HSBC UK Bank plc

Pillar 3 Disclosures at 30 June 2022

HSBC

Contents

Certain defined terms

This document comprises the 30 June 2022 Pillar 3 disclosures for HSBC UK Bank plc ('the bank') and its subsidiaries (together 'HSBC UK' or 'the group'). 'We', 'us' and 'our' refer to HSBC UK Bank plc together with its subsidiaries. References to 'HSBC Group' or 'the Group' within this document mean HSBC Holdings plc together with its subsidiaries.

When used in the terms 'shareholders' equity' and 'total shareholders' equity', 'shareholders' means holders of HSBC UK ordinary shares and capital securities issued by HSBC UK classified as equity.

The abbreviations '£m' and '£bn' represent millions and billions (thousands of millions) of GB pounds respectively.

This document contains certain forward-looking statements with respect to the financial condition, result of operations and business of the group.

Statements that are not historical facts, including statements about the group's beliefs and expectations, are forward-looking statements. Words such as 'expects', 'will', 'targets', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, 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 UK 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.

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.

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

Tables

HSBC UK has adopted the European Union's ('EU') regulatory transitional arrangements for International Financial Reporting Standard ('IFRS') 9 Financial instruments. The application of the transitional arrangements to the disclosures is indicated in the table of contents as follows:

a. Some figures, indicated with ^, have been prepared on an IFRS 9 transitional basis. Details are provided in the table footnotes.
b. All figures within these tables have been prepared on an IFRS 9 transitional basis.

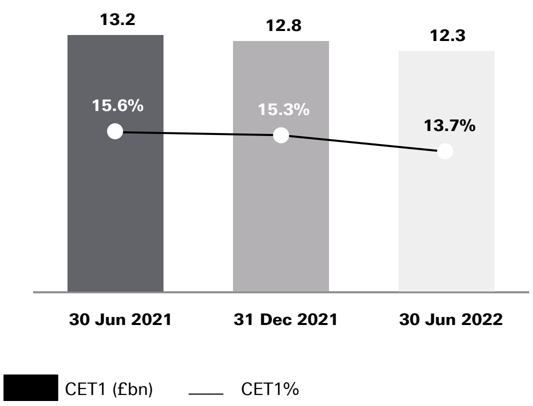
All other tables report numbers on the basis of the full adoption of IFRS 9.

Introduction

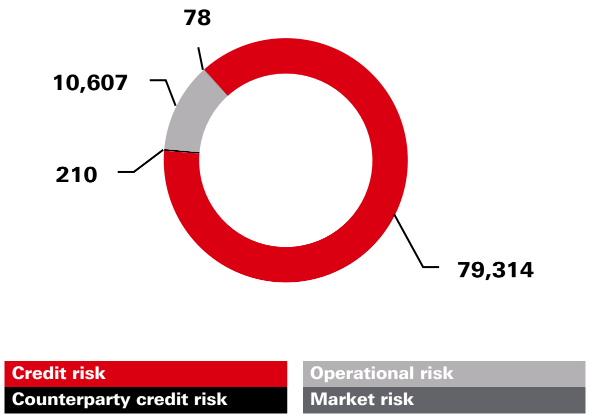
Highlights

Common equity tier 1 ('CET1') ratio decreased to 13.7% from 15.3% at December 2021. This resulted from an increase in RWAs, which was due to regulatory changes on revised IRB modelling requirements and a 10% floor on mortgage risk weights, and a decrease in CET1 capital, which was due to the reversal of the beneficial treatment of software assets, a decline in the Fair Value through Other Comprehensive Income reserve and an increase in expected loss deduction driven by lower loan loss provisions, partly offset by profits net of dividends.

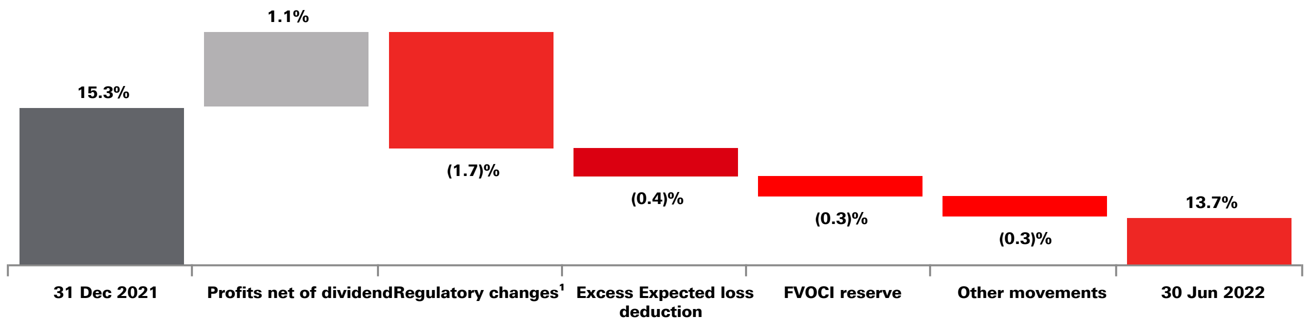
CET1 capital £12,346m and CET1 ratio 13.7%



Risk-weighted assets by risk types £90,209m



Common equity tier 1 ratio movement, %



1 *Regulatory changes include IRB modelling, the UK's implementation of Capital Requirements Regulation and Directive 'CRR II') rules, the 10% floor on mortgage risk weights and reversal of the beneficial treatment of software assets.*

Regulatory framework for disclosures

We are supervised on a consolidated basis in the UK by the Prudential Regulation Authority ('PRA').

We have calculated capital for prudential regulatory reporting purposes using the Basel III framework of the Basel Committee on Banking Supervision ('Basel') as implemented in the UK. Any references to EU regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulation and/or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, including any subsequent amendments.

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

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

Pillar 3 disclosures

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

This document also includes disclosures required on a quarterly basis in accordance with CRR article 433a where applicable.

To give insight into movements during the year, we provide comparative figures, commentary on variances and flow tables for capital requirements.

In all tables where the term 'capital requirements' is used, this represents the minimum total capital charge set at 8% of RWAs by article 92 of the Capital Requirements Regulation.

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

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

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

Key metrics

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

		At			
Ref*		**30 Jun 2022**	31 Mar 2022	31 Dec 2021	30 Jun 2021
	Available capital (£m)[1]				
1	Common equity tier 1 ('CET1') capital^	**12,346**	12,244	12,813	13,219
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**12,313**	12,230	12,797	12,591
2	Tier 1 capital^	**14,599**	14,490	15,067	15,467
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**14,566**	14,477	15,051	14,839
3	Total capital^	**17,668**	17,509	18,067	18,454
	Total capital as if IFRS 9 transitional arrangements had not been applied	**17,635**	17,495	18,051	18,243
	Risk-weighted assets (£m)				
4	Total RWAs^	**90,209**	89,803	83,723	84,555
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**90,183**	89,793	83,710	84,543
	Capital ratios (%)[1]				
5	CET1^	**13.7**	13.6	15.3	15.6
	CET1 as if IFRS 9 transitional arrangements had not been applied	**13.7**	13.6	15.3	14.9
6	Tier 1^	**16.2**	16.1	18.0	18.3
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**16.2**	16.1	18.0	17.6
7	Total capital^	**19.6**	19.5	21.6	21.8
	Total capital as if IFRS 9 transitional arrangements had not been applied	**19.6**	19.5	21.6	21.6
	Additional own funds requirements based on Supervisory review and evaluation Process ('SREP') as a percentage of RWAs (%)[2]				
UK-7a	Additional CET1 SREP requirements	**2.4**	2.4	N/A	N/A
UK-7b	Additional additional tier 1 ('AT1') SREP requirements	**0.8**	0.8	N/A	N/A
UK-7c	Additional tier 2 ('T2') SREP requirements	**1.0**	1.1	N/A	N/A
UK-7d	Total SREP own funds requirements	**12.2**	12.3	N/A	N/A
	Combined buffer requirement as a percentage of RWAs (%)				
8	Capital conservation buffer requirement	**2.5**	2.5	2.5	2.5
UK-10a	Other Systemically Important Institution buffer	**1.0**	1.0	1.0	1.0
11	Combined buffer requirement	**3.5**	3.5	3.5	3.5
UK-11a	Overall capital requirements	**15.7**	15.8	16.1	16.1
12	CET1 available after meeting the total SREP own funds requirements	**6.8**	6.8	8.2	8.5
	Leverage ratio[2,3^]				
13	Total leverage ratio exposure measure (£m)	**253,401**	249,331	N/A	N/A
14	Leverage ratio (%)	**5.8**	5.8	N/A	N/A
	Average exposure measure excluding claims on central banks (£m)	**248,946**	243,720	N/A	N/A
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)[2]				
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.8**	5.8	N/A	N/A
14b	Leverage ratio including claims on central banks (%)^	**4.1**	4.1	N/A	N/A
14c	Average leverage ratio excluding claims on central banks (%)^	**5.8**	6.0	N/A	N/A
14d	Average leverage ratio including claims on central banks (%)^	**4.2**	4.2	N/A	N/A
14e	Countercyclical leverage ratio buffer (%)	**—**	—	N/A	N/A
EU 14d	Leverage ratio buffer requirement (%)	**0.4**	—	N/A	N/A
EU 14e	Overall leverage ratio requirements (%)	**3.6**	3.3	N/A	N/A
	Leverage ratio (under Capital Requirements Regulation)^ ,3				
	Total leverage ratio exposure measure (£m)	**N/A**	N/A	358,237	334,770
	Leverage ratio (%)	**N/A**	N/A	4.2	4.6
	Liquidity coverage ratio ('LCR')[2,4]				
15	Total high-quality liquid assets (£m)	**113,457**	117,006	120,543	N/A
UK16a	Cash outflows – Total weighted value (£m)	**54,506**	54,022	54,134	N/A
UK16b	Cash inflows – Total weighted value (£m)	**4,738**	4,791	4,193	N/A
16	Total net cash outflow (£m)	**49,768**	49,231	49,941	N/A
17	LCR ratio (%)	**228**	238	241	N/A
	Net Stable Funding Ratio[2]				
18	Total available stable funding (£m)	**275,504**	274,320	N/A	N/A
19	Total required stable funding (£m)	**167,325**	164,546	N/A	N/A
20	NSFR ratio (%)	**164.7**	166.71	N/A	N/A

* *The references in this and subsequent tables identify lines prescribed in the relevant PRA template where applicable and where there is a value.*
^ *Figures have been prepared on an IFRS 9 transitional basis.*
1 *Capital figures and ratios are reported on a CRR II transitional basis for capital instruments.*
2 *These disclosures have been implemented from 1 January 2022, are based on the PRA's disclosure templates and instructions which came into force at that time. N/A in prior periods indicates that the disclosure is new or changed and no comparatives are being provided.*
3 *Leverage ratio is calculated using the CRR II end point basis for capital. The comparative leverage exposures and ratios are separately reported based on the Capital Requirements Regulation rules in force at that time and include claims on central banks.*
4 *LCR is calculated as at the end of each period rather than using average values.*

IFRS 9 transitional arrangements

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

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

Any add-back must be tax affected and accompanied by a recalculation of deferred tax, exposure and RWAs. The impact is calculated separately for portfolios using the standardised ('STD') and internal ratings-based ('IRB') approaches.

For IRB portfolios, there is no add-back to capital unless loan loss allowances exceed regulatory 12-month expected losses.

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

In the current period, the add-back to CET1 capital amounted to £33m under the STD approach. At 31 December 2021, the add-back to the capital base under the STD approach was £16m.

Regulatory developments

Capital buffers

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

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

In May, the FPC published amendments to the calculation methodology for the other systemically important institutions ('O-SII') buffer that applies to ring-fenced banks in the UK. The basis of calculation will change from using total assets as the metric to the average of firms' quarter-end leverage exposure measure over the year; however, In the first year of the revised framework the year end leverage exposure measure for 2022 will be used. The new framework is not intended, and not expected, to result in a day-1 change to the O-SII buffer applicable to HSBC UK, which is currently set at 1%.

Basel 3.1

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

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

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

The RWA output floor will be subject to a five-year transitional provision. Any impact from the output floor would be towards the end of the transition period.

The UK's withdrawal from the EU

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

Credit risk

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

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

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

Environmental, social and governance ('ESG') risk

Globally, regulators and standard setters continue to publish multiple proposals and papers on ESG topics.

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

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

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

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

Linkage to the Interim Report

Structure of the regulatory group

The regulatory consolidation excludes special purpose entities ('SPEs') where significant risk has been transferred to third parties. Exposures to these SPEs are risk weighted as securitisation positions for regulatory purposes.

Participating interests in banking associates/joint ventures are proportionally consolidated for regulatory purposes by including our share of assets, liabilities, profit and loss, and RWAs in accordance with the PRA's application of EU legislation.

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

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

	Ref †	Accounting balance sheet £m	Deconsolidation of securitisation/ other entities £m	Consolidation of banking associates £m	Regulatory balance sheet £m
Assets					
Cash and balances at central banks		100,927	—	69	100,996
Items in the course of collection from other banks		383	—	—	383
Trading assets		152	—	—	152
Derivatives		343	—	—	343
Loans and advances to banks	l	5,472	—	—	5,472
Loans and advances to customers	l	201,636	—	—	201,636
– *of which: expected credit losses on IRB portfolios*	h	*(1,629)*	—	—	*(1,629)*
Reverse repurchase agreements – non-trading		11,122	—	—	11,122
Financial investments		14,851	—	—	14,851
Prepayments, accrued income and other assets	j	9,165	2	21	9,188
Interests in associates and joint ventures		9	—	(9)	—
Goodwill and intangible assets	e	4,208	—	—	4,208
Total assets at 30 Jun 2022		**348,268**	**2**	**81**	**348,351**
Liabilities and equity					
Liabilities					
Deposits by banks		10,729	—	70	10,799
Customer accounts		285,917	225	—	286,142
Repurchase agreements – non-trading		9,877	—	—	9,877
Items in the course of transmission to other banks		284	—	—	284
Derivatives		134	—	—	134
– *of which: debt valuation adjustment*	l	*8*	—	—	*8*
Debt securities in issue		852	(223)	—	629
Accruals, deferred income and other liabilities		2,464	—	11	2,475
Current tax liabilities		153	—	—	153
Provisions		450	—	—	450
– *of which: credit-related contingent liabilities and contractual commitments on IRB portfolios*	h	*71*	—	—	*71*
Deferred tax liabilities		1,266	—	—	1,266
Subordinated liabilities		12,525	—	—	12,525
– *of which: included in tier 2*	o	*3,069*	—	—	*3,069*
Total liabilities at 30 Jun 2022		**324,651**	**2**	**81**	**324,734**
Equity					
Called up share capital	a	—	—	—	—
Share premium account	a	9,015	—	—	9,015
Other equity instruments	m	2,196	—	—	2,196
Other reserves	c, g	6,774	—	—	6,774
Retained earnings	b, c	5,573	—	—	5,573
Total shareholders' equity		**23,557**	**—**	**—**	**23,557**
Non-controlling interests	n	60	—	—	60
Total equity at 30 Jun 2022		**23,617**	**—**	**—**	**23,617**
Total liabilities and equity at 30 Jun 2022		**348,268**	**2**	**81**	**348,351**

† *The references (a)–(o) identify balance sheet components that are used in the calculation of regulatory capital in 'Table 3: Composition of regulatory own funds (UK CC1)'. This table shows such items at their accounting values, which may be subject to analysis or adjustment in the calculation of regulatory capital shown in Table 3.*

Treasury risk management

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

For further details of our approach to treasury risk management including capital risk, liquidity risk, interest rate in the banking book, non-trading foreign exchange exposure and pension risk, please see page 26 of the Annual Report and Accounts 2021.

