HSBC Bank plc

Pillar 3 Disclosures at 30 June 2023
Registered number - 00014259

HSBC

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Appendices

Certain defined terms

This document comprises the 30 June 2023 Pillar 3 disclosures for HSBC Bank Plc.

Unless the context requires otherwise, 'HSBC Holdings' means HSBC Holdings plc, and 'HSBC' and the ' HSBC Group' refer to HSBC Holdings together with its subsidiaries; similarly, 'HSBC Bank' and the 'bank' mean HSBC Bank plc, and the 'group' refers to HSBC Bank together with its subsidiaries.

When used in the terms 'shareholders' equity' and 'total shareholders' equity', 'shareholders' means holders of HSBC Bank ordinary shares and those preference shares and capital securities issued by HSBC Bank 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 Bank Plc 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.

Tables

HSBC Bank plc has adopted the EU's regulatory transitional arrangements for International Financial Reporting Standard ('IFRS') 9 Financial instruments. A number of tables in this document report under this arrangement as follows:

a. Some figures (indicated with ^) within the table have been prepared on an IFRS 9 transitional basis.

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

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

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

Introduction

Pillar 3 disclosure

Regulatory framework for disclosure

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

We calculate the bank's capital for prudential regulatory reporting purposes using the Basel III framework of the Basel Committee on Banking Supervision ('Basel'), as implemented by the European Union ('EU') in CRR II, and in the PRA Rulebook for the UK banking industry.

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

Following the end of the transitional period following the UK's withdrawal from the EU, any reference to EU regulations and directives (including technical standards) should be read as a reference to the UK's version of such regulation and/or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, as amended.

Our *Pillar 3 Disclosures at 30 June 2023* comprises both quantitative and qualitative information required under Pillar 3. They are made in accordance with Part Eight of of the Capital Requirements Regulation and Directive, as implemented ('CRR II') and the European Banking Authority ('EBA') guidelines on disclosure requirements. These disclosures are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

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

Comparatives

To give insight into movements during the quarter, we provide comparative figures, commentary on variances and flow tables for capital requirements. In all tables where the term 'capital requirements' is used, this represents the minimum total capital charge set at 8% of risk-weighted assets ('RWAs') by article 92 of the Capital Requirements Regulation. Table name references and row numbering in tables identify those prescribed in the relevant EBA guidelines where applicable and where there is a value.

The regulatory numbers and ratios presented in this document were accurate as at the date of reporting. Small changes may exist between these numbers and ratios and those subsequently submitted in regulatory filings. Where differences are significant, we will restate in subsequent periods.

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

Frequency and location

We publish comprehensive Pillar 3 disclosures quarterly on our website www.hsbc.com. Pillar 3 requirements may be met by inclusion in other disclosure media. We continue to engage in the work of the UK authorities and industry associations to improve the transparency and comparability of UK banks' Pillar 3 disclosures.

Material risks

Pillar 3 requires all material risks to be disclosed to provide a comprehensive view of a bank's risk profile.

Governance

The Board continued to oversee the governance, smooth operation and oversight of HSBC Bank Plc and its principal and material subsidiaries.

HSBC *Pillar 3 Disclosures at 30 June 2023* are approved by the HSBC Bank Plc Board of Directors.

This Pillar 3 Disclosure Report was approved and signed by HSBC Bank Plc Chief Financial Officer on behalf of HSBC Board on 7th August 2023:

David Watts

HSBC Bank Plc Chief Financial Officer

Linkage to the Interim Report 2023

This section demonstrates the links between the HSBC Bank plc audited financial balance sheet and its regulatory counterpart.

Structure of the regulatory group

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

- subsidiaries engaged in insurance activities are equity accounted in the regulatory consolidation and then deducted from CET1 capital, subject to thresholds
- special purpose entities ('SPEs') where significant risk has been transferred to third parties. Exposures to these SPEs are risk weighted as securitisation positions for regulatory purposes;
- Participating interests in banking associates are proportionally consolidated for regulatory purposes by including our share of assets, liabilities, profits and losses, and RWAs in accordance with the PRA's regulatory requirements; and
- Non-participating significant investments are deducted from capital, subject to thresholds.

