**	**588**	**1,120**	**2**	**—**	**47**	**90**	**—**
7	– *of which: STS*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
8	Re-securitisation	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
1	Total at 31 Dec 2022	35	743	2,453	8	3	60	197	1
2	Traditional securitisation	35	743	2,453	8	3	60	197	1
3	Securitisation	35	743	2,453	8	3	60	197	1
4	– retail underlying	—	203	1,355	6	—	16	108	1
5	– *of which: STS*	—	—	*141*	—	—	—	*11*	—
6	– wholesale	35	540	1,098	2	3	44	89	—
7	– *of which: STS*	—	—	*21*	—	—	—	*2*	—
8	Re-securitisation	—	—	—	—	—	—	—	—

Table 45b below shows RWAs and exposures by type, risk-weight bands and regulatory approach for trading securitisation exposures where the bank acts as investor.

Table 45b: 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
1	**Total at 30 Jun 2023**	**3,182**	**286**	**116**	**116**	**3**	**—**	**1,211**	**2,489**	**3**
2	**Traditional securitisation**	**3,182**	**286**	**116**	**116**	**3**	**—**	**1,211**	**2,489**	**3**
3	Securitisation	**3,182**	**286**	**116**	**116**	**3**	**—**	**1,211**	**2,489**	**3**
4	– retail underlying	**2,067**	**258**	**71**	**28**	**—**	**—**	**972**	**1,451**	**—**
5	– *of which: STS*	***502***	***26***	***14***	**—**	**—**	**—**	***297***	***245***	**—**
6	– wholesale	**1,115**	**28**	**45**	**88**	**3**	**—**	**239**	**1,038**	**3**
7	– *of which: STS*	***27***	***2***	**—**	**—**	**—**	**—**	***2***	***27***	**—**
8	Re-securitisation	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
1	Total at 31 Dec 2022	3,185	196	143	135	3	—	1,382	2,277	3
2	Traditional securitisation	3,185	196	143	135	3	—	1,382	2,277	3
3	Securitisation	3,185	196	143	135	3	—	1,382	2,277	3
4	– retail underlying	2,134	167	83	42	—	—	1,115	1,311	—
5	– *of which: STS*	*449*	*36*	*12*	*15*	—	—	*353*	*159*	—
6	– wholesale	1,051	29	60	93	3	—	267	966	3
7	– *of which: STS*	*37*	*3*	—	—	—	—	*3*	*37*	—
8	Re-securitisation	—	—	—	—	—	—	—	—	—

		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
1	**Total at 30 Jun 2023**		**510**	**390**	**35**		**41**	**31**	**3**
2	**Traditional securitisation**	**—**	**510**	**390**	**35**	**—**	**41**	**31**	**3**
3	Securitisation	**—**	**510**	**390**	**35**	**—**	**41**	**31**	**3**
4	– retail underlying	**—**	**250**	**234**	**4**	**—**	**20**	**19**	**—**
5	– *of which: STS*	**—**	***48***	***26***	**—**	**—**	***4***	***2***	**—**
6	– wholesale	**—**	**260**	**156**	**31**	**—**	**21**	**12**	**3**
7	– *of which: STS*	**—**	**—**	***3***	**—**	**—**	**—**	**—**	**—**
8	Re-securitisation	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
1	Total at 31 Dec 2022	—	588	356	42	—	47	28	3
2	Traditional securitisation	—	588	356	42	—	47	28	3
3	Securitisation	—	588	356	42	—	47	28	3
4	– retail underlying	—	293	211	4	—	23	17	—
5	– *of which: STS*	—	*78*	*18*	—	—	*6*	*1*	—
6	– wholesale	—	295	145	38	—	24	11	3
7	– *of which: STS*	—	*1*	*4*	—	—	—	—	—
8	Re-securitisation	—	—	—	—	—	—	—	—

Table 46 sets out the outstanding nominal amount, exposures in default and specific credit risk adjustments by exposure type where the institution acts as originator or sponsor.