Regulatory reporting processes and controls

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

Risk to capital and liquidity

Outside the stress testing framework, other risks may be identified that have the potential to affect our RWAs, capital and/or liquidity position. Downside and Upside scenarios are assessed against our management objectives, and mitigating actions are assigned as necessary. We closely monitor future regulatory changes, and continue to evaluate the impact of these upon our capital and liquidity requirements, particularly those related to the UK's implementation of the outstanding measures to be implemented from the Basel III reforms ('Basel 3.1') These are discussed in the 'Regulatory developments' section on page 5.

Main features of CET1, AT1 and T2 instruments issued by HSBC UK

All capital securities included in the regulatory capital base of the group have been issued as fully compliant CRR securities under the Fourth Capital Requirements Regulation and Directive. For regulatory purposes, the group's capital base is divided into three main categories, namely Common Equity Tier 1, Additional Tier 1 and Tier 2, depending on the degree of permanence and loss absorbency exhibited. The main features of capital securities issued by the group are described below.

Tier 1 capital ('T1')

Tier 1 capital comprises shareholders' equity, related non-controlling interests (subject to limits) and qualifying capital instruments, after certain regulatory adjustments.

Common Equity Tier 1 ('CET1')

Called up ordinary shares issued by the bank to its parent are fully paid up and the proceeds of issuance are immediately and fully available. There is no obligation to pay a coupon or dividend to the shareholder arising from this type of capital. The share capital is available for unrestricted and immediate use to cover any risks and losses.

Additional Tier 1 capital ('AT1')

Qualifying AT1 instruments are perpetual securities on which there is no obligation to apply a coupon and, if not paid, the coupon is not cumulative. Such securities do not carry voting rights but rank higher than ordinary shares for coupon payments and in the event of a winding up. Fully compliant CRR AT1 instruments issued by the group include a provision whereby the instrument will be written down in whole in the event that either the bank's or group's CET1 ratio falls below 7.00%.

These instruments are accounted for as equity. Further details of qualifying CRR II AT1 instruments can be found in Note 23 – Called up share capital and other equity instruments of the Notes on the Financial Statements on page 113 of our Annual Report and Accounts 2021.

Tier 2 capital ('T2')

Tier 2 capital comprises eligible capital securities and other qualifying Tier 2 capital securities subject to limits.

Perpetual and term subordinated debt

Tier 2 capital securities are either perpetual subordinated securities or dated securities on which there is an obligation to pay coupons.

These instruments or subordinated loans comprise dated loan capital repayable at par on maturity and must have an original maturity of at least five years. Some subordinated loan capital may be called and redeemed by the issuer subject to prior consent from the PRA. If not redeemed, interest coupons payable may step up or become floating rate related to interbank offered rates. For regulatory purposes, it is a requirement that Tier 2 instruments are amortised on a straight-line basis in their final five years to maturity, thus reducing the amount of capital that is recognised for regulatory purposes.

Further details of these instruments can be found in Note 20 – Subordinated Liabilities of the Notes on the Financial Statements on page 105 of our Annual Report and Accounts 2021.

A list of the main features of our capital instruments in accordance with Annex III of the Commission Implementing Regulation 1423/2013 is published on the HSBC Group website, www.hsbc.com/investors with reference to our balance sheet on 30 June 2022.

Own funds

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

			At	
			30 Jun 2022	31 Dec 2021
		Ref †	£m	£m
	Common equity tier 1 (‘CET1’) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts		**9,015**	9,015
	– ordinary shares	a	**9,015**	9,015
2	Retained earnings[2]	b	**12,078**	11,463
3	Accumulated other comprehensive income (and other reserves)[2]	c	**(959)**	(544)
UK-5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	b	**886**	1,125
6	**Common equity tier 1 capital before regulatory adjustments**		**21,020**	21,059
	Common equity tier 1 capital: regulatory adjustments			
7	Additional value adjustments[1]		**(12)**	(13)
8	Intangible assets (net of related deferred tax liability)	e	**(4,208)**	(3,683)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	g	**699**	89
12	Negative amounts resulting from the calculation of expected loss amounts	h	**(420)**	(346)
15	Defined-benefit pension fund assets	j	**(4,715)**	(4,519)
UK-27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	l	**(18)**	227
28	**Total regulatory adjustments to common equity tier 1**		**(8,674)**	(8,246)
29	**Common Equity Tier 1 (‘CET1’) capital**		**12,346**	12,813
	Additional tier 1 (‘AT1’) capital: instruments			
30	Capital instruments and the related share premium accounts		**2,196**	2,195
31	– classified as equity under IFRSs	m	**2,196**	2,195
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	**57**	59
36	**Additional tier 1 capital before regulatory adjustments**		**2,253**	2,254
	Additional tier 1 capital: regulatory adjustments			
44	**Additional tier 1 capital**		**2,253**	2,254
45	**Tier 1 capital (T1 = CET1 + AT1)**		**14,599**	15,067
	Tier 2 capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	o	**3,069**	3,000
51	**Tier 2 capital before regulatory adjustments**		**3,069**	3,000
	Tier 2 capital: regulatory adjustments			
58	**Tier 2 capital**		**3,069**	3,000
59	**Total capital (TC = T1 + T2)**		**17,668**	18,067
60	**Total risk-weighted assets**		**90,209**	83,723
	Capital ratios and buffers (%)			
61	Common equity tier 1		**13.7**	15.3
62	Tier 1		**16.2**	18.0
63	Total capital		**19.6**	21.6
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)[2]		**3.5**	3.5
65	– capital conservation buffer requirement		**2.5**	2.5
66	– countercyclical buffer requirement		**—**	—
67	– systemic risk buffer requirement		**—**	—
67a	– Global systemically important institution (‘G-SII’) buffer		**1.0**	1.0
68	Common equity tier 1 available to meet buffers		**9.2**	10.8
	Amounts below the threshold for deduction (before risk weighting)			
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)		**294**	211
	Applicable caps on the inclusion of provisions in tier			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		**41**	21
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		**448**	413

† The references (a)–(o) identify balance sheet components in ‘Table 2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (UK CC2)’, which is used in the calculation of regulatory capital. This table shows how they contribute to the regulatory capital calculation. Their contribution may differ from their accounting value in Table 2 as a result of adjustment or analysis to apply regulatory definitions of capital.

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

2 These disclosures are based on updated rules implemented from 1 January 2022, and are based on the PRA’s disclosure templates and instructions which came into force at that time. The presentation of comparatives have not been amended.

Leverage ratio

The risk of excessive leverage is managed as part of the UK 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 UK 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.

Our approach to risk appetite is described on page 12 of the *Interim Report 2022.*

At 30 June 2022, our leverage ratio measured under the PRA's UK leverage framework was 5.8%. This measure excludes qualifying central bank balances and loans under the UK Bounce Back Loan scheme from the calculation of exposure.

At 30 June 2022, UK minimum leverage ratio requirement of 3.25% under the PRA's UK leverage framework was supplemented by an additional leverage ratio buffer of 0.4% and no countercyclical leverage ratio buffer. These additional buffers translated into capital values of £887m. We exceeded these leverage requirements.

The following tables provide a reconciliation of the total assets in our published balance sheet under IFRS and the total leverage exposure and a breakdown of on-balance sheet exposures excluding derivatives, Securities Financing Transactions and exempted exposures, by asset class.

Table 4: LRSum: Summary reconciliation of accounting assets and leverage ratio exposures[1] (UK LR1)

		At 30 Jun 2022 £m
1	Total assets as per published financial statements	**348,268**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	**83**
4	(Adjustment for exemption of exposures to central banks)	**(100,995)**
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(102)**
7	Adjustment for eligible cash pooling transactions	**1,779**
8	Adjustment for derivative financial instruments	**246**
9	Adjustment for securities financing transactions ('SFTs')	**1,854**
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**17,276**
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	**(9,361)**
12	Other adjustments	**(5,647)**
13	**Total leverage ratio exposure**	**253,401**

1 *No comparatives have been included in this table as the information is disclosed for the first time as required under CRR II, which came into force on 1 January 2022.*

Table 5: LRCom:Leverage ratio common disclosure[1] (UK LR2)

		At 30 Jun 2022 £m
	On-balance sheet exposures (excluding derivatives and securities financing transactions ('SFTs'))	
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**332,915**
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	**876**
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**(876)**
6	(Asset amounts deducted in determining tier 1 capital)	**(9,361)**
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**323,554**
	Derivative exposures	
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**55**
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**534**
13	**Total derivative exposures**	**589**
	SFT exposures	
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**12,839**
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**(1,244)**
16	Counterparty credit risk exposure for SFT assets	**1,382**
18	**Total securities financing transaction exposures**	**12,977**
	Other off-balance sheet exposures	
19	Off-balance sheet exposures at gross notional amount	**71,316**
20	(Adjustments for conversion to credit equivalent amounts)	**(54,040)**
22	**Total off-balance sheet exposures**	**17,276**
	Capital and total exposures measure	
23	**Tier 1 capital (leverage)**	**14,599**
24	Total exposure measure including claims on central banks	**354,396**
UK-24a	(-) Claims on central banks excluded	**(100,995)**
UK-24b	**Total exposure measure excluding claims on central banks**	**253,401**
	Leverage ratios[2]	
25	**Leverage ratio excluding claims on central banks (%)**	**5.76**
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.75**
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 (%)	**5.76**
UK-25c	Leverage ratio including claims on central banks (%)	**4.12**
26	Regulatory minimum leverage ratio requirement (%)	**3.25**
	Additional leverage ratio disclosure requirements – leverage ratio buffers	
27	Leverage ratio buffer (%)	**0.35**
UK-27a	– *of which: G-SII or O-SII additional leverage ratio buffer (%)*	***0.35***
	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	**12,149**
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	**11,595**
UK-31	Average total exposure measure including claims on central banks	**347,521**
UK-32	Average total exposure measure excluding claims on central banks	**248,946**
UK-33	Average leverage ratio including claims on central banks %	**4.18**
UK-34	Average leverage ratio excluding claims on central banks %	**5.84**

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

1 *No comparatives have been included in this table as the information is disclosed for the first time as required under CRR II, which came into force on 1 January 2022.*
2 *Leverage ratio is calculated using the CRR II end point basis for capital.*

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

		At	
		30 Jun 2022	31 Dec 2021
		£m	£m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	**227,424**	339,853
UK-3	Banking book exposures, of which:	**227,424**	339,853
UK-5	Exposures treated as sovereigns	**15,255**	127,967
UK-7	Institutions	**2,361**	2,051
UK-8	Secured by mortgages of immovable properties	**122,132**	117,731
UK-9	Retail exposures	**14,418**	19,489
UK-10	Corporates	**55,305**	54,645
UK-11	Exposures in default	**3,626**	2,461
UK-12	Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	**14,327**	15,509

Capital buffers

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

Pillar 1 minimum capital requirements

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. The table provides information on the scope of permissible approaches and our adopted approach by risk type.

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.	HSBC UK has adopted the IRB approach for the majority of our business. For retail portfolios, the advanced IRB approach is primarily used, with the foundation approach used for most of the corporate portfolios. Some portfolios remain on the standardised approach under exemptions from IRB treatment.
Counterparty credit risk ('CCR')	Four approaches to calculating CCR and determining exposure values are defined by the Basel Committee: mark-to-market, original exposure, standardised and internal model method ('IMM'). These exposure values are used to determine capital requirements under one of the credit risk approaches: standardised, FIRB or AIRB.	HSBC UK uses mark to market approach under which derivatives exposures are calculated per the Standardised Approach for Counterparty Credit Risk (SA- CCR), effective from 1st Jan 2022.
Equity	For the non-trading book, equity exposures can be assessed under standardised or IRB approaches.	For HSBC UK, all equity exposures are treated under the standardised 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. • Wherever broader approach categorisation is required, 'SEC-IRBA' is mapped to IRB approach and the remaining three approaches are mapped to standardised category.
Market risk	Market risk capital requirements can be determined under either the standard rules or the internal models approach ('IMA'). The latter involves the use of internal value at risk ('VaR') models to measure market risks and determine the appropriate capital requirement. In addition to the VaR models, other internal models include stressed VaR, incremental risk charge ('IRC') and comprehensive risk measure.	For HSBC UK, the market risk capital requirement is measured using the standardised rules.
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.	HSBC UK uses the standardised approach in determining our operational risk capital requirement.

Table 7: Overview of Risk weighted exposure amounts (OV1)

		At			
		30 Jun 2022	31 Mar 2022	31 Dec 2021	**30 Jun 2022**
		RWAs	RWAs	RWAs	**Total own funds requirement**[1]
		£m	£m	£m	**£m**
1	**Credit risk (excluding counterparty credit risk)**[3]	**78,596**	78,145	71,958	**6,288**
2	– standardised approach[3]	**3,203**	2,409	2,243	**256**
3	– foundation IRB approach	**40,509**	40,402	41,811	**3,241**
4	– slotting approach	**5,372**	5,314	5,436	**430**
5	– advanced IRB approach	**29,512**	30,020	22,468	**2,361**
6	**Counterparty credit risk**	**210**	168	129	**16**
7	– standardised approach	**118**	101	44	**9**
UK-8a	– risk exposure amount for contributions to the default fund of a central counterparty	**17**	4	48	**1**
UK-8b	– credit valuation adjustment	**34**	35	20	**3**
9	– Other CCR[2]	**41**	28	17	**3**
16	**Securitisation exposures in the non-trading book**	**718**	843	860	**57**
17	– internal ratings-based approach ('SEC-IRBA')	**458**	594	516	**37**
19	– standardised approach ('SEC-SA')	**118**	107	202	**9**
UK-19a	– 1250%/deduction	**142**	142	142	**11**
20	**Position, foreign exchange and commodities risks (Market risk)**	**78**	36	170	**6**
21	– standardised approach	**78**	36	170	**6**
23	**Operational risk**	**10,607**	10,607	10,607	**849**
UK-23b	– standardised approach	**10,607**	10,607	10,607	**849**
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**[3]	**733**	651	528	**59**
29	**Total**	**90,209**	89,799	83,724	**7,216**

1 *'Total own funds requirement' in this table represents the minimum capital charge set at 8% of RWAs by article 92 of the Capital Requirements Regulation.*
2 *Other CCR includes RWAs on securities financing transactions and free deliveries.*
3 *Row 24 is non additive in total. Balances are included in Row 1 and 2 of the table and the prior period is accordingly restated.*

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

		Quarter ended	
		30 Jun 2022	31 Mar 2022
		£m	£m
1	**RWAs at the opening period**	**74,836**	68,143
2	Asset size	**875**	1,772
3	Asset quality	**(640)**	(1,708)
5	Methodology and policy	**(567)**	6,629
9	**RWAs at the closing period**	**74,504**	74,836

1 *Securitisation positions and Non-Credit Obligation Assets are not included in this table.*

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 products, such as guarantees and commitments, and from holding assets in the form of debt securities. Credit risk represents our largest regulatory capital requirement.