Key metrics

KM1 table below sets out the key regulatory metrics covering HSBC Bank plc available capital (including buffer requirements and ratios), RWAs, leverage, liquidity coverage and net stable funding ratios.

Unless stated otherwise, figures have been prepared on an IFRS 9 transitional basis.

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

		At				
Ref*		**30 Jun 2023**	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
	Available capital (£m)[1,2]					
1	Common equity tier 1 ('CET1') capital^	**19,747**	19,984	18,411	17,521	18,139
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**19,747**	19,984	18,392	17,501	18,121
2	Tier 1 capital^	**23,642**	23,876	22,304	21,409	22,031
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**23,642**	23,876	22,284	21,389	22,014
3	Total capital^	**35,671**	37,173	35,414	34,249	34,510
	Total capital as if IFRS 9 transitional arrangements had not been applied	**35,671**	37,173	35,394	34,229	34,492
	Risk-weighted assets ('RWAs') (£m)[2]					
4	Total RWAs^	**105,463**	110,910	112,237	123,121	121,885
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**105,463**	110,910	112,220	123,104	121,868
	Capital ratios (%)[1,2]					
5	CET1^	**18.7**	18.0	16.4	14.2	14.9
	CET1 as if IFRS 9 transitional arrangements had not been applied	**18.7**	18.0	16.4	14.2	14.9
6	Tier 1^	**22.4**	21.5	19.9	17.4	18.1
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**22.4**	21.5	19.9	17.4	18.1
7	Total capital^	**33.8**	33.5	31.6	27.8	28.3
	Total capital as if IFRS 9 transitional arrangements had not been applied	**33.8**	33.5	31.5	27.8	28.3
	Additional own funds requirements based on Supervisory Review and Evaluation Process ('SREP') as a percentage of RWAs (%)					
UK-7d	Total SREP own funds requirements	**8.0**	8.0	8.0	8.0	8.0
	Combined buffer requirement as a percentage of RWAs (%)					
8	Capital conservation buffer requirement	**2.5**	2.5	2.5	2.5	2.5
UK-8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer	**0.6**	0.4	0.3	0.0	0.0
11	Combined buffer requirement	**3.1**	2.9	2.8	2.5	2.5
UK-11a	Overall capital requirements	**11.1**	10.9	10.8	10.5	10.5
12	CET1 available after meeting the total SREP own funds requirements[2]	**14.2**	13.5	11.9	9.7	10.4
	Leverage ratio^,[2,3]					
13	Total exposure measure excluding claims on central banks (£m)	**431,714**	431,255	416,814	461,716	447,205
14	Leverage ratio excluding claims on central banks (%)	**5.5**	5.5	5.4	4.6	4.9
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)^,[3,4]					
	Average exposure measure excluding claims on central banks (£m)	**448,477**	429,024	N/A	N/A	N/A
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.5**	5.5	N/A	N/A	N/A
14b	Leverage ratio including claims on central banks (%)	**4.3**	4.2	N/A	N/A	N/A
14c	Average leverage ratio excluding claims on central banks (%)	**5.3**	5.3	N/A	N/A	N/A
14d	Average leverage ratio including claims on central banks (%)	**4.2**	4.0	N/A	N/A	N/A
14e	Countercyclical leverage ratio buffer (%)	**0.2**	0.1	N/A	N/A	N/A
EU 14d	Leverage ratio buffer requirement (%)	**0.2**	0.1	N/A	N/A	N/A
EU 14e	Overall leverage ratio requirements (%)	**3.5**	3.4	N/A	N/A	N/A