Table 46: 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 2023**	**19,571**	***54***	**27**
2	Retail (total)	**5,990**	***49***	**—**
3	– residential mortgage	**1,908**	***7***	**—**
4	– credit card	**—**	***—***	**—**
5	– other retail exposures	**4,082**	***42***	**—**
6	– re-securitisation	**—**	***—***	**—**
7	Wholesale (total)	**13,581**	***5***	**27**
8	– loans to corporates	**11,971**	***—***	**27**
9	– commercial mortgage	**66**	***—***	**—**
10	– lease and receivables	**1,454**	***5***	**—**
11	– other wholesale	**90**	***—***	**—**
12	– re-securitisation	**—**	***—***	**—**
1	Total at 31 Dec 2022	18,910	*85*	23
2	Retail (total)	5,980	*81*	—
3	– residential mortgage	1,827	*35*	—
4	– credit card	—	*—*	—
5	– other retail exposures	4,153	*46*	—
6	– re-securitisation	—	*—*	—
7	Wholesale (total)	12,930	*4*	23
8	– loans to corporates	11,540	*—*	23
9	– commercial mortgage	65	*—*	—
10	– lease and receivables	1,226	*4*	—
11	– other wholesale	99	*—*	—
12	– re-securitisation	—	*—*	—

Market risk

Overview of market risk in global businesses

Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices, will reduce our income or the value of our portfolios.

Exposures to market risk

Exposure to market risk is separated into trading portfolio and non-trading portfolios. Trading portfolios comprise positions held for client servicing and market-making, with the intention of short-term resale and/or to hedge risks resulting from such positions. For non-trading portfolios please refer to 'Treasury risk' on page 8 of the Pillar 3 Disclosures at 30 June 2023.

Where appropriate, we apply similar risk management policies and measurement techniques to both trading and non-trading portfolios. Our objective is to manage and control market risk exposures to optimise return on risk while maintaining a market risk profile within our established risk appetite.

For further details on hedging risk and monitoring the continuing effectiveness of hedges, refer to page 218 of the Annual Report and Accounts at 31 December 2022.

Tables 47 and 48 below reflect the components of capital requirements under the standardised approach and the internal model approach for market risk.

Table 47: Market risk under standardised approach (MR1)

		At	
		30 Jun 2023	31 Dec 2022
		RWAs	RWAs
		$m	$m
	Outright products		
1	Interest rate risk (general and specific)	**2,352**	1,684
2	Equity risk (general and specific)	**67**	64
3	Foreign exchange risk	**13,482**	10,391
4	Commodity risk	**126**	570
	Options		
7	Scenario approach	**15**	10
8	**Securitisation (specific risk)**	**935**	986
9	**Total**	**16,977**	13,705

The $3.3bn uplift in market risk RWAs under the standardised approach reflected hedges related to the agreed sale of our banking business in Canada and higher foreign exchange risk.

Table 48: Market risk under IMA (MR2-A)

		At 30 Jun 2023		At 31 Dec 2022	
		RWAs	**Capital requirements**	RWAs	Capital requirements
		$m	**$m**	$m	$m
1	**VaR (higher of values a and b)**[1]	**9,322**	**746**	7,630	611
(a)	Previous day's VaR ('VaRt-1')		**247**		154
(b)	Multiplication factor (mc) x average of previous 60 working days ('VaRavg')		**746**		611
2	**Stressed VaR (higher of values a and b)**[1]	**9,614**	**769**	11,091	887
(a)	Latest available stressed VaR ('SVaRt-1')		**139**		153
(b)	Multiplication factor (ms) x average of previous 60 working days ('sVaRavg')		**769**		887
3	**IRC (higher of values a and b)**[1]	**5,839**	**467**	3,429	274
(a)	Most recent IRC value		**467**		274
(b)	12 weeks average IRC measure		**451**		274
5	**Other**	**1,221**	**98**	1,775	142
6	**Total**	**25,996**	**2,080**	23,925	1,914

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.*

Under the internal model approach, value at risk increased due to heightened volatility and the corresponding rise in 60 days averages. Additional increase was primarily driven by an incremental risk charge resulting from higher exposures at risk.

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.