During 1H2022, for our retail portfolios we adopted the EBA 'Guidelines on the application of definition of default' in line with the PRA's policy statement 'Credit Risk: the definition of default'. This did not have a material impact on our retail portfolios. For wholesale lending this was undertaken during 2021. There have been no other material changes to our policies and practices, which are described in the Pillar 3 Disclosures at 31 December 2021.

Further details of our approach to credit risk may be found in 'Credit Risk' on page 15 of our Interim Report 2022*.*

Credit quality of assets

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

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

The IFRS 9 stages have the following characteristics:

- Stage 1: These financial assets are unimpaired and without a significant increase in credit risk. A 12-month allowance for ECL is recognised.
- Stage 2: A significant increase in credit risk has been experienced on these financial assets since initial recognition. A lifetime ECL is recognised.
- Stage 3: There is objective evidence of impairment and the financial assets are therefore considered to be in default or otherwise credit impaired. A lifetime ECL is recognised.
- Purchased or originated credit-impaired: 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 17 of our Interim Report 2022.

Table 9: Performing and non-performing exposures and related provisions (CR1)

		Gross carrying amount/ nominal amount[1]						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	Accum-ulated partial write-off	On perfor-ming expo-sures	On non-perfor-ming expo-sures
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	105,564	105,563	1	–	–	–	–	–	–	–	–	–	–	–	–
010	Loans and advances	211,479	190,107	21,252	4,154	–	4,154	(1,027)	(247)	(780)	(668)	–	(668)	(343)	166,037	2,406
030	General governments	1	1	–	–	–	–	–	–	–	–	–	–	–	–	–
040	Credit institutions	1,514	1,514	–	–	–	–	–	–	–	–	–	–	–	800	–
050	Other financial corporations	12,885	12,636	129	8	–	8	(3)	(2)	(1)	–	–	–	–	11,061	7
060	Non-financial corporations	61,840	51,847	9,993	3,281	–	3,281	(413)	(147)	(266)	(454)	–	(454)	(343)	31,408	1,909
070	– *of which: SMEs*[2]	16,589	14,599	1,990	508	–	508	(150)	(62)	(88)	(48)	–	(48)	–	11,533	432
080	Households	135,239	124,109	11,130	865	–	865	(611)	(98)	(513)	(214)	–	(214)	–	122,768	490
090	**Debt securities**	14,851	14,851	–	–	–	–	(1)	(1)	–	–	–	–	–	380	–
100	**Central banks**	271	271	–	–	–	–	–	–	–	–	–	–	–	–	–
110	General governments	12,664	12,664	–	–	–	–	(1)	(1)	–	–	–	–	–	380	–
120	Credit institutions	1,916	1,916	–	–	–	–	–	–	–	–	–	–	–	–	–
150	Off-balance-sheet exposures	71,750	63,625	2,820	298	–	258	(50)	(27)	(23)	(22)	–	(18)	–	10,893	43
170	General governments	7	3	–	–	–	–	–	–	–	–	–	–	–	–	–
180	Credit institutions	630	630	–	–	–	–	–	–	–	–	–	–	–	–	–
190	Other financial corporations	1,379	1,096	48	–	–	–	–	–	–	–	–	–	–	159	–
200	Non-financial corporations	29,902	22,334	2,502	228	–	188	(41)	(18)	(23)	(22)	–	(18)	–	5,246	35
210	Households	39,832	39,562	270	70	–	70	(9)	(9)	–	–	–	–	–	5,488	8
220	**Total at 30 Jun 2022**	403,644	374,146	24,073	4,452	–	4,412	(1,078)	(275)	(803)	(690)	–	(686)	(343)	177,310	2,449

Table 9: Performing and non-performing exposures and related provisions (CR1) (continued)

		Gross carrying amount/ nominal amount[1]						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-perfor-ming expo-sures
		£m	*£m*	*£m*	£m	*£m*	*£m*	£m	*£m*	*£m*	£m	*£m*	*£m*	£m	£m	£m
010	Loans and advances	315,223	*296,783*	*18,440*	4,027	—	*4,027*	(1,007)	*(315)*	*(692)*	(848)	—	*(848)*	(334)	159,317	2,228
020	Central banks	113,717	*113,717*	—	—	—	—	—	—	—	—	—	—	—	—	—
030	General governments	1	*1*	—	—	—	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	1,308	*1,308*	—	—	—	—	—	—	—	—	—	—	—	1,163	—
050	Other financial corporations	9,112	*9,037*	*75*	5	—	*5*	(3)	*(2)*	*(1)*	—	—	—	—	7,307	5
060	Non-financial corporations	60,819	*45,815*	*15,004*	2,970	—	*2,970*	(529)	*(191)*	*(338)*	(556)	—	*(556)*	(334)	32,828	1,623
070	*– of which: SMEs[2]*	*18,216*	16,230	1,986	*364*	—	364	*(151)*	(51)	(100)	*(36)*	—	(36)	—	*13,085*	*316*
080	Households	130,266	*126,905*	*3,361*	1,052	—	*1,052*	(475)	*(122)*	*(353)*	(292)	—	*(292)*	—	118,019	600
090	Debt securities	14,602	*14,602*	—	—	—	—	(2)	*(2)*	—	—	—	—	—	—	—
100	Central banks	219	*219*	—	—	—	—	—	—	—	—	—	—	—	—	—
110	governments	12,379	*12,379*	—	—	—	—	(1)	*(1)*	—	—	—	—	—	—	—
120	Credit institutions	1,780	*1,780*	—	—	—	—	(1)	*(1)*	—	—	—	—	—	—	—
130	Other financial corporations	224	*224*	—	—	—	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	70,392	*64,605*	*3,615*	295	—	*276*	(60)	*(33)*	*(26)*	(22)	—	*(18)*	—	11,033	33
170	General governments	2	*2*	—	—	—	—	—	—	—	—	—	—	—	—	—
180	Credit institutions	95	*95*	—	—	—	—	(1)	*(1)*	—	—	—	—	—	—	—
190	Other financial corporations	912	*759*	*104*	—	—	—	—	—	—	—		—	—	27	—
200	Non-financial corporations	29,252	*23,915*	*3,215*	220	—	*201*	(50)	*(24)*	*(25)*	(22)	—	*(18)*	—	5,565	27
210	Households	40,131	*39,834*	*296*	75	—	*75*	(9)	*(8)*	*(1)*	—	—	—	—	5,441	6
220	Total at 31 Dec 2021	400,217	*375,990*	*22,055*	4,322	—	*4,303*	(1,069)	*(350)*	*(718)*	(870)	—	*(866)*	(334)	170,350	2,261

1 *Includes performance guarantees and revocable commitments not in scope of IFRS9, reverse repos and settlement accounts.*
2 *Reporting process improvements resulted in a reduction in RWA benefits taken on SMEs. The impact of these changes is reflected in the reported RWAs but not yet in the classification of the exposures as SMEs.*

Table 10: 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	**50,900**	**37,685**	**57,713**	**137,782**	**0**	**284,080**
2	Debt securities	**0**	**1,249**	**3,133**	**10,648**	**0**	**15,030**
3	**Total at 30 Jun 2022**	**50,900**	**38,934**	**60,846**	**148,430**	**0**	**299,110**

1 *Includes reverse repos and settlement accounts and excludes cash balances with central banks and other demand deposits.*

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. Any debtors that are in default for regulatory purposes or impaired under the applicable accounting framework are always considered as non-performing exposures. The *Annual Report and Accounts 2021* does not define non-performing exposures, although the definition of credit impaired (stage 3) is aligned to the EBA's definition of non-performing exposures.

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

In the *Annual Report and Accounts 2021*, forborne exposures are reported as ‘renegotiated loans’. We classify loans as forborne when we modify the contractual payment terms or offer non-payment related concessions such as covenant waivers due to significant concerns about the borrowers’ ability to fulfil contractual payments.

While non-payment-related concessions such as covenant waivers are potential indicators of impairment, they do not trigger identification as ‘renegotiated’/EBA forborne loans.

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

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

In the *Annual Report and Accounts 2021*, renegotiated loans retain this classification until maturity or derecognition.

The PRA's approach to the EBA Guidelines relating to the management of non-performing exposures and forborne exposures was outlined in a statement published in May 2022.

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

It is therefore important to note that although we are not stipulated to follow the guidelines, we have already embedded, and will continue to maintain certain thematic elements from the guidelines into our credit practices outlined by the guidelines, as mentioned above.

Table 11: 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
010	**Loans and advances**	**901**	**1,524**	***1,524***	***1,524***	**(44)**	**(185)**	**1,643**	***994***
060	Non-financial corporations	**829**	**1,205**	***1,205***	***1,205***	**(33)**	**(116)**	**1,405**	***781***
070	Households	**72**	**319**	***319***	***319***	**(11)**	**(69)**	**238**	***213***
090	**Loan commitments given**	**40**	**101**	***101***	***101***	**—**	**6**	**75**	***59***
100	**Total at 30 Jun 2022**	**941**	**1,625**	***1,625***	***1,625***	**(44)**	**(179)**	**1,718**	***1,053***
010	Loans and advances	113	1,664	*1,664*	*1,664*	(3)	(218)	1,076	*1,017*
060	Non-financial corporations	113	1,153	*1,153*	*1,153*	(3)	(126)	783	*724*
070	Households	—	511	*511*	*511*	—	(92)	293	*293*
090	Loan commitments given	—	—	—	—	—	—	—	—
100	Total at 31 Dec 2021	113	1,664	*1,664*	*1,664*	(3)	(218)	1,076	*1,017*

Table 12: Quality of non-performing exposures by geography[1,2,3] (CQ4)

		Gross carrying/ Nominal amount		Accumulated impairment[4]	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Total	*of which: defaulted*			
		£m	£m	£m	£m	£m
010	**On balance sheet exposures**	**230,484**	***4,154***			
020	– United Kingdom	**215,749**	***4,058***	**(1,656)**	**—**	**—**
030	– United States	**5,090**	***2***	**(3)**	**—**	**—**
040	– HongKong	**1,327**	***2***	**(2)**	**—**	**—**
070	– Other countries	**8,318**	***92***	**(34)**	**—**	**—**
080	**Off balance sheet exposures**	**72,048**	***298***	**—**	**68**	**—**
090	– United Kingdom	**69,586**	***296***	**—**	**67**	**—**
100	– United States	**585**	***1***	**—**	**1**	**—**
110	– HongKong	**172**	***—***	**—**	**—**	**—**
140	– Other countries	**1,705**	***1***	**—**	**—**	**—**
150	**Total at 30 Jun 2022**	**302,532**	***4,452***	**(1,695)**	**68**	**—**

1 *No comparatives have been included in this table as the information is disclosed for the first time as required under CRR II, which came into force on 1 January 2022.*
2 *Amounts shown by geographical region and country/territory in this table are based on the country/territory of residence of the counterparty.*
3 *Securitisation positions and non-credit obligation assets are not included in this table.*
4 *Presented on a year-to-date basis.*

Table 13: Credit quality of loans and advances to non-financial corporations by industry[1] (CQ5)

		Gross carrying amount			
		Total	*of which: defaulted*	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		£m	£m	£m	£m
010	Agriculture, forestry and fishing	**4,171**	***137***	**(36)**	**–**
020	Mining and quarrying	**700**	***51***	**(8)**	**–**
030	Manufacturing	**7,768**	***222***	**(86)**	**–**
040	Electricity, gas, steam and air conditioning supply	**446**	***1***	**(3)**	**–**
050	Water supply	**723**	***21***	**(7)**	**–**
060	Construction	**3,690**	***190***	**(61)**	**–**
070	Wholesale and retail trade	**11,838**	***492***	**(127)**	**–**
080	Transport and storage	**2,041**	***96***	**(19)**	**–**
090	Accommodation and food service activities	**7,459**	***713***	**(101)**	**–**
100	Information and communication	**2,362**	***164***	**(76)**	**–**
120	Financial and insurance activities	**10,522**	***499***	**(159)**	**–**
130	Professional, scientific and technical activities	**4,002**	***114***	**(49)**	**–**
140	Administrative and support service activities	**4,886**	***229***	**(66)**	**–**
160	Education	**814**	***45***	**(17)**	**–**
170	Human health services and social work activities	**1,731**	***88***	**(18)**	**–**
180	Arts, entertainment and recreation	**791**	***82***	**(19)**	**–**
190	Other services	**1,177**	***137***	**(15)**	**–**
200	**Total at 30 Jun 2022**	**65,121**	***3,281***	**(867)**	**–**

1 No comparatives have been included in this table as the information is disclosed for the first time as required under CRR II, which came into force on 1 January 2022.

The table below provides information on the value of the collateral obtained by taking possession. The value at initial recognition represents the gross carrying amount of the collateral obtained by taking possession at initial recognition on the balance sheet. The accumulated negative change represents the accumulated impairment or negative change in fair value since initial recognition of the collateral obtained by taking possession, including amortisation in the case of property, plant and equipment and investment properties.

Table 14: Collateral obtained by taking possession and execution processes (CQ7)

		At 30 Jun 2022		At 31 Dec 2021	
		Collateral obtained by taking possession		Collateral obtained by taking possession	
		Value at initial recognition	**Accumulated negative changes**	Value at initial recognition	Accumulated negative changes
		£m	**£m**	£m	£m
020	Other than property, plant and equipment	**1**	**–**	1	–
030	– Residential immovable property	**1**	**–**	1	–
080	**Total**	**1**	**–**	1	–

Defaulted exposures

We have adopted the EBA 'Guidelines on the application of definition of default and compliance is being met via the support of Article 146 adjustments. The accounting definition of impairment and the regulatory definition of default are generally aligned.

For specific retail exposures, regulatory default is identified at 180 days past due (model redevelopments are underway to align to 90 days past due), while the exposures are identified as impaired at 90 days past due.