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

		At				
		30 Jun	31 Mar	31 Dec	30 Sep	30 Jun
Ref*		**2023**	2023	2022	2022	2022
	Liquidity coverage ratio ('LCR')[5,6]					
15	Total high-quality liquid assets (£m)	**108,593**	108,336	104,491	102,609	98,962
UK-16a	Cash outflows – total weighted value (£m)	**126,649**	126,430	122,833	118,095	112,046
UK-16b	Cash inflows – total weighted value (£m)	**53,934**	53,249	49,831	46,419	42,534
16	Total net cash outflow (£m)	**72,715**	73,181	73,002	71,675	69,512
17	LCR ratio (%)	**149.0**	148.0	143.1	143.2	142.4
	Net stable funding ratio ('NSFR')[6,7]					
18	Total available stable funding (£m)	**112,860**	111,775	107,679	107,425	105,549
19	Total required stable funding (£m)	**96,646**	94,279	93,310	92,065	91,458
20	NSFR ratio (%)	**116.8**	118.6	115.4	116.7	115.4

* *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. At 30 June 2023, the add-back to CET1 capital and the related tax have been not applied as they were immaterial.*

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

2 *From 1 January 2023, we adopted IFRS17 'Insurance Contracts', which replaced IFRS4 'Insurance Contracts'. Comparatives data have been represented accordingly.*

3 *The leverage ratio is calculated using the CRR II end point basis for capital.*

4 *From 1 January 2023 HSBC Bank plc became an LREQ firm subject to Average leverage ratio requirement.*

5 *LCR disclosure is calculated based on 12 month-end averages.*

6 *These LCR and NSFR amounts relate to HSBC Bank plc as a single entity and are not produced on a consolidated basis.*

7 *NSFR is calculated in line with PRA guidance, which came into effect on 1 January 2022. NSFR disclosure is calculated based on the average of preceding quarters.*

At 30 June 2023, our common equity tier 1 ('CET1') capital ratio increased to 18.7% from 18.0% at 31 March 2023. The key drivers of the increase in our CET1 ratio were:

- a 1.0 percentage point impact from RWA reduction due to balance sheet reductions mainly in corporate lending and overdrafts, management initiatives, further supplemented by favourable FX movements
- a 0.7 percentage points impact from capital generation through profits and other movements.
- a (1.0) percentage point impact from the dividend payment to HSBC Holdings plc and unfavourable FX movement.

At 30 June 2023, our average leverage ratio excluding central bank came to 5.3%, which is lower than quarter-end leverage ratio of 5.5%. The difference of 0.2 percentage point is primarily due to a higher average leverage exposure £16.8bn partly offset by a higher average tier 1 capital £0.3bn.

Throughout 2023, we complied with the PRA's regulatory capital adequacy requirements, including those relating to stress testing.

Table OV1 below shows the total RWAs split and the corresponding total own funds requirement by risk type.

Table 2: Overview of risk-weighted exposure amounts (OV1)

		At		
		30 Jun 2023	31 Mar 2023	**30 Jun 2023**
		RWAs	RWAs	**Total own funds requirement[1]**
		£m	£m	**£m**
1	**Credit risk (excluding counterparty credit risk)[2]**	**58,512**	62,334	**4,681**
2	– standardised approach	**16,546**	17,334	**1,324**
3	– foundation internal ratings-based ('FIRB') approach	**15,260**	17,257	**1,221**
4	– slotting approach	**577**	953	**46**
UK-4a	– equities under the simple risk weighted approach[3]	**2,738**	2,170	**219**
5	– advanced IRB ('AIRB') approach	**23,392**	24,620	**1,871**
6	**Counterparty credit risk ('CCR')**	**17,681**	17,552	**1,415**
7	– standardised approach	**4,540**	4,654	**363**
8	– internal model method ('IMM')	**6,246**	5,945	**500**
UK-8a	– exposures to a central counterparty	**384**	473	**31**
UK-8b	– credit valuation adjustment – CVA	**2,022**	1,972	**162**
9	– other counterparty credit risk[4]	**4,489**	4,508	**359**
15	**Settlement risk**	**33**	95	**3**
16	**Securitisation exposures in the non-trading book (after the cap)**	**3,325**	3,394	**265**
17	– internal ratings-based approach ('SEC-IRBA')	**715**	714	**57**
18	– external ratings-based approach ('SEC-ERBA') (including internal assessment approach ('IAA'))	**1,656**	1,723	**132**
19	– standardised approach ('SEC-SA')	**841**	844	**67**
UK-19a	– 1250% deduction	**113**	113	**9**
20	**Position, foreign exchange and commodities risks (Market risk)**	**14,591**	16,059	**1,168**
21	– standardised approach	**2,182**	2,602	**175**
22	– internal models approach ('IMA')	**12,409**	13,457	**993**
23	**Operational risk**	**11,321**	11,476	**906**
UK-23b	– standardised approach	**11,321**	11,476	**906**
29	**Total**	**105,463**	110,910	**8,438**
24	*– of which: amounts below the thresholds for deduction (subject to 250% risk-weight)[5]*	***3,860***	*3,884*	***309***