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 49 below shows the high, average, low and actual values of VaR, SVaR and IRC for the period under the internal models approach.

Table 49: IMA values for trading portfolios[1] (MR3)

		At	
		30 Jun 2023	31 Dec 2022
		$m	$m
VaR (10 day 99%)			
1	Maximum value	**262.9**	260.6
2	Average value	**181.9**	150.3
3	Minimum value	**139.0**	113.7
4	Period end	**218.6**	160.1
Stressed VaR (10 day 99%)			
5	Maximum value	**262.4**	312.5
6	Average value	**157.3**	206.3
7	Minimum value	**101.3**	136.6
8	Period end	**177.5**	160.6
Incremental risk charge (99.9%)			
9	Maximum value	**489.6**	301.1
10	Average value	**421.0**	258.6
11	Minimum value	**281.7**	200.5
12	Period end	**466.4**	274.0

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

In 1H23, the period-end values for the three market risk capital models changed as follows:

- Trading VaR increases were mainly driven by, interest rate risk exposures to main currencies held across the Fixed Income and Foreign Exchange business lines to facilitate client-driven activity, and the effects of relatively larger short-term interest rate shocks for key currencies which are captured in the VaR scenario window.
- Stressed VaR generally followed a downward trend in the first half of 2023 but did not change materially compared with December 2022.
- The incremental risk charge increased mainly due to increases in exposures to both developed markets and emerging markets sovereigns.

Back-testing

We validate the accuracy of our VaR models by back-testing the model against both actual and hypothetical profit and loss.

Hypothetical profit and loss excludes non-modelled items such as fees, commissions and revenue related to intra-day transactions. The hypothetical profit and loss reflects the profit and loss that would be realised if positions were maintained and 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 number of hypothetical loss back-testing exceptions, together with a number of other indicators, is used to assess model performance and to consider whether enhanced internal monitoring or recalibration of the VaR model is required.

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.

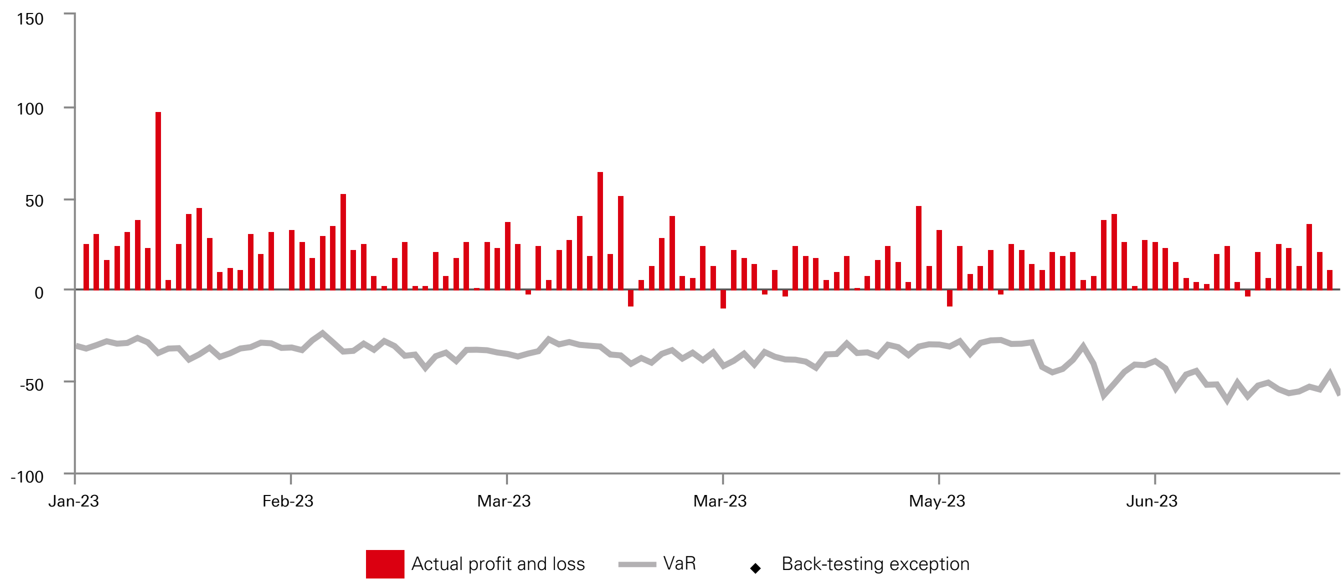
We back-test our VaR at various levels of our Group entity hierarchy. Our back-testing covers those entities within the Group which have approval to use VaR in the calculation of market risk regulatory capital requirement. HSBC submits separate back-testing results to regulators, including the PRA and the European Central Bank, based on applicable frequencies ranging from two business days after an exception occurs, to quarterly submissions. VaR back-testing loss, and not profit, exceptions count towards the multiplier determined by the PRA for the purposes of the capital requirement calculation for market risk. The multiplier is increased if there are five or more loss exceptions in a 250-day period.