Table 15: Changes in the stock of non-performing loans and advances[1] (CR2)

		Gross carrying value
		£m
010	**Initial stock of non-performing loans and advances at 1 Jan 2022**	**4,028**
020	Inflows to non-performing portfolios	**1,240**
030	Outflows from non-performing portfolios	**(487)**
040	Outflows due to write-offs	**(257)**
050	Outflow due to other situations[2]	**(370)**
060	**Final stock of non-performing loans and advances at 30 Jun 2022**	**4,154**

1 No comparatives have been included in this table as the information is disclosed for the first time as required under CRR II, which came into force on 1 January 2022.
2 Other changes include foreign exchange movements and repayments.

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 ('CRM'), 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 16: Credit risk mitigation techniques – overview (CR3)

		Exposures unsecured: carrying amount	Exposures secured: carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives[1]
		£m	£m	£m	£m	£m
1	Loans and advances	**151,059**	**168,443**	**160,371**	**8,072**	**—**
2	Debt securities	**14,471**	**380**	**—**	**380**	**—**
3	**Total at 30 Jun 2022**	**165,530**	**168,823**	**160,371**	**8,452**	**—**
4	*– of which: non-performing exposures*	***1,080***	***2,406***	***1,545***	***861***	**—**
5	*defaulted*	***1,080***	***2,406***	***1,545***	***861***	**—**
1	Loans	155,915	161,545	152,697	8,848	—
2	Debt securities	14,600	—	—	—	
3	Total at 31 Dec 2021[2]	170,515	161,545	152,697	8,848	—
4	*– of which: non-performing exposures*	*952*	*2,228*	*1,691*	*536*	—
5	*defaulted*	*952*	*2,228*	*1,691*	*536*	—

1 HSBC UK does not have any exposures secured by credit derivatives.
2 Prior period balances have been restated to include reverse repos and settlement balances to align to recent CRR II changes.

Table 17: Standardised approach – CCF and CRM effects (CR4)

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWAs and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
		£m	£m	£m	£m	£m	%
	Asset classes[1]						
1	Central governments or central banks	**113,475**	**1**	**121,796**	**46**	**741**	**1**
2	Regional governments or local authorities	**—**	**—**	**207**	**—**	**—**	**—**
3	Public sector entities	**486**	**—**	**—**	**—**	**—**	**—**
5	International organisations	**190**	**—**	**190**	**—**	**—**	**—**
6	Institutions	**541**	**—**	**541**	**—**	**210**	**39**
7	Corporates	**392**	**64**	**351**	**2**	**211**	**60**
8	Retail	**2,776**	**605**	**2,532**	**48**	**1,763**	**68**
9	Secured by mortgages on immovable property	**212**	**—**	**211**	**—**	**80**	**38**
10	Exposures in default	**58**	**4**	**45**	**1**	**65**	**142**
15	Equity	**33**	**—**	**33**	**—**	**33**	**100**
16	Other items	**407**	**—**	**407**	**—**	**100**	**25**
17	**Total at 30 Jun 2022**	**118,570**	**674**	**126,313**	**97**	**3,203**	**3**
1	Central governments or central banks	119,954	6	128,723	39	529	0
2	Regional governments or local authorities	—	—	88	—	—	—
3	Public sector entities	428	—	428	—	—	—
5	International organisations	0	—	0	—	0	0
6	Institutions	938	—	938	—	305	32
7	Corporates	402	98	349	18	270	74
8	Retail	1,437	620	1,437	37	921	63
9	Secured by mortgages on immovable property	241	—	241	—	91	38
10	Exposures in default	13	1	13	—	16	125
11	Exposures associated with particularly high risk	9	—	9	—	14	150
15	Equity	15	—	15	—	15	100
16	Other items	321	—	321	—	82	26
17	Total at 31 Dec 2021	123,758	725	132,562	94	2,243	2

1 Securitisation positions are not included in this table.

Table 18: Standardised approach – exposures by asset classes and risk weights (CR5)

	Risk weight ('RW%')	0	20	35	50	75	100	150	250	Total credit exposure amount (post-CCF and CRM)	*of which: un-rated*
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	Asset classes[1]										
1	Central governments or central banks	121,512	37	—	—	—	—	—	293	121,842	*293*
2	Regional governments or local authorities	207	—	—	—	—	—	—	—	207	*90*
5	International organisations	190	—	—	—	—	—	—	—	190	*190*
6	Institutions	—	203	—	338	—	—	—	—	541	—
7	Corporates	—	120	—	91	—	142	—	—	353	*142*
8	Retail	—	—	—	—	2,580	—	—	—	2,580	*2,580*
9	Secured by mortgages on immovable property	—	—	202	—	—	9	—	—	211	*211*
10	Exposures in default	—	—	—	—	—	8	38	—	46	*46*
15	Equity	—	—	—	—	—	33	—	—	33	*33*
16	Other items	—	383	—	—	—	24	—	—	407	*407*
17	**Total at 30 Jun 2022**	**121,909**	**743**	**202**	**429**	**2,580**	**216**	**38**	**293**	**126,410**	***3,992***
1	Central governments or central banks	128,550	—	—	—	—	—	—	211	128,762	*212*
2	Regional governments or local authorities	88	—	—	—	—	—	—	—	88	—
3	Public sector entities	428	—	—	—	—	—	—	—	428	*328*
6	Institutions	—	549	—	387	—	1	—	—	938	*938*
7	Corporates	—	119	—	4	—	244	—	—	367	*249*
8	Retail	—	—	—	—	1,474	—	—	—	1,474	*1,474*
9	Secured by mortgages on immovable property	—	—	231	—	—	11	—	—	241	*241*
10	Exposures in default	—	—	—	—	—	6	7	—	13	*13*
11	Exposures associated with particularly high risk	—	—	—	—	—	—	9	—	9	*9*
15	Equity	—	—	—	—	—	15	—	—	15	*15*
16	Other items	—	299	—	—	—	23	—	—	321	*20*
17	Total at 31 Dec 2021	129,066	967	231	391	1,474	300	16	211	132,656	*3,499*

1 Securitisation positions are not included in this table.

Table 19: IRB – Credit risk exposures by portfolio and PD range[1] (CR6)

PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post CRM	Exposure weighted average PD (%)	Number of obligors[4]	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors[3]	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	£m	£m	%	£m	%		%	years	£m	%	£m	£m
AIRB – Central government and central banks												
0.00 to <0.15	5,150	–	–	5,150	0.01	71	45.0	4.2	650	13	–	–
0.00 to <0.10	*5,150*	*–*	*–*	*5,150*	*0.01*	*71*	*45.0*	*4.2*	*650*	*13*	*–*	*–*
Sub-total	5,150	–	–	5,150	0.01	71	45.0	4.2	650	13	–	–
AIRB – Institutions												
0.00 to <0.15	1,820	198	42.5	1,822	0.06	474	28.0	3.1	353	19	–	–
0.00 to <0.10	*1,395*	*88*	*14.5*	*1,333*	*0.03*	*271*	*23.8*	*3.6*	*204*	*15*	*–*	*–*
0.10 to <0.15	*425*	*110*	*64.8*	*489*	*0.13*	*203*	*39.5*	*2.0*	*149*	*31*	*–*	*–*
0.75 to <2.50	–	13	–	–	1.59	94	44.2	1.0	–	91	–	–
0.75 to <1.75	*–*	*1*	*–*	*–*	*1.39*	*90*	*43.9*	*1.0*	*–*	*86*	*–*	*–*
1.75 to <2.5	*–*	*12*	*–*	*–*	*2.25*	*4*	*45.0*	*1.0*	*–*	*108*	*–*	*–*
2.50 to <10.00	–	5	–	–	–	2	45.5	1.0	–	118	–	–
2.5 to <5	*–*	*5*	*–*	*–*	*–*	*2*	*45.5*	*1.0*	*–*	*118*	*–*	*–*
Sub-total	1,820	215	41.4	1,822	0.06	587	28.0	3.1	353	19	–	–
AIRB – Corporate – specialised lending (excluding slotting)[2]												
0.00 to <0.15	6	17	57.0	15	0.13	2	30.2	3.6	4	25	–	–
0.10 to <0.15	*6*	*17*	*57.0*	*15*	*0.13*	*2*	*30.2*	*3.6*	*4*	*25*	*–*	*–*
0.15 to <0.25	141	45	57.0	167	0.22	8	25.6	3.8	45	27	–	1
0.25 to <0.50	164	74	57.0	206	0.37	5	28.6	4.5	90	43	–	4
0.50 to <0.75	95	40	57.0	118	0.63	10	40.9	3.7	90	76	–	–
0.75 to <2.50	68	102	57.0	126	1.16	8	33.9	4.4	118	93	1	–
0.75 to <1.75	*68*	*102*	*57.0*	*126*	*1.16*	*7*	*33.9*	*4.4*	*118*	*93*	*1*	*–*
Sub-total	474	278	57.0	632	0.53	33	31.2	4.1	346	55	1	5
AIRB – Corporate – SME[5]												
0.25 to <0.50	2	1	5.5	2	0.37	1	47.9	1.1	1	47	–	–
Sub-total	2	1	5.5	2	0.37	1	47.9	1.1	1	47	–	–
AIRB – Corporate – Other												
0.00 to <0.15	143	99	68.6	216	0.09	108	18.3	1.7	25	12	–	–
0.00 to <0.10	*60*	*79*	*72.4*	*122*	*0.06*	*63*	*19.6*	*1.3*	*10*	*8*	*–*	*–*
0.10 to <0.15	*84*	*20*	*52.2*	*94*	*0.13*	*45*	*16.8*	*2.2*	*15*	*16*	*–*	*–*
0.15 to <0.25	133	13	9.1	134	0.22	177	15.4	1.9	20	15	–	–
0.25 to <0.50	115	12	13.6	117	0.36	114	23.2	2.3	39	34	–	–
0.50 to <0.75	162	57	8.5	166	0.59	95	10.2	1.8	26	16	–	–
0.75 to <2.50	274	825	3.0	294	1.66	20,846	18.1	2.3	150	51	1	–
0.75 to <1.75	*143*	*823*	*2.9*	*163*	*1.29*	*20,810*	*18.6*	*1.6*	*95*	*58*	*–*	*–*
1.75 to <2.5	*131*	*2*	*8.2*	*131*	*2.12*	*36*	*17.3*	*3.1*	*55*	*42*	*1*	*–*
2.50 to <10.00	60	11	1.6	60	3.91	44	14.3	2.1	26	44	–	–
2.5 to <5	*43*	*11*	*1.6*	*44*	*3.23*	*34*	*14.0*	*2.5*	*18*	*42*	*–*	*–*
5 to <10	*16*	*–*	*4.5*	*16*	*5.75*	*10*	*15.3*	*1.0*	*8*	*50*	*–*	*–*
10.00 to <100.00	8	–	100.0	8	21.09	16	20.3	1.0	7	85	1	–
10 to <20	*6*	*–*	*100.0*	*6*	*10.88*	*11*	*16.5*	*1.0*	*4*	*73*	*–*	*–*
30.00 to <100.00	*2*	*–*	*100.0*	*2*	*47.20*	*5*	*30.2*	*1.0*	*2*	*115*	*–*	*–*
100.00 (Default)	76	–	100.0	76	100.00	16	20.4	1.0	134	177	5	5
Sub-total	970	1,017	10.2	1,070	8.09	21,416	17.1	1.9	427	40	7	6
Wholesale AIRB – Total at 30 Jun 2022[3]	8,416	1,512	23.1	8,677	1.05	22,111	37.0	3.7	1,777	21	9	11

Table 19: IRB – Credit risk exposures by portfolio and PD range[1] (CR6) (continued)

PD scale	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post-CCF and post CRM £m	Exposure weighted average PD %	Number of obligors[4]	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors[3] £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjust-ments and provisions £m
AIRB – Secured by mortgages on immovable property SME												
2.50 to <10.00	1	–	–	1	5.24	6	80.3	–	1	217	–	–
10.00 to <100.00	1	1	10.7	1	14.62	48	70.5	–	4	296	–	–
10 to <20	*1*	*1*	*10.7*	*1*	*14.62*	*48*	*70.5*	–	*4*	*296*	–	–
100.00 (Default)	2	–	100.0	2	100.00	36	69.8	–	4	175	1	–
Sub-total	4	1	44.1	4	55.59	90	69.1	–	9	207	1	–
AIRB – Secured by mortgages on immovable property non-SME												
0.00 to <0.15	101,873	4,472	103.8	109,505	0.06	813,115	14.5	–	7,402	7	26	15
0.00 to <0.10	*87,451*	*3,077*	*103.4*	*93,215*	*0.05*	*716,898*	*13.8*	–	*5,230*	*6*	*17*	*11*
0.10 to <0.15	*14,421*	*1,394*	*104.7*	*16,290*	*0.12*	*96,217*	*18.5*	–	*2,172*	*13*	*8*	*5*
0.15 to <0.25	9,680	1,284	106.1	11,298	0.20	73,522	16.9	–	1,969	17	9	5
0.25 to <0.50	5,613	499	109.0	6,296	0.35	41,973	16.2	–	1,511	24	8	6
0.50 to <0.75	1,972	131	110.8	2,165	0.61	12,147	14.9	–	647	30	4	4
0.75 to <2.50	1,843	169	106.9	2,061	1.26	11,835	13.9	–	791	38	6	11
0.75 to <1.75	*1,580*	*132*	*105.5*	*1,751*	*1.11*	*9,557*	*14.7*	–	*661*	*38*	*5*	*8*
1.75 to <2.5	*263*	*37*	*112.0*	*310*	*2.11*	*2,278*	*9.1*	–	*130*	*42*	*1*	*3*
2.50 to <10.00	539	80	113.5	639	4.66	5,249	7.2	–	311	49	4	12
2.5 to <5	*351*	*51*	*113.3*	*416*	*3.53*	*3,451*	*7.6*	–	*190*	*46*	*2*	*7*
5 to <10	*188*	*28*	*113.9*	*223*	*6.77*	*1,798*	*6.5*	–	*120*	*54*	*2*	*5*
10.00 to <100.00	472	8	116.3	492	29.44	5,010	10.1	–	614	125	31	20
10 to <20	*206*	*4*	*127.2*	*215*	*15.39*	*2,128*	*10.8*	–	*280*	*130*	*7*	*5*
20 to <30	*87*	*3*	*106.0*	*92*	*24.66*	*966*	*8.0*	–	*109*	*119*	*4*	*3*
30.00 to <100.00	*179*	*1*	*107.8*	*185*	*48.23*	*1,916*	*10.4*	–	*225*	*122*	*20*	*12*
100.00 (Default)	628	14	17.1	629	100.00	7,943	13.5	–	1,505	239	41	89
Sub-total	122,620	6,658	104.8	133,085	0.72	970,794	14.7	–	14,751	11	129	162
AIRB – Qualifying revolving retail exposures												
0.00 to <0.15	2,446	23,627	60.3	16,696	0.06	10,254,339	77.6	–	818	5	10	24
0.00 to <0.10	*1,422*	*18,942*	*63.5*	*13,457*	*0.04*	*8,865,879*	*76.5*	–	*490*	*4*	*6*	*15*
0.10 to <0.15	*1,024*	*4,684*	*47.3*	*3,239*	*0.12*	*1,388,460*	*82.4*	–	*328*	*10*	*4*	*9*
0.15 to <0.25	428	2,374	69.5	2,078	0.22	1,742,983	82.8	–	325	16	5	10
0.25 to <0.50	634	2,956	57.5	2,286	0.34	1,778,809	83.9	–	512	22	8	16
0.50 to <0.75	763	1,205	58.7	1,473	0.58	739,385	85.3	–	559	38	10	29
0.75 to <2.50	1,347	1,039	77.5	2,171	1.42	1,094,980	82.8	–	1,561	72	37	124
0.75 to <1.75	*1,114*	*860*	*73.1*	*1,754*	*1.23*	*811,944*	*83.4*	–	*1,198*	*68*	*27*	*99*
1.75 to <2.5	*233*	*179*	*99.0*	*417*	*2.20*	*283,036*	*80.1*	–	*363*	*87*	*10*	*25*
2.50 to <10.00	622	274	109.0	950	4.54	696,552	79.0	–	1,298	137	43	96
2.5 to <5	*393*	*209*	*103.6*	*626*	*3.48*	*491,086*	*80.0*	–	*768*	*123*	*23*	*48*
5 to <10	*229*	*65*	*126.0*	*324*	*6.60*	*205,466*	*77.1*	–	*530*	*164*	*20*	*48*
10.00 to <100.00	188	44	96.7	248	28.13	186,724	79.6	–	654	264	83	65
10 to <20	*111*	*27*	*126.5*	*156*	*13.37*	*119,769*	*78.0*	–	*382*	*244*	*20*	*32*
20 to <30	*14*	*5*	*75.6*	*21*	*26.79*	*30,280*	*80.4*	–	*67*	*322*	*5*	–
30.00 to <100.00	*63*	*12*	*36.3*	*71*	*61.24*	*36,675*	*83.0*	–	*205*	*290*	*57*	*32*
100.00 (Default)	124	25	66.3	137	100.00	207,169	80.4	–	271	197	93	73
Sub-total	6,551	31,543	61.7	26,039	1.20	16,700,941	79.5	–	5,998	23	290	437