1 *'Total own funds requirement' in this table represents the minimum capital charge set at 8% of RWAs by Article 92(1) of CRR II.*
2 *Credit risk includes RWAs on free deliveries amounting to (£ 0.6bn).*
3 *This line includes off balance sheet collective investment undertakings ('CIU') equity exposures, calculated as per CRR II Article 132(c).*
4 *Other CCR includes RWAs on securities financing transaction.*
5 *These balances are included in rows 2 and 5 of the table and includes higher thresholds for the recognition of significant investments and deferred tax assets.*

Credit risk (including amounts below the thresholds for deduction)

Credit risk RWAs fall of £3.8bn mainly driven by balance sheet reductions primarily in corporate lending, management initiatives and due to favourable FX movements.

Counterparty credit risk (including settlement risk)

Counterparty credit risk RWAs increased by £0.1bn, largely due to mark-to-market movements.

Securitisation

Securitisation RWAs decreased by £0.1bn primarily due to the organic reduction in exposure for UK legacy swaps and HSBC sponsored Solitaire portfolio.

Market risk

The £1.5bn decrease in Market risk mainly driven by:

- IMA decrease of £1.0bn largely due to favourable FX movements and decrease in SVaR as a result of lower scenario losses
- Standardised RWAs £0.4bn decrease mainly in commodities due to change from Standardised to Internal Model approach for precious metals linear products.

Operational risk

The £0.2bn decrease mainly driven by favourable FX movements.

Table CR8 below presents the drivers of the quarterly movements of credit risk RWAs (excluding counterparty credit risk) under the IRB approach.

Table 3: RWA flow statements of credit risk exposures under IRB approach (CR8)[1]

		Quarter ended			
		30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
Ref		**£m**	£m	£m	£m
1	**RWAs at opening period**	**42,845**	41,062	48,860	49,545
2	Asset size	**(1,156)**	237	(5,130)	(250)
3	Asset quality	**(55)**	(445)	44	(703)
4	Model updates	**97**	—	(200)	(1,113)
5	Methodology and policy	**(398)**	2,500	(2,329)	604
7	Foreign exchange movements[2]	**(999)**	(509)	(183)	777
9	**RWAs at the closing period**	**40,334**	42,845	41,062	48,860

1 *Table excludes securitisation positions and non-credit obligation assets and includes free deliveries.*
2 *Foreign exchange movements in this disclosure are computed by retranslating the RWAs into US dollars for non-US dollar branches, subsidiaries, joint ventures and associates.*

RWAs on the IRB approach decreased by £2.5bn. This is mainly driven by a £1.0bn decrease in corporate lending and £0.4bn decrease due to management initiatives. This was further supplemented by £1.0bn decrease driven by favourable FX movements, partially offset by improvements in asset quality.

Table CCR7 below represents the drivers of the quarterly movements of counterparty credit risk RWAs under the Internal model method approach.