During the first half of 2023, the Group experienced no loss back-testing exceptions against actual and hypothetical profit and losses.

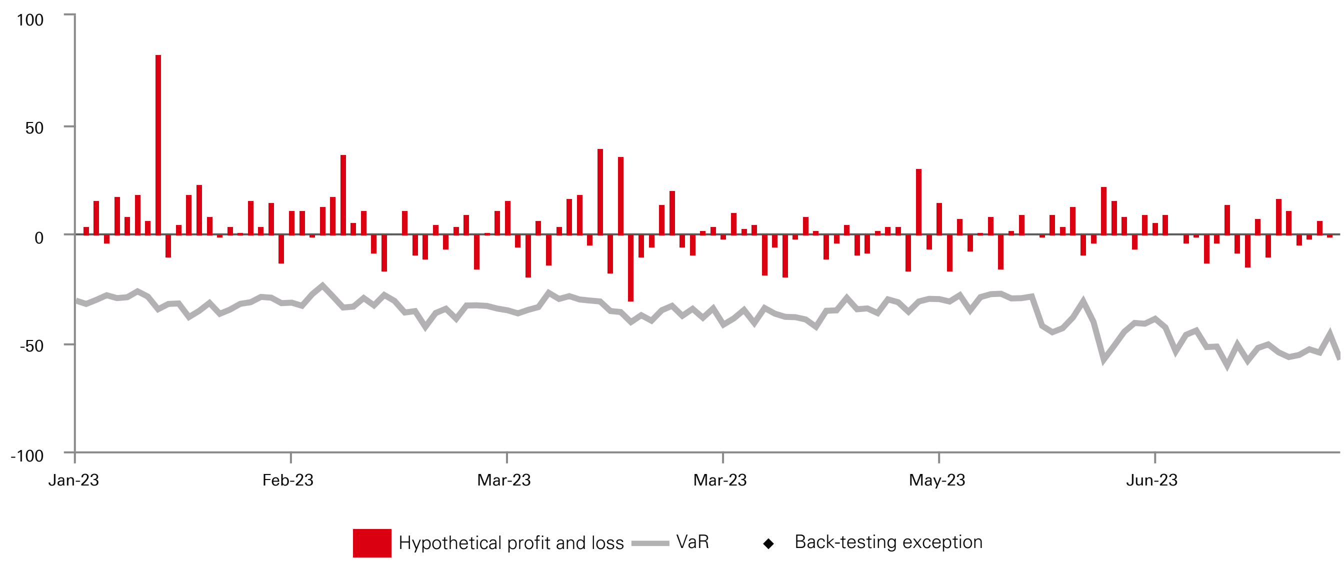
The following graphs in table 50 show a six-month history for VaR back-testing exceptions against both actual and hypothetical profit and loss.

Table 50: 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)



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.

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 disclosure of the LCR, we follow Article 451a of CRR II. HSBC has maintained a revised approach to the application of the requirements under the PRA Rulebook. This approach was used to assess the limitations in the fungibility of entity liquidity around the Group and resulted in an average adjustment of $165bn to LCR HQLA and $7bn to LCR inflows for the 12 months to 30 June 2023. The change in methodology was designed to better incorporate local regulatory restrictions on the transferability of liquidity.