Table 19: IRB – Credit risk exposures by portfolio and PD range[1] (CR6) (continued)

PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post CRM	Exposure weighted average PD	Number of obligors[4]	Exposure weighted average LGD	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors[3]	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	£m	£m	%	£m	%		%	years	£m	%	£m	£m
AIRB – Other SME												
0.00 to <0.15	1	13	97.6	14	0.12	30,811	94.3	–	3	21	–	45
0.00 to <0.10	*–*	*4*	*102.9*	*5*	*0.09*	*10,310*	*94.4*	*–*	*1*	*17*	*–*	*45*
0.10 to <0.15	*–*	*9*	*95.0*	*9*	*0.13*	*20,501*	*94.3*	*–*	*2*	*23*	*–*	*–*
0.15 to <0.25	1	21	79.7	18	0.21	34,843	94.3	–	6	32	–	–
0.25 to <0.50	9	100	51.0	59	0.38	64,011	94.7	–	28	48	–	–
0.50 to <0.75	16	123	58.5	87	0.63	69,272	94.9	–	55	63	1	–
0.75 to <2.50	2,241	809	52.4	924	1.62	441,381	84.6	–	798	86	15	22
0.75 to <1.75	*1,262*	*543*	*53.2*	*675*	*1.43*	*291,387*	*84.0*	*–*	*554*	*82*	*9*	*10*
1.75 to <2.5	*979*	*266*	*50.6*	*249*	*2.11*	*149,994*	*86.1*	*–*	*244*	*98*	*6*	*11*
2.50 to <10.00	2,711	382	46.8	657	5.08	333,625	83.2	–	740	113	40	49
2.5 to <5	*1,149*	*241*	*47.0*	*359*	*3.60*	*175,102*	*83.9*	*–*	*406*	*113*	*17*	*16*
5 to <10	*1,561*	*140*	*46.2*	*298*	*6.86*	*158,523*	*82.4*	*–*	*334*	*112*	*22*	*33*
10.00 to <100.00	1,072	91	48.1	202	20.71	126,770	87.0	–	313	155	42	47
10 to <20	*636*	*66*	*44.2*	*134*	*14.26*	*73,532*	*86.0*	*–*	*186*	*139*	*19*	*28*
20 to <30	*215*	*15*	*57.3*	*36*	*24.81*	*25,904*	*88.9*	*–*	*66*	*183*	*9*	*2*
30.00 to <100.00	*221*	*9*	*64.6*	*32*	*42.79*	*27,334*	*89.2*	*–*	*62*	*192*	*14*	*17*
100.00 (Default)	914	13	53.7	81	100.00	40,828	69.8	–	49	61	65	49
Sub-total	**6,965**	**1,552**	**52.0**	**2,042**	**8.43**	**1,141,541**	**84.7**	**–**	**1,993**	**98**	**162**	**213**
AIRB – Other non-SME												
0.00 to <0.15	320	637	64.2	729	0.10	26,577	16.4	–	33	5	–	–
0.00 to <0.10	*195*	*247*	*23.3*	*253*	*0.04*	*21,065*	*22.0*	*–*	*12*	*5*	*–*	*–*
0.10 to <0.15	*125*	*390*	*90.0*	*476*	*0.13*	*5,512*	*13.3*	*–*	*20*	*4*	*–*	*–*
0.15 to <0.25	694	63	48.1	725	0.24	122,562	75.4	–	267	37	1	2
0.25 to <0.50	358	72	6.2	361	0.36	26,520	52.2	–	118	33	–	–
0.50 to <0.75	1,085	69	76.2	1,135	0.59	90,177	81.1	–	755	67	5	12
0.75 to <2.50	1,941	82	10.6	1,943	1.36	207,214	78.9	–	1,796	93	20	38
0.75 to <1.75	*1,587*	*58*	*13.4*	*1,590*	*1.19*	*160,898*	*78.4*	*–*	*1,404*	*88*	*14*	*27*
1.75 to <2.5	*353*	*23*	*3.5*	*353*	*2.13*	*46,316*	*81.5*	*–*	*392*	*111*	*6*	*11*
2.50 to <10.00	606	13	87.4	614	4.59	99,457	86.0	–	801	130	24	63
2.5 to <5	*410*	*13*	*87.7*	*419*	*3.50*	*70,592*	*85.8*	*–*	*528*	*126*	*12*	*31*
5 to <10	*196*	*1*	*81.1*	*195*	*6.94*	*28,865*	*86.4*	*–*	*272*	*140*	*12*	*32*
10.00 to <100.00	168	45	0.9	167	54.42	18,322	58.1	–	193	115	34	24
10 to <20	*65*	*–*	*94.4*	*65*	*14.08*	*9,770*	*83.1*	*–*	*108*	*166*	*7*	*9*
20 to <30	*9*	*–*	*49.0*	*9*	*24.78*	*2,099*	*86.6*	*–*	*20*	*214*	*2*	*3*
30.00 to <100.00	*93*	*45*	*0.3*	*93*	*85.63*	*6,453*	*37.7*	*–*	*65*	*70*	*24*	*13*
100.00 (Default)	55	1	64.3	54	100.00	6,750	82.0	–	132	243	35	28
Sub-total	**5,226**	**982**	**52.7**	**5,728**	**3.67**	**597,579**	**69.5**	**–**	**4,094**	**72**	**119**	**168**
Retail AIRB – Total at 30 Jun 2022	**141,366**	**40,735**	**68.19**	**166,898**	**0.99**	**1,989,277**	**27.6**	**0**	**26,845**	**16.1**	**701**	**980**

Table 19: IRB – Credit risk exposures by portfolio and PD range[1] (CR6) (continued)

PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post CRM	Exposure weighted average PD	Number of obligors[4]	Exposure weighted average LGD	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors[3]	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	£m	£m	%	£m	%		%	years	£m	%	£m	£m
FIRB – Corporate – SME[5]												
0.00 to <0.15	621	252	24.2	663	0.13	1,365	40.0	2.6	195	29	–	–
0.00 to <0.10	*4*	*1*	*52.8*	*4*	*0.07*	*7*	*45.0*	*1.9*	*1*	*19*	–	–
0.10 to <0.15	*617*	*251*	*24.1*	*659*	*0.13*	*1,358*	*40.0*	*2.6*	*194*	*30*	–	–
0.15 to <0.25	1,754	668	16.5	1,788	0.22	2,627	38.7	2.3	634	36	2	1
0.25 to <0.50	2,015	529	19.7	2,023	0.37	2,689	38.1	2.6	923	46	4	3
0.50 to <0.75	1,737	396	25.3	1,726	0.63	2,003	38.8	2.6	1,032	60	5	4
0.75 to <2.50	3,088	685	24.3	2,936	1.34	4,223	38.3	2.4	2,175	74	19	9
0.75 to <1.75	*2,596*	*584*	*24.6*	*2,486*	*1.18*	*3,549*	*38.3*	*2.5*	*1,796*	*72*	*14*	*7*
1.75 to <2.5	*492*	*101*	*22.8*	*450*	*2.25*	*674*	*38.5*	*2.2*	*379*	*84*	*5*	*2*
2.50 to <10.00	993	206	28.6	882	4.56	1,524	38.1	2.4	907	103	19	16
2.5 to <5	*618*	*135*	*27.6*	*563*	*3.50*	*936*	*37.8*	*2.5*	*531*	*94*	*9*	*7*
5 to <10	*375*	*71*	*30.3*	*319*	*6.44*	*588*	*38.6*	*2.3*	*376*	*118*	*10*	*9*
10.00 to <100.00	343	48	28.1	286	15.18	429	38.3	1.8	438	153	21	11
10 to <20	*318*	*45*	*28.3*	*264*	*13.04*	*383*	*38.3*	*1.8*	*399*	*151*	*17*	*10*
30.00 to <100.00	*25*	*3*	*25.9*	*22*	*40.93*	*46*	*38.9*	*1.7*	*39*	*180*	*4*	*1*
100.00 (Default)	315	20	33.1	321	100.00	8	38.7	5.0	–	–	124	47
Sub-total	10,866	2,804	22.1	10,625	4.40	14,868	38.5	2.5	6,302	59	195	91
PD scale												
FIRB – Corporate – Other												
0.00 to <0.15	4,955	6,796	65.3	9,657	0.10	4,263	37.6	2.3	2,540	26	4	2
0.00 to <0.10	*2,103*	*3,603*	*71.9*	*4,868*	*0.06*	*867*	*39.8*	*2.3*	*1,049*	*22*	*1*	*1*
0.10 to <0.15	*2,852*	*3,193*	*58.1*	*4,789*	*0.13*	*3,396*	*35.4*	*2.3*	*1,491*	*31*	*3*	*1*
0.15 to <0.25	4,746	3,354	49.9	6,369	0.22	3,323	38.4	2.1	2,714	43	7	5
0.25 to <0.50	4,203	2,650	44.6	5,479	0.37	3,052	39.8	2.0	3,102	57	11	7
0.50 to <0.75	4,358	2,298	40.8	5,372	0.63	2,611	35.0	1.8	3,415	64	16	10
0.75 to <2.50	12,459	5,568	45.6	14,326	1.47	34,020	37.9	1.9	13,749	96	101	40
0.75 to <1.75	*9,642*	*4,332*	*43.8*	*11,078*	*1.24*	*31,724*	*37.6*	*1.9*	*10,155*	*92*	*67*	*29*
1.75 to <2.5	*2,817*	*1,235*	*52.0*	*3,248*	*2.25*	*2,296*	*38.7*	*2.0*	*3,594*	*111*	*35*	*11*
2.50 to <10.00	4,744	2,068	50.3	5,147	4.28	3,890	34.8	2.1	6,249	121	95	43
2.5 to <5	*3,551*	*1,743*	*52.3*	*3,985*	*3.58*	*3,099*	*36.1*	*2.2*	*4,859*	*122*	*67*	*17*
5 to <10	*1,193*	*325*	*38.8*	*1,163*	*6.66*	*791*	*30.5*	*1.7*	*1,390*	*120*	*29*	*26*
10.00 to <100.00	1,237	263	37.7	1,295	16.63	725	37.6	1.6	2,437	188	96	70
10 to <20	*1,116*	*253*	*38.1*	*1,175*	*11.59*	*641*	*38.7*	*1.7*	*2,299*	*196*	*69*	*63*
30.00 to <100.00	*120*	*10*	*27.1*	*120*	*66.09*	*84*	*26.9*	*0.9*	*138*	*115*	*27*	*7*
100.00 (Default)	1,717	199	49.1	1,663	100.00	1,662	39.7	1.4	–	–	679	222
Sub-total	38,419	23,196	51.8	49,308	4.84	53,546	37.5	2.0	34,206	69	1,009	398
FIRB – Total at 30 Jun 2022	49,285	26,013	48.7	59,933	4.80	68,401	37.7	2.1	40,508	68	1,204	490

Table 19: IRB – Credit risk exposures by portfolio and PD range[1] (CR6) (continued)

PD scale	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post-CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjust-ments and provisions £m
AIRB – Central government and central banks												
0.00 to <0.15	6,451	—	31.8	6,451	—	76	45.0	3.42	698	11	—	—
Sub-total	6,451	—	31.2	6,451	—	76	45.0	3.42	698	11	—	—
AIRB – Institutions												
0.00 to <0.15	1,105	231	43.5	1,118	0.1	506	27.0	3	200	18	—	2
0.50 to <0.75	10	10	57.0	2	0.6	6	45.0	2	2	84	—	—
2.50 to <10.00	—	6	0.0	—	3.3	2	45.0	1	—	117	—	—
Sub-total	1,115	247	42.6	1,120	0.1	514	27.0	3	202	18	—	2
AIRB – Corporate – specialised lending (excluding slotting)[2]												
0.00 to <0.15	5	12	57.0	12	0.1	1	18.0	2	1	10	—	—
0.15 to <0.25	108	75	43.7	141	0.2	11	28.0	4	41	29	1	1
0.25 to <0.50	107	82	57.0	154	0.4	3	41.0	4	99	64	—	—
0.50 to <0.75	89	46	57.0	115	0.6	10	41.0	4	91	79	—	—
0.75 to <2.50	75	37	57.0	96	1.3	5	23.0	5	68	70	—	—
Sub-total	384	252	53.0	518	0.6	30	34.0	4	300	58	1	1
AIRB – Corporate – SME5												
0.00 to <0.15	—	—	0.0	—	0.1	0	37.0	1	—	13	—	—
0.15 to <0.25	2	2	21.0	2	0.2	25	15.0	2	—	7	—	—
0.50 to <0.75	—	—	45.4	—	0.6	0	45.0	1	—	37	—	—
0.75 to <2.50	—	—	57.0	—	0.9	6	36.0	4	—	60	—	—
Sub-total	2	2	22.3	2	0.3	25	17.0	2	—	16	—	—
AIRB – Corporate – Other												
0.00 to <0.15	178	130	51.1	257	0.1	93	15.0	2	35	14	—	—
0.15 to <0.25	135	18	45.1	142	0.2	174	17.0	1	22	15	—	—
0.25 to <0.50	128	18	76.4	143	0.4	122	20.0	2	41	28	—	—
0.50 to <0.75	78	1	44.9	83	0.6	101	21.0	2	27	33	—	—
0.75 to <2.50	366	34	110.3	385	1.8	21,535	20.0	2	178	47	1	—
2.50 to <10.00	62	638	0.0	62	3.9	57	17.0	1	31	50	—	—
10.00 to <100.00	11	0	566.7	11	17.9	20	20.0	1	10	91	0	0
100.00 (Default)	72	—	856.3	72	100.0	18	21.0	1	129	179	7	6
Sub-total	1,030	839	14.9	1,155	7.3	22,127	19.0	2	473	41	8	6
Wholesale AIRB – Total at 31 Dec 2021[3]	8,982	1,340	27.1	9,246	1.0	22,771	39.0	3	1,673	18	9	9