Table 4: RWA flow statements of counterparty credit risk exposures under the IMM (CCR7)

		Quarter ended			
		30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
Ref		**£m**	£m	£m	£m
1	**RWAs at opening period**	**5,945**	6,526	8,137	7,335
2	Asset size	**468**	(372)	(957)	1,052
3	Credit quality of counterparties	**(2)**	(37)	(12)	(20)
5	Methodology and policy (IMM only)	**—**	—	(7)	(153)
7	Foreign exchange movement	**(165)**	(172)	(635)	(77)
9	**RWAs at the closing period**	**6,246**	5,945	6,526	8,137

RWAs under the internal model method increased by £0.3bn mainly due to mark-to-market movements in book size which increased the RWAs by £0.5bn. This was partially offset by a £0.2bn decrease driven by favourable FX movements.

Table MR2-B below represents the drivers of the quarterly movements of market risk RWAs under the Internal model method approach.

Table 5: RWA flow statements of market risk exposures under IMA (MR2-B)

		VaR	**Stressed VaR**	**Incremental risk charge ('IRC')**	**Other**	**Total RWAs**	**Total own fund requirements**
Ref		**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
1	**RWAs at 1 Apr 2023**	**4,606**	**6,178**	**1,812**	**860**	**13,456**	**1,076**
2	Movement in risk levels	**224**	**(1,135)**	**38**	**(232)**	**(1,105)**	**(88)**
3	Model updates/changes	**8**	**8**	**—**	**(70)**	**(54)**	**(4)**
4	Methodology and policy	**56**	**56**	**—**	**—**	**112**	**9**
8	**RWAs at 30 Jun 2023**	**4,894**	**5,107**	**1,850**	**558**	**12,409**	**993**
1	RWAs at 1 Jan 2023	5,373	5,487	1,335	1,223	13,419	1,074
2	Movement in risk levels	(767)	691	477	(363)	38	3
4	Methodology and policy	—	—	—	—	—	—
8	RWAs at 31 Mar 2023	4,606	6,178	1,812	860	13,457	1,077
1	RWAs at 1 Oct 2022	5,576	5,641	1,627	1,003	13,848	1,108
2	Movement in risk levels	(203)	(154)	29	220	(108)	(9)
4	Methodology and policy	—	—	(321)	—	(321)	(26)
8	RWAs at 31 Dec 2022	5,373	5,487	1,335	1,223	13,419	1,074
1	RWAs at 1 Jul 2022	4,799	4,817	1,508	752	11,877	950
2	Movement in risk levels	777	824	(79)	251	1,773	142
4	Methodology and policy	—	—	198	—	198	16
8	RWAs at 30 Sep 2022	5,576	5,641	1,627	1,003	13,848	1,108

RWAs under the Internal Model Approach decreased by £1.0bn due to the decrease in Stressed Value at Risk, resulting from lower scenario losses. This was further supplemented with decreased RNIVs due to lower inventories of Deal Contingent Derivatives, and partially offset by the uplift in Value at Risk due to increased volatility.

Table CC2 below presents the reconciliation between the HSBC Bank plc audited Financial balance sheet and the regulatory scope of consolidation. The Regulatory balance sheet value cannot be directly reconciled to other tables within the regulatory scope of consolidation as it is not a measure of RWA; rather, it is derived from an accounting measure.

Table 6: Reconciliation of balance sheets – financial accounting to regulatory scope of consolidation (UK CC2)