At 30 June 2023, all of the Group's material operating entities exceeded their minimum required regulatory levels. The Group average LCR for the 12 months to 30 June 2023 was 132% or $153bn above regulatory requirements after the application of the Group adjustment required under the PRA Rulebook.

Net stable funding ratio

We use the NSFR or other appropriate metrics as a basis for ensuring operating entities raise sufficient stable funding to support their business activities. The NSFR is defined as the ratio between the amount of stable funding available and the amount of stable funding required. The Group average NSFR over the previous four quarters was 134.4% at 30 June 2023 and 136.0% at 31 December 2022.

The Group's NSFR remained relatively stable during the period. The main available stable funding elements remained largely unchanged. The increase of required stable funding reflected the performing loans and securities slight increase over the period.

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 the stressed capacity in the foreign exchange swap markets. This continuous monitoring helps with the overall management of currency exposures, in line with our internal framework.

Source of funding

Our primary sources of funding are customer current accounts and savings deposits payable on demand or at short notice. We issue secured and unsecured wholesale securities to supplement customer deposits, meet regulatory obligations and to change the currency mix, maturity profile or location of our liabilities.

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 210 of the Annual Report and Accounts 2022.

Table 51 below sets out the granular split of cash outflows and cash inflows, as well as the available high quality liquid assets on both an unweighted and weighted basis, that are used to derive the liquidity coverage ratio.

Table 51: Quantitative information of LCR[1] (UK LIQ1)

	Quarter ended							
	30 Jun 2023		31 Mar 2023		31 Dec 2022		30 Sep 2022	
	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')		**631,213**		634,889		647,046		662,875
Cash outflows								
Retail deposits and small business funding	**855,586**	**89,663**	856,477	89,371	864,427	89,484	878,293	90,110
– *of which:*								
stable deposits	***357,746***	***17,887***	*358,078*	*17,904*	*364,294*	*18,215*	*374,849*	*18,742*
less stable deposits	***497,840***	***71,776***	*498,399*	*71,467*	*500,133*	*71,269*	*503,443*	*71,367*
Unsecured wholesale funding	**806,001**	**363,743**	813,437	368,274	827,862	375,510	843,630	382,791
– operational deposits (all counterparties) and deposits in networks of cooperative banks	**256,219**	**62,700**	260,107	63,685	266,713	65,333	271,688	66,565
– non-operational deposits (all counterparties)	**540,536**	**291,797**	543,997	295,256	550,851	299,879	560,647	304,931
– unsecured debt	**9,246**	**9,246**	9,333	9,333	10,298	10,298	11,295	11,295
Secured wholesale funding		**30,237**		27,025		22,018		17,845
Additional requirements	**316,602**	**105,295**	316,188	107,707	319,363	109,062	326,828	110,187
– outflows related to derivative exposures and other collateral requirements	**56,714**	**52,278**	58,195	54,317	58,036	54,609	56,795	53,575
– outflows related to loss of funding on debt products	**—**	**—**	—	—	—	—	—	—
– credit and liquidity facilities	**259,887**	**53,017**	257,993	53,390	261,327	54,453	270,033	56,612
Other contractual funding obligations	**99,385**	**63,006**	97,471	58,240	96,178	52,648	94,467	47,634
Other contingent funding obligations	**649,697**	**20,268**	645,005	19,742	640,540	19,333	637,255	18,708
Total cash outflows		**672,212**		670,359		668,055		667,275
Cash inflows								
Secured lending transactions (including reverse repos)	**312,681**	**47,094**	300,345	44,947	292,139	42,794	290,536	41,425
Inflows from fully performing exposures	**110,361**	**83,057**	112,748	84,564	112,942	84,424	113,381	84,488
Other cash inflows	**120,290**	**64,382**	113,402	59,215	103,435	50,087	98,632	44,508
(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	**543,332**	**194,533**	526,495	188,726	508,516	177,305	502,549	170,421
Fully exempt inflows	**—**	**—**	—	—	—	—	—	—
Inflows subject to 90% cap	**—**	**—**	—	—	—	—	—	—
Inflows subject to 75% cap	**543,332**	**194,533**	526,495	188,726	508,516	177,305	502,549	170,421
Liquidity coverage ratio (adjusted value)								
Liquidity buffer		**631,213**		634,889		647,046		662,875
Total net cash outflows		**477,679**		481,633		490,750		496,854
Liquidity coverage ratio (%)		**132.1**		131.8		131.8		133.4