Table 19: IRB – Credit risk exposures by portfolio and PD range[1] (CR6) (continued)

PD scale	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post-CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjust-ments and provisions £m
AIRB – Secured by mortgages on immovable property SME												
0.75 to <2.50	—	—	15.0	—	2.00	—	96.0	—	—	128	—	—
2.50 to <10.00	1	—	—	1	5.00	17	78.0	—	2	188	—	—
10.00 to <100.00	3	2	11.0	3	17.00	38	73.0	—	8	318	—	—
100.00 (Default)	7	—	85.0	9	100.00	126	63.0	—	13	145	5	1
Sub-total	11	2	27.0	13	74.00	181	67.0	—	23	185	5	1
AIRB – Secured by mortgages on immovable property non-SME												
0.00 to <0.15	97,645	4,586	104.0	105,671	0.00	571,617	15.0	—	3,267	3	12	13
0.15 to <0.25	9,264	1,317	104.0	10,911	0.00	59,021	17.0	—	908	8	4	4
0.25 to <0.50	5,342	503	109.0	6,037	0.00	32,657	17.0	—	791	13	5	5
0.50 to <0.75	2,068	112	112.0	2,248	1.00	12,159	15.0	—	374	17	3	3
0.75 to <2.50	2,112	208	94.0	2,358	1.00	12,754	16.0	—	628	27	5	9
2.50 to <10.00	608	85	113.0	714	5.00	3,864	8.0	—	267	37	4	9
10.00 to <100.00	523	8	118.0	546	29.00	2,952	10.0	—	315	58	16	18
100.00 (Default)	652	17	22.0	656	100.00	3,550	13.0	—	862	131	35	91
Sub-total	118,214	6,836	104.0	129,141	1.00	698,575	15.0	—	7,412	6	84	152
AIRB – Qualifying revolving retail exposures												
0.00 to <0.15	2,380	24,010	60.0	16,793	0.00	8,483,386	78.0	—	659	4	10	17
0.15 to <0.25	409	2,393	69.0	2055	0.00	1,038,000	83.0	—	275	13	5	6
0.25 to <0.50	621	2,886	57.0	2,220	0.00	1,121,564	84.0	—	461	21	8	10
0.50 to <0.75	747	1,187	58.0	1,442	1.00	728,436	85.0	—	437	30	9	18
0.75 to <2.50	1,313	1,019	77.0	2,120	1.00	1,071,160	83.0	—	1,166	55	32	81
2.50 to <10.00	652	293	107.0	993	5.00	501,520	81.0	—	1,151	116	42	71
10.00 to <100.00	193	44	99.0	253	30.00	127,684	79.0	—	552	218	75	48
100.00 (Default)	148	27	63.0	163	100.00	82,489	82.0	—	394	241	103	94
Sub-total	6,463	31,859	61.0	26,039	1.00	13,154,238	80.0	—	5,095	20	284	345
AIRB – Other SME												
0.00 to <0.15	3	55	68.0	40	0.00	15,084	95.0	—	8	19	—	29
0.15 to <0.25	6	86	49.0	47	0.00	17,638	95.0	—	15	32	—	—
0.25 to <0.50	19	203	62.0	146	0.00	54,347	95.0	—	69	47	1	—
0.50 to <0.75	18	124	69.0	103	1.00	38,512	94.0	—	64	62	1	—
0.75 to <2.50	3,235	1,080	45.0	948	2.00	352,878	84.0	—	858	91	15	14
2.50 to <10.00	2,058	350	47.0	465	5.00	173,513	83.0	—	663	143	34	23
10.00 to <100.00	1,538	132	44.0	137	22.00	51,051	88.0	—	238	174	33	27
100.00 (Default)	480	18	21.0	73	100.00	27,383	72.0	—	37	51	62	48
Sub-total	7,357	2,048	50.0	1,959	7.00	730,407	85.0	—	1,952	100	146	141
AIRB – Other non-SME												
0.00 to <0.15	438	635	58.0	806	0.00	91,615	15.0	—	29	4	—	—
0.15 to <0.25	1,103	39	57.0	1,123	0.00	127,665	79.0	—	425	38	2	2
0.25 to <0.50	500	39	10.0	504	0.00	57,324	75.0	—	238	47	1	1
0.50 to <0.75	954	37	5.0	954	1.00	108,428	84.0	—	655	69	5	5
0.75 to <2.50	2,133	53	8.0	2,133	1.00	242,226	80.0	—	1,988	93	23	22
2.50 to <10.00	744	13	88.0	752	5.00	85,414	87.0	—	978	130	29	45
10.00 to <100.00	141	1	93.0	140	34.00	15,965	85.0	—	239	170	39	24
100.00 (Default)	93	1	56.0	90	100.00	10,248	82.0	—	189	209	55	62
Sub-total	6,106	818	50.0	6,502	3.00	738,885	73.0	—	4,741	73	154	161
Retail AIRB – Total at 31 Dec 2021	138,151	41,563	68.0	163,654	1.00	15,322,286	29.0	—	19,223	12	673	800

Table 19: IRB – Credit risk exposures by portfolio and PD range[1] (CR6) (continued)

PD scale	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post-CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
FIRB – Corporate – SME[5]												
0.00 to <0.15	564	247	25.3	599	0.13	1,271	40.0	2.7	163	27	—	0
0.15 to <0.25	1,544	534	18.1	1,560	0.22	2,593	39.0	2.4	505	32	2	1
0.25 to <0.50	1,760	526	21.1	1,744	0.37	2,861	38.4	2.5	717	41	3	2
0.50 to <0.75	1,516	386	22.7	1,486	0.63	2,257	38.0	2.8	831	56	5	2
0.75 to <2.50	3,389	800	29.4	3,153	1.37	5,686	38.4	2.5	2,289	73	24	14
2.50 to <10.00	1,158	240	25.3	938	4.73	2,276	38.5	2.5	995	106	25	32
10.00 to <100.00	380	78	49.6	339	17.96	734	38.4	2.3	555	164	34	23
Sub-total	10,310	2,810	24.6	9,820	1.71	17,678	38.5	2.5	6,055	62	93	74
FIRB – Corporate – Other												
0.00 to <0.15	4,132	6,340	65.0	8,632	0.10	3,409	39.0	2.1	2,255	26	4	2
0.15 to <0.25	4,877	3,553	50.7	6,664	0.22	3,334	36.2	1.9	2,608	39	6	29
0.25 to <0.50	3,654	2,662	45.5	4,892	0.37	2,891	40.0	2.1	2,910	59	9	4
0.50 to <0.75	3,646	2,207	46.6	4,537	0.63	2,731	36.5	1.9	3,100	68	13	5
0.75 to <2.50	11,836	6,656	46.4	14,231	1.49	35,428	39.4	2.2	13,695	96	94	57
2.50 to <10.00	6,774	2,520	55.2	7,480	4.90	4,569	32.4	1.9	9,493	127	135	162
10.00 to <100.00	779	279	36.4	824	16.73	809	36.7	1.9	1,695	206	56	82
100.00 (Default)	1,916	196	50.9	1,886	100.00	1,698	39.8	2.1	—	—	754	308
Sub-total	37,613	24,413	52.7	49,146	5.44	54,873	37.6	2.0	35,756	73	1,071	649
FIRB – Total at 31 Dec 2021	47,923	27,224	50.0	58,967	5.00	72,550	38.0	2.0	41,811	71	1,164	723

1 *Securitisation positions and Non Credit Obligation Assets are not included in this table.*
2 *Slotting exposures are disclosed in Table 21: Specialised lending and equity exposures under the simple risk weighted approach (CR10).*
3 *Figures have been prepared on an IFRS 9 transitional basis.*
4 *For the current period, a single obligor with more than on rating/PD will be counted in each PD band where it is reported.*
5 *Reporting process improvements resulted in a reduction in RWA benefits taken on SMEs. The impact of these changes is reflected in the reported RWAs but not yet in the classification of the exposures as SMEs.*

Table 20: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A)

			Funded credit Protection								
				Part of exposures covered by Other eligible collaterals				Part of exposures covered by Other funded credit protection			
AIRB		Total exposures	Part of exposures covered by Financial Collaterals	Part of exposures covered by Other eligible collaterals	Part of exposures covered by Immovable property Collaterals	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral	Part of exposures covered by Other funded credit protection	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
		£m	%	%	%	%	%	%	%	%	%
1	Central governments and central banks	5,150	–	–	–	–	–	–	–	–	–
2	Institutions	1,904	2.11	–	–	–	–	–	–	–	–
3	Corporates	10,394	2.66	3.29	3.14	–	0.15	–	–	–	–
3.1	– *of which Corporates – SMEs*[1]	*2*	*7.54*	*20.84*	*20.84*	–	–	–	–	–	–
3.2	*Corporates – Specialised lending*	*9,387*	–	–	–	–	–	–	–	–	–
3.3	*Corporates – Other*	*1,005*	*27.50*	*34.03*	*32.48*	–	*1.54*	–	–	–	–
4	Retail	172,599	0.45	76.92	76.92	–	–	–	–	–	–
4.1	– *of which: Retail – Immovable property SMEs*	*4*	*0.71*	*87.15*	*87.15*	–	–	–	–	–	–
4.2	*Retail – Immovable property non-SMEs*	*133,085*	*0.05*	*99.76*	*99.76*	–	–	–	–	–	–
4.3	*Retail – Qualifying revolving*	*26,039*	–	–	–	–	–	–	–	–	–
4.4	*Retail – Other SMEs*	*7,538*	–	–	–	–	–	–	–	–	–
4.5	*Retail – Other non-SMEs*	*5,932*	*12.03*	–	–	–	–	–	–	–	–
5	**Total at 30 Jun 2022**	190,047	0.58	70.04	70.03	–	0.01	–	–	–	–
FIRB											
3	Corporates	61,933	7.98	32.55	23.07	7.11	2.38	–	–	–	–
3.1	– *of which: Corporates – SMEs*[1]	*11,500*	*0.21*	*60.69*	*44.37*	*12.88*	*3.44*	–	–	–	–
3.3	*Corporates – Other*	*50,434*	*9.75*	*26.14*	*18.21*	*5.79*	*2.14*	–	–	–	–
4	**Total at 30 Jun 2022**	61,933	7.98	32.55	23.07	7.11	2.38	–	–	–	–

		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
		%	%	£m	£m
1	Central governments and central banks	–	–	650	650
2	Institutions	–	–	353	353
3	Corporates	2.43	–	6,147	6,147
3.1	– *of which : Corporates – SMEs*[1]	–	–	*1*	*1*
3.2	*Corporates – Specialised lending*	–	–	*5,719*	*5,719*
3.3	*Corporates – Other*	*25.11*	–	*427*	*427*
4	Retail	0.02	–	26,845	26,845
4.1	– *of which: Retail – Immovable property SMEs*	*1.59*	–	*9*	*9*
4.2	*Retail – Immovable property non-SMEs*	*0.02*	–	*14,751*	*14,751*
4.3	*Retail – Qualifying revolving*	–	–	*5,998*	*5,998*
4.4	*Retail – Other SMEs*	*0.04*	–	*1,993*	*1,993*
4.5	*Retail – Other non-SMEs*	–	–	*4,094*	*4,094*
5	**Total at 30 Jun 2022**	0.15	–	33,995	33,995
FIRB					
3	Corporates	–	–	40,508	40,508
3.1	– *of which: Corporates – SMEs*[1]	–	–	*6,304*	*6,302*
3.3	*Corporates – Other*	–	–	*34,204*	*34,206*
4	**Total at 30 Jun 2022**	–	–	40,508	40,508

1 *Reporting process improvements resulted in a reduction in RWA benefits taken on SMEs. The impact of these changes is reflected in the reported RWAs but not yet in the classification of the exposures as SMEs.*

Table 21: Specialised lending and equity exposures under the simple risk weighted approach (CR10)

Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected loss
Regulatory categories	**Remaining maturity**	**£m**	**£m**	**%**	**£m**	**£m**	**£m**
Category 1	Less than 2.5 years	**3,525**	**632**	**50**	**3,941**	**1,969**	**—**
	Equal to or more than 2.5 years	**2,090**	**380**	**70**	**2,349**	**1,644**	**9**
Category 2	Less than 2.5 years	**1,128**	**66**	**70**	**1,173**	**820**	**5**
	Equal to or more than 2.5 years	**514**	**135**	**90**	**599**	**539**	**5**
Category 3	Less than 2.5 years	**255**	**46**	**115**	**288**	**331**	**8**
	Equal to or more than 2.5 years	**29**	**1**	**115**	**29**	**34**	**1**
Category 4	Less than 2.5 years	**12**	**1**	**250**	**13**	**32**	**1**
	Equal to or more than 2.5 years	**1**	**—**	**250**	**1**	**3**	**—**
Category 5	Less than 2.5 years	**304**	**2**	**—**	**305**	**—**	**152**
	Equal to or more than 2.5 years	**45**	**1**	**—**	**41**	**—**	**21**
Total at 30 Jun 2022	Less than 2.5 years	**5,224**	**747**		**5,720**	**3,152**	**166**
	Equal to or more than 2.5 years	**2,679**	**517**		**3,019**	**2,220**	**36**
Category 1	Less than 2.5 years	2,919	712	50	3,335	1,609	—
	Equal to or more than 2.5 years	1,915	466	70	2,190	1,549	9
Category 2	Less than 2.5 years	1,888	145	70	1,981	1,361	8
	Equal to or more than 2.5 years	572	145	90	656	592	5
Category 3	Less than 2.5 years	216	3	115	224	253	6
	Equal to or more than 2.5 years	35	1	115	37	43	1
Category 4	Less than 2.5 years	10	—	250	10	26	1
	Equal to or more than 2.5 years	1	—	250	1	3	—
Category 5	Less than 2.5 years	192	10	—	324	—	162
	Equal to or more than 2.5 years	10	—	—	20	—	10
Total at Dec 2021	Less than 2.5 years	5,225	870		5,874	3,249	177
	Equal to or more than 2.5 years	2,533	612		2,904	2,187	25

Counterparty credit risk

Counterparty credit risk ('CCR') risk arises for derivatives and SFTs. It is calculated in both the trading and non-trading books, and represents the risk that a counterparty may default before settlement of the transaction.