	Ref †	Accounting balance sheet £m	Deconsolidation of insurance/ other entities £m	Consolidation of banking associates £m	Equity accounting of Insurance Subsidiaries £m	Regulatory balance sheet £m
Assets						
Cash and balances at central banks		116,461	—	90	—	116,551
Items in the course of collection from other banks		1,931	—	—	—	1,931
Trading assets		88,219	—	—	—	88,219
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss		16,502	(13,645)	576	—	3,433
Derivatives		203,664	(59)	—	—	203,605
Loans and advances to banks	k	15,112	(313)	—	—	14,799
Loans and advances to customers	k	88,708	(369)	—	—	88,339
– of which: expected credit losses on IRB portfolios	h	*(991)*	—	—	—	*(991)*
Reverse repurchase agreements – non-trading		77,246	—	—	—	77,246
Financial investments		38,314	(7,441)	—	—	30,873
– of which: debt securities eligible as tier 2 issued by group FSEs that are outside the regulatory scope of consolidation	r	—	*404*	—	—	*404*
Assets held for sale		1,170	—	—	—	1,170
– of which: expected credit losses on IRB portfolios	h	*(25)*	—	—	—	*(25)*
Capital invested in insurance and other entities		—	605	—	403	1,008
Prepayments, accrued income and other assets		72,745	(942)	47	—	71,850
– of which: retirement benefit assets	j	*49*	—	—	—	*49*
Current tax assets		1,128	(1)	—	—	1,127
Interests in associates and joint ventures		691	—	(670)	—	21
Goodwill and intangible assets	e	118	(1)	2	—	119
Deferred tax assets	f	1,228	(61)	—	—	1,167
Total assets at 30 Jun 2023		**723,237**	**(22,227)**	**45**	**403**	**701,458**
Liabilities and equity						
Liabilities						
Deposits by banks		24,567	(21)	—	—	24,546
Customer accounts		229,274	94	—	—	229,368
Repurchase agreements – non-trading		47,568	—	—	—	47,568
Items in the course of transmission to other banks		2,260	—	—	—	2,260
Trading liabilities		45,553	—	—	—	45,553
Financial liabilities designated at fair value		31,446	(132)	—	—	31,314
– of which: included in tier 2	n, i	*800*	—	—	—	*800*
Derivatives		199,448	(37)	—	—	199,411
– of which: debit valuation adjustment	k	39	—	—	—	39
Debt securities in issue		8,605	(522)	—	—	8,083
Liabilities of disposal groups held for sale		1,178	—	—	—	1,178
Accruals, deferred income and other liabilities		74,768	(1,132)	45	—	73,681
Current tax liabilities		193	(11)	—	—	182
Liabilities under insurance contracts		20,054	(20,054)	—	—	—
Provisions		334	(7)	—	—	327
– of which: credit-related contingent liabilities and contractual commitments on IRB portfolios	h	*59*	—	—	—	*59*
Deferred tax liabilities		3	—	—	—	3
Subordinated liabilities		14,096	—	—	—	14,096
– of which: included in tier 2	n, o, p, q	*13,493*	—	—	—	*13,493*
Total liabilities at 30 Jun 2023		**699,347**	**(21,822)**	**45**	**—**	**677,570**
Equity						
Called up share capital	a	797	—	—	—	797
Share premium account	a	420	—	—	—	420
Other equity instruments	l	3,930	—	—	—	3,930
Other reserves	b, c, g	(7,044)	86	—	403	(6,555)
Retained earnings	b, c, i	25,653	(489)	—	—	25,164
Total shareholders' equity		**23,756**	**(403)**	**—**	**403**	**23,756**
Non-controlling interests	d, m	134	(2)	—	—	132
Total equity at 30 Jun 2023		**23,890**	**(405)**	**—**	**403**	**23,888**
Total liabilities and equity at 30 Jun 2023		**723,237**	**(22,227)**	**45**	**403**	**701,458**

† *The references (a)–(r) identify balance sheet components that are used in the calculation of regulatory capital in Table 7: Own funds disclosure. 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 7.*

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. Our approach to treasury management is driven by our strategic and organisational requirements, taking into account the regulatory, economic and commercial environment. We aim to maintain a strong capital and liquidity base to support the risks inherent in our business and invest in accordance with our strategy, meeting both consolidated and local regulatory requirements at all times.

The Chief Risk Officer is the accountable risk steward for all treasury risks. The Chief Financial Officer is the risk owner for all treasury risks.

The Treasury function actively manages capital, liquidity, interest rate risk in the banking book and non-trading book foreign exchange risk on an on-going basis, supported by the Asset, Liability and Capital Management Committee ('ALCO') and local ALCOs, overseen by Treasury Risk Management and the Risk Management Meeting ('RMM'). Pension risk is overseen by a regional pension risk management meeting.

Regulatory reporting processes and controls

The quality of regulatory reporting remains a key priority for management and regulators. We are progressing with a comprehensive programme to strengthen our processes, improve consistency and enhance controls across regulatory reports, focusing on our prudential regulatory reporting and other priority regulatory reports globally.