1 *The above table sets out the requirement to disclose the liquidity coverage ratio, liquid assets and net outflows based on end-of-the-month observations over the preceding 12 months for each quarter.*

Table 52 below shows the components of the net stable funding ratio for unweighted values by residual maturity and the resultant weighted amounts.

Table 52:Net stable funding ratio[1] (UK LIQ2)

		30 June 2023				
		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	183,989	1	162	24,060	208,049
2	– Own funds	183,989	1	162	24,060	208,049
3	– Other capital instruments		—	—	—	—
4	Retail deposits		859,220	2,675	597	794,333
5	– Stable deposits		361,505	687	119	344,169
6	– Less stable deposits		497,715	1,988	478	450,164
7	Wholesale funding:		1,081,052	39,548	163,669	538,476
8	– Operational deposits		247,187	21	149	123,587
9	– Other wholesale funding		833,865	39,527	163,520	414,889
10	Interdependent liabilities		1,898	—	—	—
11	Other liabilities:	2,253	275,065	250	34,180	34,304
12	– NSFR derivative liabilities	2,253				
13	– All other liabilities and capital instruments not included in the above categories		275,065	250	34,180	34,304
14	**Total available stable funding ('ASF')**					1,575,162
Required stable funding ('RSF') Items						
15	Total high-quality liquid assets ('HQLA')					43,881
UK-15a	Assets encumbered for more than 12m in cover pool		—	—	—	—
16	Deposits held at other financial institutions for operational purposes		227	—	—	113
17	Performing loans and securities:		580,972	95,663	882,661	897,259
18	– Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		206,368	9,273	1,500	11,758
19	– Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		98,862	4,339	4,383	15,535
20	– Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		147,985	52,744	304,545	623,156
21	*– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*		*1,985*	*1,664*	*31,354*	*238,199*
22	– Performing residential mortgages		10,746	9,516	361,434	—
23	*– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*		*7,512*	*7,439*	*301,880*	—
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		117,011	19,791	210,799	246,810
25	Interdependent assets		3,846	—	2,577	—
26	Other assets:		197,450	39	161,419	194,003
27	– Physical traded commodities				14,654	12,456
28	– Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		20,994			17,845
29	– NSFR derivative assets		1,429			1,429
30	– NSFR derivative liabilities before deduction of variation margin posted		119,243			6,300
31	– All other assets not included in the above categories		55,784	39	146,765	155,973
32	Off-balance sheet items		177,763	43,788	641,152	36,593
33	**Total RSF**					1,171,849
34	Net stable funding ratio (%)					134

Table 52:Net stable funding ratio[1] (UK LIQ2) (continued)