Four approaches may be used under CRR II to calculate exposure values for CCR: mark-to-market, original exposure, standardised and IMM. Exposure values calculated under these approaches are used to determine RWAs. HSBC UK uses mark to market approach under which derivatives exposures are calculated per the Standardised Approach for Counterparty Credit Risk (SA- CCR), effective from 1st Jan 2022.

Table 22: Analysis of counterparty credit risk exposure by approach (excluding centrally cleared exposures)[1] (CCR1)

		Replacement cost	Potential future exposure	Effective expected positive exposure[2]	Multiplier	EAD pre-CRM	EAD post-CRM	Exposure Value	RWAs
		£m	£m	£m	£m	£m	£m	£m	£m
1	SA-CCR (for derivatives)	**40**	**192**	**—**	**92**	**324**	**324**	**324**	**111**
4	Financial collateral comprehensive method (for SFTs)	**—**	**—**	**—**	**—**	**42**	**42**	**42**	**7**
6	**Total at 30 Jun 2022**	**40**	**192**	**—**	**92**	**366**	**366**	**366**	**118**

1 *No comparatives have been included in this table as the information is disclosed for the first time as required under CRR II, which came into force on 1 January 2022.*
2 *Effective expected positive exposure column is not relevant for HSBC UK, as the exposures are calculated under SA-CCR.   .*

Credit valuation adjustment

Credit valuation adjustments ('CVA') represent the risk of loss as a result of adverse changes to the credit quality of counterparties in derivative transactions.

HSBC UK applies the standardised approach for CVA. Exposures to certain types of counterparty are exempt from CVA, such as non-financial counterparties and sovereigns.

Table 23: Credit valuation adjustment capital charge[1] (CCR2)

		At 30 Jun 2022		At 31 Dec 2021	
		Exposure value	**RWAs**	Exposure value	RWAs
		£m	**£m**	£m	£m
4	Transactions subject to the Standardised method	**157**	**34**	95	20
5	**Total transactions subject to own funds requirements for CVA risk**	**157**	**34**	96	20

1 No comparatives have been included in this table as the information is disclosed for the first time as required under CRR II, which came into force on 1 January 2022.

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

Table 24: Standardised approach – CCR exposures by regulatory exposure class and risk weights[1] (CCR3)

	Risk weight	0% £m	20% £m	50% £m	75% £m	100% £m	150% £m	Others £m	Total exposure value £m
6	Institutions	—	82	13	—	—	—	—	96
	Total at 30 Jun 2022	—	82	13	—	—	—	—	96

1 No comparatives have been included in this table as the information is disclosed for the first time as required under CRR II, which came into force on 1 January 2022.

Table 25: 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 – Institutions							
0.00 to <0.15	178	0.07	22	45.0	1.1	37	21
0.15 to <0.25	3	0.22	1	45.0	3.9	3	84
0.50 to <0.75	—	0.63	1	45.0	1.0	—	62
Sub-total	181	0.07	24	45.0	1.2	40	22
AIRB – Total at 30 Jun 2022	181	0.07	24	45.0	1.2	40	22
FIRB – Corporates							
0.00 to <0.15	17	0.13	70	45.0	1.0	4	25
0.15 to <0.25	23	0.22	184	45.0	1.0	9	41
0.25 to <0.50	15	0.37	144	45.0	1.1	9	56
0.50 to <0.75	9	0.63	81	45.0	1.0	7	73
0.75 to <2.50	18	1.47	225	45.0	1.0	18	100
2.50 to <10.00	5	4.40	60	45.0	1.0	8	154
10.00 to <100.00	—	16.36	9	45.0	1.0	—	253
100.00 (Default)	—	100.00	13	45.0	1.0	—	—
FIRB – Total at 30 Jun 2022	87	1.29	786	45.0	1.0	55	63
Total (all portfolios) at 30 Jun 2022	268	0.47	810	45.0	1.1	95	35

Table 25: 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 – Institutions							
0.00 to <0.15	114	0.09	18	45.0	0.7	23	20
0.15 to <0.25	3	0.22	1	45.0	5.0	3	99
Sub-total	117	0.09	19	45.0	0.8	26	22
AIRB – Total at 31 Dec 2021	117	0.09	19	45.0	0.8	26	22
FIRB – Corporates							
0.00 to <0.15	7	0.12	71	45.0	1.0	1	22
0.15 to <0.25	9	0.22	168	45.0	1.0	3	35
0.25 to <0.50	6	0.37	136	45.0	1.1	3	48
0.50 to <0.75	4	0.63	91	45.0	1.0	3	63
0.75 to <2.50	7	1.41	227	45.0	1.0	6	87
2.50 to <10.00	1	4.34	50	45.0	1.0	1	132
10.00 to <100.00	—	41.93	9	45.0	1.0	—	164
100.00 (Default)	—	100.00	5	45.0	1.0	—	—
FIRB – Total at 31 Dec 2021	34	1.15	757	45.0	1.0	17	53
Total (all portfolios) at 31 Dec 2021	151	0.33	776	45.0	0.9	43	29

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 and receiving collateral and investigating disputes and non-receipts.

Table 26: Composition of collateral for CCR exposure[1] (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	**—**	**584**	**—**	**1,730**	**—**	**—**
2	Debt	**182**	**—**	**1,513**	**582**	**13,323**	**12,410**
5	**Total at 30 Jun 2022**	**182**	**584**	**1,513**	**2,312**	**13,323**	**12,410**

1 No comparatives have been included in this table as the information is disclosed for the first time as required under CRR II, which came into force on 1 January 2022.

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 Over-the-counter ('OTC') derivatives to 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 27: Exposures to central counterparties (CCR8)

		At 30 Jun 2022		At 31 Dec 2021	
		Exposure value	RWAs	EAD post CRM	RWAs
		£m	£m	£m	£m
1	**Exposures to qualifying central counterparties ('QCCPs') (total)**	**3,433**	**60**	1,081	74
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	**1,866**	**37**	462	10
3	– OTC derivatives	**456**	**9**	178	4
5	– securities financing transactions	**1,410**	**28**	284	6
7	Segregated initial margin	**1,305**		619	
8	Non-segregated initial margin	**262**	**5**	—	—
9	Pre-funded default fund contributions	**—**	**17**	—	64

Securitisation

Securitisation strategy

HSBC UK acts as originator 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, regulatory treatments and other conditions are suitable, and for customer facilitation.

Securitisations on the banking book follow a detailed due diligence framework in accordance with the new securitisation framework. Wholesale credit risk conducts the credit approval process in line with HSBC policies and procedures.

HSBC UK does not provide support to its originated or sponsored securitisation transactions as a policy.

Securitisation activity

Our roles in the securitisation process are as follows:

- originator: where we originate the assets being securitised, either directly or indirectly; and
- investor: where we hold a legacy investment in a securitisation transaction.

HSBC UK as originator

We are originator of one securitisation programme outstanding as at 30 June 2022.We have used SPE (Neon Portfolio Distribution) 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.

We have followed 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 maintain a unhedged holding of at least 5% in each reference obligation. This transactions is not categorised as simple transparent and standardised ('STS') as per securitisation framework.

HSBC UK as investor

We have exposure to third-party securitisations in residential mortgage, consumer and trade receivables segments.

Monitoring of securitisation positions

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

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.

Valuation of securitisation positions

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

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

Regulatory treatment

For regulatory purposes, any reduction in RWAs that would be achieved by our own originated securitisations must receive the PRA's permission and be justified by a commensurate transfer of credit risk to third parties. If achieved, 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 all securitisation positions, we follow the hierarchy of RWA calculation approaches described in the securitisation framework. Our originated positions are all reported under the internal ratings-based approach ('SEC-IRBA').

Analysis of securitisation positions

Our involvement in securitisation activities during the year include:

- £2.3bn positions held as synthetic transactions (31 December 2021: £2.3bn);
- no assets awaiting securitisation and no material realised losses on securitisation asset disposals, and no material unrealised losses on asset-backed disposals; and
- off-balance sheet exposure of £0.2bn (31 December 2021: £0.2bn), mainly related to contingent liquidity lines provided to securitisation vehicles. The exposures types are spread across multiple products.

Table 28: Securitisation exposures in the non-trading book (SEC1)

		Bank acts as originator							Bank acts as sponsor				Bank acts as investor			
		Traditional				Synthetic			Traditional				Traditional			
		STS		Non-STS												
		Total	*of which: SRT*	Total	*of which: SRT*	Total	*of which: SRT*	Sub-total	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2	Retail (total)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**710**	**—**	**710**
5	– other retail exposures	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**710**	**—**	**710**
7	Wholesale (total)	**—**	**—**	**—**	**—**	**2,276**	***2,276***	**2,276**	**—**	**—**	**—**	**—**	**—**	**75**	**—**	**75**
8	– loans to corporates	**—**	**—**	**—**	**—**	**2,276**	***2,276***	**2,276**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
10	– lease and receivables	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**75**	**—**	**75**
1	**Total at 30 Jun 2022**	**—**	**—**	**—**	**—**	**2,276**	***2,276***	**2,276**	**—**	**—**	**—**	**—**	**—**	**785**	**—**	**785**
2	Retail (total)	—	—	—	—	—	—	—	—	—	—	—	—	1,009	—	1,009
3	– residential mortgage	—	—	—	—	—	—	—	—	—	—	—	—	224	—	224
5	– other retail exposures	—	—	—	—	—	—	—	—	—	—	—	—	785	—	785
7	Wholesale (total)	—	—	—	—	2,276	*2,276*	2,276	—	—	—	—	—	—	—	—
8	– loans to corporates	—	—	—	—	2,276	*2,276*	2,276	—	—	—	—	—	—	—	—
1	Total at 31 Dec 2021	—	—	—	—	2,276	*2,276*	2,276	—	—	—	—	—	1,009	—	1,009

Table 29: 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 <1,250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		£m	£m	£m	£m	£m	£m	£m	£m	£m
8	Synthetic transactions	**2,263**	**—**	**—**	**2**	**11**	**2,265**	**—**	**—**	**11**
9	Securitisation	**2,263**	**—**	**—**	**2**	**11**	**2,265**	**—**	**—**	**11**
11	– Wholesale	**2,263**	**—**	**—**	**2**	**11**	**2,265**	**—**	**—**	**11**
1	**Total at 30 Jun 2022**	**2,263**	**—**	**—**	**2**	**11**	**2,265**	**—**	**—**	**11**
8	Synthetic securitisation	—	2,263	—	2	11	2,265	—	—	11
9	Securitisation	—	2,263	—	2	11	2,265	—	—	11
11	– wholesale	—	2,263	—	2	11	2,265	—	—	11
1	Total at 31 Dec 2021	—	2,263	—	2	11	2,265	—	—	11

		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
8	Synthetic transactions	**458**	**—**	**—**	**142**	**37**	**—**	**—**	**11**
9	Securitisation	**458**	**—**	**—**	**142**	**37**	**—**	**—**	**11**
11	– wholesale	**458**	**—**	**—**	**142**	**37**	**—**	**—**	**11**
1	**Total at 30 Jun 2022**	**458**	**—**	**—**	**142**	**37**	**—**	**—**	**11**
8	Synthetic securitisation	516	—	—	142	41	—	—	11
9	Securitisation	516	—	—	142	41	—	—	11
11	– wholesale	516	—	—	142	41	—	—	11
1	Total at 31 Dec 2021	516	—	—	142	41	—	—	11

Table 30: 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 <1,250% RW	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		£m	£m	£m	£m	£m	£m	£m	£m	£m
2	**Traditional securitisation**	**785**	**–**	**–**	**–**	**–**	**–**	**–**	**785**	**–**
3	Securitisation	**785**	**–**	**–**	**–**	**–**	**–**	**–**	**785**	**–**
4	– retail underlying	**710**	**–**	**–**	**–**	**–**	**–**	**–**	**710**	**–**
6	– wholesale	**75**	**–**	**–**	**–**	**–**	**–**	**–**	**75**	**–**
1	**Total at 30 Jun 2022**	**785**							**785**	
2	Traditional securitisation	734	275	–	–	–	–	–	1,009	–
3	Securitisation	734	275	–	–	–	–	–	1,009	–
4	– retail underlying	734	275	–	–	–	–	–	1,009	–
1	Total at 31 Dec 2021	734	275	–	–	–	–	–	1,009	–

		RWAs (by regulatory approach)				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		£m	£m	£m	£m	£m	£m	£m	£m
2	Traditional securitisation	**–**	**–**	**118**	**–**	**–**	**–**	**9**	**–**
3	Securitisation	**–**	**–**	**118**	**–**	**–**	**–**	**9**	**–**
4	– retail underlying	**–**	**–**	**107**	**–**	**–**	**–**	**8**	**–**
6	– wholesale	**–**	**–**	**11**	**–**	**–**	**–**	**1**	**–**
1	**Total at 30 Jun 2022**	**–**	**–**	**118**	**–**	**–**	**–**	**9**	**–**
2	Traditional securitisation	–	–	202	–	–	–	16	–
3	Securitisation	–	–	202	–	–	–	16	–
4	– retail underlying	–	–	202	–	–	–	16	–
1	Total at 31 Dec 2021	–	–	202	–	–	–	16	–

Table 31: 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 exposures at 30 Jun 2022**	**2,498**	**–**	**7**
7	Wholesale (total)	**2,498**	**–**	**7**
8	– loans to corporates	**2,498**	**–**	**7**

Market risk

Market risk is the risk that movements in market risk 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.

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

Market risk is measured using the standardised approach for position risk under CRR.

Further explanation of the group's approach to managing market risk can be found from page 54 of the HSBC UK Bank plc Annual Report and Accounts *2021.*

Table 32: Market risk under standardised approach (MR1)

		At	
		30 Jun 2022	31 Dec 2021
		RWAs	RWAs
		£m	£m
	Outright products		
1	Interest rate risk (general and specific)	**16**	47
3	Foreign exchange risk	**62**	123
9	**Total**	**78**	170

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-traded assets and liabilities, specifically loans, deposits and financial instruments that are not held for trading intent.

Risk management and governance

Treasury measures and monitors interest rate risk in the banking book. This includes reviewing and challenging the interest rate management impacts of new products releases and the proposed behavioural assumptions used for hedging activities. Treasury is also responsible for maintaining and updating the transfer pricing framework, informing ALCO of the group's overall banking book interest rate risk exposure.