		31 December 2022				
		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	181,299	—	2	22,715	204,014
2	– Own funds	181,299	—	2	22,715	204,014
3	– Other capital instruments		—	—	—	—
4	Retail deposits		863,711	1,944	310	797,557
5	– Stable deposits		363,776	512	67	346,110
6	– Less stable deposits		499,935	1,432	243	451,447
7	Wholesale funding:		1,067,123	39,756	161,892	537,266
8	– Operational deposits		257,372	—	83	128,381
9	– Other wholesale funding		809,751	39,756	161,809	408,885
10	Interdependent liabilities		3,034	—	—	—
11	Other liabilities:	1,458	266,213	181	13,036	13,127
12	– NSFR derivative liabilities	1,458				
13	– All other liabilities and capital instruments not included in the above categories		266,213	181	13,036	13,127
14	Total available stable funding ('ASF')					1,551,964
Required stable funding ('RSF') Items						
15	Total high-quality liquid assets ('HQLA')					40,715
UK-15a	Assets encumbered for more than 12m in cover pool		—	—	—	—
16	Deposits held at other financial institutions for operational purposes		137	—	—	68
17	Performing loans and securities:		578,774	97,176	853,370	876,950
18	– Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		201,569	10,244	1,637	13,932
19	– Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		92,957	2,803	4,464	14,652
20	– Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		154,459	55,113	306,612	627,587
21	*– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*		*2,034*	*1,880*	*74,199*	*238,637*
22	– Performing residential mortgages		10,628	9,807	357,656	—
23	*– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*		*6,488*	*6,717*	*258,903*	—
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		119,161	19,209	183,001	220,779
25	Interdependent assets		1,564	—	3,074	—
26	Other assets:	—	200,726	47	150,600	184,245
27	– Physical traded commodities				14,024	11,920
28	– Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		21,817			18,544
29	– NSFR derivative assets		2,652			2,648
30	– NSFR derivative liabilities before deduction of variation margin posted		123,285			6,446
31	– All other assets not included in the above categories		52,972	47	136,576	144,687
32	Off-balance sheet items		237,272	22,908	579,258	36,374
33	Total RSF					1,138,352
34	Net stable funding ratio (%)					136

1 The NSFR is the average of the preceding four quarters.

Countercyclical capital buffer

Table 53 below discloses the geographical distribution of credit exposures relevant to the calculation of the countercyclical buffer ('CCyB') under Article 440 of the Disclosure (CRR) part of the PRA Rulebook. Exposures to central governments/banks, regional governments, local authorities, public sector entities, multilateral development banks, international organisations and institutions are excluded and therefore differ from those presented in the credit and counterparty credit risk sections. 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 53: 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 requirements weights	CCyB rate
Country/ territory	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	%	%
Australia	1,360	43,393	661	38	1,011	46,463	1,106	22	13	1,141	14,262	2.24	1.00
Bulgaria	3	13	—	—	—	16	—	—	—	—	—	—	1.50
Canada	847	70,183	—	19	212	71,261	2,010	2	3	2,015	25,187	3.96	—
Mainland China	23,933	61,153	298	898	1,278	87,560	5,720	17	15	5,752	71,900	11.29	—
Croatia	—	2	—	—	—	2	—	—	—	—	—	—	0.50
Czech Republic	79	465	—	4	—	548	23	1	—	24	300	0.05	2.50
Denmark	99	1,589	—	10	—	1,698	63	1	—	64	800	0.13	2.50
Estonia	—	16	—	—	—	16	1	—	—	1	13	—	1.00
France	3,900	47,714	59	23	5,472	57,168	1,419	6	71	1,496	18,700	2.94	0.50
Germany	753	14,503	220	72	588	16,136	584	14	5	603	7,537	1.18	0.75
Hong Kong	22,953	346,656	—	317	—	369,926	10,617	10	—	10,627	132,837	20.86	1.00
Iceland	—	20	—	—	—	20	—	—	—	—	—	—	2.00
India	4,792	19,513	—	339	960	25,604	1,377	8	34	1,419	17,737	2.78	—
Indonesia	641	6,699	—	44	—	7,384	392	6	—	398	4,975	0.78	—
Ireland	845	4,955	652	18	631	7,101	189	16	12	217	2,713	0.43	0.50
Luxembourg	3,673	7,883	—	17	—	11,573	602	2	—	604	7,550	1.19	0.50
Malaysia	2,250	11,408	—	6	—	13,664	580	5	—	585	7,312	1.15	—
Mexico	25,153	4,308	—	143	723	30,327	1,621	7	11	1,639	20,487	3.22	—
Netherlands	1,493	9,883	359	51	1,580	13,366	406	17	18	441	5,513	0.87	1.00
Norway	27	260	—	34	—	321	8	—	—	8	100	0.02	2.50
Romania	—	33	—	3	—	36	1	—	—	1	13	—	0.50
Saudi Arabia	20,707	3,296	—	130	—	24,133	1,587	28	—	1,615	20,188	3.17	—
Singapore	2,038	34,695	—	91	—	36,824	926	7	—	933	11,663	1.83	—
Slovakia	3	76	—	1	—	80	2	—	—	2	25	—	1.00
Sweden	457	1,189	—	16	—	1,662	109	3	—	112	1,400	0.22	2.00
Taiwan	1,460	13,502	—	196	—	15,158	356	4	—	360	4,500	0.71	—
United Arab Emirates	6,017	16,767	—	11	—	22,795	716	2	—	718	8,975	1.41	—
United Kingdom	16,241	358,530	923	353	10,958	387,005	9,690	46	228	9,964	124,550	19.56	1.00
United States	6,134	111,715	73	746	9,159	127,827	4,559	15	153	4,727	59,088	9.28	—
Other countries	33,141	97,439	458	722	390	132,150	5,320	141	9	5,470	68,375	10.73	—
Total	**178,999**	**1,287,858**	**3,703**	**4,302**	**32,962**	**1,507,824**	**49,984**	**380**	**572**	**50,936**	**636,700**	**100.00**	**—**

Table 54 shows the total RWAs calculated in accordance with Article 92(3) of CRR and provides an overview of institution-specific countercyclical capital exposure and buffer requirement.

Table 54: Amount of institution-specific countercyclical capital buffer (UK CCyB2)

	At 30 Jun 2023
Total risk exposure amount ($m)	859,545
Institution-specific countercyclical capital buffer rate (%)	0.48
Institution-specific countercyclical capital buffer requirement ($m)	4,126

Other information

Abbreviations

The following abbreviated terms are used throughout this document.

Currencies	
$	US dollar
A	
AIRB	Advanced IRB
ALCO	Asset and Liability Management Committee
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	Revised 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 losses. 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
EU	European Union
EVE	Economic value of equity
F	
FINREP	Financial Reporting templates submitted to BoE
FIRB	Foundation internal-ratings based approach
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	
HALCO	Holdings Asset and Liability Committee
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
NII	Net interest income
NMD	Non-maturing deposits
NSFR	Net stable funding ratio
O	
OCI	Other comprehensive income
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
SVB UK	Silicon Valley Bank UK Ltd
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 2023 contains 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, prolonged inflationary pressures and fluctuations in employment levels and the creditworthiness of customers beyond those factored into consensus forecasts (including, without limitation, as a result of the Russia-Ukraine war); the Russia-Ukraine war and its impact on global economies and the markets where HSBC operates, which 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 and inflationary pressures); potential changes in HSBC's dividend policy; changes and volatility in foreign exchange rates and interest rates levels, 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 (including the continuation and escalation thereof) and the related imposition of sanctions and trade restrictions, supply chain restrictions and disruptions, sustained increases in energy prices and key commodity prices, claims of human rights violations, diplomatic tensions, including between China and the US, the UK, the EU, India and other countries, and developments in Hong Kong and Taiwan, alongside other potential areas of tension, which may adversely 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 result 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 continues to expose HSBC to execution risks, including in relation to the effectiveness of its Ibor remediation strategy, 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 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, which continues to be characterised by uncertainty and political disagreement, particularly with respect to the regulation of financial services, despite the signing of the Trade and Cooperation Agreement between the UK and the EU; changes in UK macroeconomic and fiscal policy, which may result in fluctuations in the value of the pound sterling; 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 energy policy and our targets to reduce our on-balance sheet financed emissions in eight high-emitting 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 pressures and rising interest rates 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 our reporting

frameworks and accounting standards, which have had and may continue to have a material impact on the way we prepare our financial statements; our success in adequately integrating SVB UK into our CMB 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 high-emitting sectors portfolio and the commitments set forth in our thermal coal phase-out policy and our energy 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 'Areas of Special Interest' on pages 61 to 63 of the *Interim Report 2023.*

Additional detailed information concerning important factors, including but not limited to ESG-related factors, that could cause actual results to differ materially from those anticipated or implied in any forward-looking statement in this *Pillar 3 Disclosures at 30 June 2023* is available in our *Annual Report and Accounts* for the fiscal year ended 31 December 2022 which was filed with the SEC on Form 20-F on 22 February 2023.

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