All interest rate risk must be identified, measured, monitored, managed and controlled by metrics within limits for each 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 scenarios and 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 scenarios, in particular looking at bank's resilience to make sure there is enough capital to withstand extreme shocks.

Stress testing also forms a key part of our risk management framework. We run various internal and regulatory stress tests during the year, which help us to identify key economic risks that the entity is exposed to and how they impact on its financial and capital position in a severe economic shock. Identifying these risks allows the entity to actively assess and put in place effective risk management strategies to help mitigate before those risks occur.

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 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 rate. We monitor EVE sensitivities as a percentage of capital resources and this is calculated quarterly.

NII sensitivities apply varying interest rate scenarios (i.e. simulation modelling) under a static balance sheet whilst all other economic variables are held constant. Sensitivity of net interest income reflects the bank's sensitivity of earnings due to changes in market interest rates. This is assessed over one year and five years and is calculated on a quarterly basis.

Active management of IRRBB

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

The large majority of Markets Treasury activity is on a banking book basis. The only Markets Treasury activity treated as trading is the use of FX swaps to manage cash. All returns generated by Markets Treasury are transferred into global businesses.

Interest rate shock and stress scenarios applied

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

Calculations are done under the following scenarios:

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

The EVE sensitivities are based on six Basel 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 rate. All equity instruments that have no coupon or call dates are excluded. Interest rate floors start at -1.0% for overnight yield curve tenors and increase 5bps per year to 0.0% at 20 year tenors. 100% of the negative values are netted with 50% of the positive values by currency as per regulatory guidelines.

For NII sensitivities we assume constant balance sheet, and we include commercial margin. 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 5bps per year to 0.0% at 20 year tenors. We apply pass on assumptions to managed rate products. Customer pricing includes flooring where there is contractual obligations and customer optionality including prepayment and early redemption risk is included where present.

Non-maturing deposits ('NMD's) are deposits that have no explicit maturity and no explicit repricing dates thus behaviouralisation assumptions are applied. Duration for NMD may differ from internal IRRBB metrics due to regulatory prescribed rules around the identification of core deposits, hence there is a difference in methodology between ARA and Pillar 3 disclosures.

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

The average repricing maturity for NMDs in the second quarter of 2022 was 12 months. The longest repricing maturity for NMDs in the second quarter of 2022 was 120 months.

At 30 June 2022, the maximum decline in EVE is £770m from a parallel shock up, which is 5.27% of tier 1 capital.

The most adverse NII scenario over the next 12 months was the parallel shock down, resulting in a decrease of projected NII of £2,599m.

Table 33: UK IRRBB1 – Quantitative information on IRRBB

		ΔEVE		ΔNII		Tier 1 capital	
		30 Jun 2022	31 Dec 2021	**30 Jun 2022**	31 Dec 2021	**30 Jun 2022**	31 Dec 2021
		£m	£m	**£m**	£m	**£m**	£m
10	Parallel shock up	**(770)**	(901)	**2,332**	2,382		
20	Parallel shock down	**449**	357	**(2,599)**	(2,341)		
30	Steepener shock	**(206)**	(192)				
40	Flattener shock	**43**	47				
50	Short rates shock up	**(213)**	(249)				
60	Short rates shock down	**123**	176				
70	Maximum	**(770)**	(901)	**(2,599)**	(2,341)		
80	Tier 1 capital					**14,599**	15,067

Countercyclical capital buffer

The table below discloses the geographical distribution of credit exposures relevant to the calculation of the countercyclical capital buffer ('CCyB') under Article 440 of the Regulation (EU) 575/2013.

Table 34: UK CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

	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**	**Relevant credit exposures – Securitisation positions in the non-trading book**	**Total**	**Risk weighted exposure amounts**	**Own funds requirements weights**	**CCyB rate**
Country	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**	**%**
Australia	**–**	**284**	**–**	**–**	**–**	**284**	**5**	**–**	**–**	**5**	**64**	**0.1**	**–**
Bulgaria	**–**	**4**	**–**	**–**	**–**	**4**	**–**	**–**	**–**	**–**	**1**	**–**	**0.50**
China	**–**	**396**	**–**	**–**	**–**	**396**	**6**	**–**	**–**	**6**	**72**	**0.1**	**–**
Czech Republic	**–**	**10**	**–**	**–**	**–**	**10**	**–**	**–**	**–**	**–**	**3**	**–**	**0.50**
Guernsey	**1**	**97**	**–**	**–**	**–**	**98**	**4**	**–**	**–**	**4**	**53**	**–**	**–**
Hong Kong	**–**	**1,415**	**–**	**–**	**–**	**1,415**	**33**	**–**	**–**	**33**	**412**	**0.5**	**1.00**
Ireland	**2**	**563**	**–**	**–**	**–**	**565**	**10**	**–**	**–**	**10**	**119**	**0.2**	**–**
Jersey	**–**	**283**	**–**	**–**	**–**	**283**	**16**	**–**	**–**	**16**	**198**	**0.3**	**–**
Luxembourg	**–**	**271**	**–**	**–**	**–**	**271**	**17**	**–**	**–**	**17**	**218**	**0.3**	**0.50**
Netherlands	**–**	**782**	**–**	**–**	**–**	**782**	**33**	**–**	**–**	**33**	**412**	**0.5**	**–**
Norway	**–**	**7**	**–**	**–**	**–**	**7**	**–**	**–**	**–**	**–**	**3**	**–**	**1.50**
Poland	**1**	**80**	**–**	**–**	**–**	**81**	**5**	**–**	**–**	**5**	**63**	**0.1**	**–**
Saudi Arabia	**–**	**225**	**–**	**–**	**–**	**225**	**6**	**–**	**–**	**6**	**71**	**0.1**	**–**
Singapore	**–**	**421**	**–**	**–**	**–**	**421**	**12**	**–**	**–**	**12**	**151**	**0.2**	**–**
Slovakia	**–**	**8**	**–**	**–**	**–**	**8**	**–**	**–**	**–**	**–**	**3**	**–**	**1.00**
Switzerland	**–**	**300**	**–**	**–**	**–**	**300**	**9**	**–**	**–**	**9**	**107**	**0.1**	**–**
United Arab Emirates	**2**	**654**	**–**	**–**	**–**	**656**	**12**	**–**	**–**	**12**	**153**	**0.2**	**–**
United Kingdom	**3,830**	**238,022**	**–**	**–**	**3,061**	**244,913**	**5,852**	**–**	**57**	**5,901**	**73,873**	**95.4**	**–**
United States	**87**	**1,454**	**–**	**–**	**–**	**1,541**	**74**	**–**	**–**	**74**	**922**	**1.2**	**–**
Virgin Islands, British	**–**	**237**	**–**	**–**	**–**	**237**	**8**	**–**	**–**	**8**	**100**	**0.1**	**–**
Other countries	**9**	**1,336**	**–**	**–**	**–**	**1,345**	**36**	**–**	**–**	**36**	**448**	**0.6**	
Total	**3,932**	**246,849**	**–**	**–**	**3,061**	**253,842**	**6,138**	**–**	**57**	**6,195**	**77,446**	**100.0**	

Table 35: UK CCyB2 – Amount of institution-specific countercyclical capital buffer

	At 30 Jun 2022
Total Risk Exposure Amount (£m)	**90,209**
Institution specific countercyclical capital buffer rate (%)	**0.01**
Institution specific countercyclical capital buffer requirement (£m)	**6**

No comparatives have been included in this table as the information is disclosed for first time as required under CRR2 which came into force on 1 January 2022.

Liquidity risk

Management of liquidity and funding risk

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

Liquidity coverage ratio

The LCR aims to ensure that a bank has sufficient unencumbered high-quality liquid assets ('HQLA') to meet its liquidity needs in a 30 calendar day liquidity stress scenario. PRA rules are used for the calculation of LCR, the approach is informed by the European Banking Authority's (EBA's) guidelines for common procedures and methodologies for the supervisory review and evaluation process.

Net stable funding ratio

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

Currency mismatch in the LCR

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

More details on the concentration of funding and liquidity sources may be found on page 31 of the Interim Report June 2022 and page 53 of the Annual Report and Accounts 2021.

The following tables presents liquidity coverage and funding risk information on a HSBC UK Bank Domestic Liquidity Sub-group basis reflecting the way we manage liquidity within HSBC UK.

The HSBC UK Bank Domestic Liquidity Sub-group comprises: HSBC UK Bank plc, Marks and Spencer Financial Services plc, HSBC Trust Company (UK) Limited and HSBC Private Bank (UK) Limited.

Table 36: UK LIQ1 – Quantitative information of LCR

	Quarter ended					
	30 Jun 2022		31 Mar 2022		31 Dec 2021	
	Total unweighted value	**Total weighted value**	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
	£m	**£m**	£m	£m	£m	£m
Number of data points used in the calculation of averages		**12**		12		12
High quality liquid assets						
Total high quality liquid assets ('HQLA')	**—**	**112,761**	—	110,060	—	103,943
Cash outflows						
Retail deposits and small business funding	**203,160**	**16,170**	200,924	15,849	197,641	15,442
– of which:						
stable deposits	***129,067***	***6,453***	*129,042*	*6,452*	*128,541*	*6,427*
less stable deposits	***74,093***	***9,717***	*71,882*	*9,397*	*69,100*	*9,015*
Unsecured wholesale funding	**74,295**	**28,899**	72,612	28,403	70,590	27,765
– operational deposits (all counterparties) and deposits in networks of cooperative banks	**21,280**	**5,005**	20,650	4,867	19,927	4,701
– non-operational deposits (all counterparties)	**52,870**	**23,749**	51,812	23,386	50,526	22,927
– unsecured debt	**145**	**145**	150	150	137	137
Secured wholesale funding	**—**	**—**	—	—	—	—
Additional requirements	**22,720**	**2,960**	23,043	2,912	22,890	2,877
– outflows related to derivative exposures and other collateral requirements	**487**	**470**	440	421	432	413
– credit and liquidity facilities	**22,233**	**2,490**	22,603	2,491	22,459	2,463
Other contractual funding obligations	**624**	**370**	675	398	720	427
Other contingent funding obligations	**56,883**	**4,659**	57,018	4,617	57,363	4,542
Total cash outflows	**—**	**53,058**	—	52,179	—	51,053
Cash inflows						
Secured lending transactions (including reverse repos)	**728**	**4**	655	4	680	4
Inflows from fully performing exposures	**3,224**	**2,478**	3,177	2,439	3,007	2,307
Other cash inflows	**9,847**	**2,045**	9,375	1,934	9,358	1,936
Total cash inflows	**13,799**	**4,527**	13,207	4,377	13,045	4,247
Inflows Subject to 75% Cap	**13,799**	**4,527**	13,207	4,377	13,045	4,247
Liquidity Buffer	**—**	**112,761**	—	110,060	—	103,943
Total net cash outflows	**—**	**48,531**	—	47,803	—	46,807
Liquidity coverage ratio (%)		**232.4**		230.0		222.0

Table 37: UK LIQ2 – Net Stable Funding Ratio

		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	23,109	–	–	3,044	26,153
2	– Own funds	23,109	–	–	3,044	26,153
3	– Other capital instruments		–	–	–	–
4	Retail deposits		206,340	–	–	192,185
5	– Stable deposits		129,566	–	–	123,089
6	– Less stable deposits		76,774	–	–	69,096
7	Wholesale funding:		88,061	228	19,702	56,574
8	– Operational deposits		21,722	–	–	10,861
9	– Other wholesale funding		66,339	228	19,702	45,713
11	Other liabilities:		4,580	–	–	–
13	– All other liabilities and capital instruments not included in the above categories		4,580	–	–	–
14	**Total available stable funding ('ASF')**					**274,912**
Required stable funding ('RSF') Items						
15	**Total high-quality liquid assets ('HQLA')**	**120,216**				**237**
UK-15a	Assets encumbered for more than 12m in cover pool					
17	Performing loans and securities:		32,381	12,214	163,676	137,409
18	– Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		7,974	3,769	–	1,885
19	– Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		–	–	–	–
20	– Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		18,197	5,579	47,483	55,984
21	– *of which: With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*935*	*585*	*5,393*	*4,266*
22	– Performing residential mortgages		2,800	2,745	115,000	77,634
23	– *of which: With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*2,791*	*2,737*	*114,442*	*77,151*
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		3,410	120	1,193	1,905
25	Interdependent assets					
26	Other assets:		4,012	–	13,329	16,761
27	– Physical traded commodities					–
28	– Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		101			86
29	– NSFR derivative assets		115			115
30	– NSFR derivative liabilities before deduction of variation margin posted		172			9
31	– All other assets not included in the above categories		3,624	–	13,329	16,551
32	Off-balance sheet items		77,969	–	–	11,529
33	**Total RSF**					**165,936**
34	Net Stable Funding Ratio (%)					165.7

No comparatives have been included in this table as the information is disclosed for first time as required under CRR2 which came into force on 1 January 2022.

Other information

Abbreviations

The following abbreviated terms are used throughout this document.

Currencies	
£	GB Pound
A	
A-IRB	Advanced IRB
AT1 capital	Additional tier 1 capital
B	
Basel	Basel Committee on Banking Supervision
C	
CCF[1]	Credit conversion factor
CCP	Central counterparty
CCR[1]	Counterparty credit risk
CCyB[1]	Countercyclical capital buffer
CET1[1]	Common equity tier 1
CRM	Credit risk mitigation/mitigant
CRR II	Capital Requirements Regulation
CRR III	Revisions to EU legislation for Basel III reforms
CVA	Credit valuation adjustment
E	
EAD[1]	Exposure at default
EBA	European Banking Authority
ECL	Expected credit loss
EU	European Union
EVE	Economic Value of Equity
F	
FIRB	Foundation IRB
FPC	Financial Policy Committee (UK)
FSEs	Financial sector entities
G	
Group	HSBC Holdings together with its subsidiary undertakings
G-SIB[1]	Global systemically important bank
G-SII	Global systemically important institution
H	
HMT	Her Majesty's Treasury
HSBC	HSBC Holdings together with its subsidiary undertakings
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
Libor	London interbank offered rate
N	
NCOA	Non-credit obligation asset
NII	Net Interest Income
NSFR	Net stable funding ratio
O	
O-SII	Other Systemically Important Institutions
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
RWA[1]	Risk-weighted asset
S	
SA/STD[1]	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
SFT[1]	Securities financing transactions
SME	Small and medium-sized enterprise
SPE[1]	Special purpose entity
SREP	Supervisory Review and Evaluation Process
SRT	Significant Risk Transfer
STS	Simple, Transparent and Standardised
T	
T1 capital	Tier 1 capital
T2 capital	Tier 2 capital
U	
UK	United Kingdom
V	
VaR[1]	Value at risk

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

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