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

For further details of our approach to treasury risk management including capital, liquidity, interest rate in the banking book, non-trading foreign exchange exposure and pensions risk management, please see page 28 of the HSBC Bank plc *Interim Report 2023.*

Capital management

Our approach to capital management is driven by our strategic and organisational requirements, taking into account the regulatory, economic and commercial environment. We aim to maintain a strong capital base to support the risks inherent in our business and invest in accordance with our strategy, meeting local regulatory capital requirements at all times.

All capital securities included in the capital base of the group have been issued on a fully compliant or grandfathered basis in accordance with CRR II. Capital securities are regularly reviewed for compliance with the guidelines. A list of the main features of our capital instruments in accordance with Annex III of Commission Implementing Regulation 1423/2013 is also published on our website at www.hsbc.com with reference to our balance sheet on 30 June 2023. The full terms and conditions of our securities, also available at www.hsbc.com.

Capital

Own Funds

Table UK CC1 below provides a detailed breakdown of the key components of our CET1, Tier 1 and Tier 2 Capital and the regulatory adjustments impacting our capital base on transitional basis.

Table 7: Own funds disclosure (UK CC1)

			At	
			30 Jun 2023	31 Dec 2022
Ref*		Ref †	**£m**	£m
	Common equity tier 1 ('CET1') capital: instruments and reserves			
1	Capital instruments and related share premium accounts		**1,217**	1,217
	– ordinary shares	a	**1,217**	1,217
2	Retained earnings	b	**16,452**	16,177
3	Accumulated other comprehensive income (and other reserves)[1]	c	**778**	3,237
5	Minority interests (amount allowed in consolidated CET1)	d	**73**	72
UK-5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	b	**1,378**	(1,459)
6	**Common equity tier 1 capital before regulatory adjustments[1]**		**19,898**	19,244
	Common equity tier 1 capital: regulatory adjustments			
7	Additional value adjustments[2]		**(477)**	(560)
8	Intangible assets (net of related deferred tax liability)	e	**(119)**	(93)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	f	**(246)**	(587)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	g	**1,174**	912
12	Negative amounts resulting from the calculation of expected loss amounts	h	**(61)**	(95)
14	Gains or losses on liabilities at fair value resulting from changes in own credit standing	i	**(120)**	(210)
15	Defined benefit pension fund assets	j	**(49)**	(73)
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	k	**(253)**	(127)
28	**Total regulatory adjustments to common equity tier 1**		**(151)**	(833)
29	**Common Equity Tier 1 ('CET1') capital[1]**		**19,747**	18,411

Table 7: Own funds disclosure (UK CC1) (continued)

			At	
			30 Jun 2023	31 Dec 2022
Ref*		Ref †	**£m**	£m
	Additional tier 1 ('AT1') capital: instruments			
30	Capital instruments and related share premium accounts		**3,930**	3,930
31	– classified as equity under IFRSs	l	**3,930**	3,930
33	Amount of qualifying items and related share premium accounts subject to phase out from AT1		**—**	—
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	m	**12**	12
36	**Additional tier 1 capital before regulatory adjustments**		**3,942**	3,942
	Additional tier 1 capital: regulatory adjustments			
37	Direct and indirect holdings of own AT1 instruments[3]		**(47)**	(49)
43	**Total regulatory adjustments to additional tier 1 capital**		**(47)**	(49)
44	**Additional tier 1 capital**		**3,895**	3,893
45	**Tier 1 capital (T1 = CET1 + AT1)[1]**		**23,642**	22,304
	Tier 2 capital: instruments and provisions			
46	Capital instruments and related share premium accounts	n	**12,215**	11,986
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR		**—**	—
UK-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	o	**49**	1,352
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in CET1 or AT1) issued by subsidiaries and held by third parties	p	**200**	221
	– *of which: instruments issued by subsidiaries grandfathered under CRR II*	q	***21***	*21*
51	**Tier 2 capital before regulatory adjustments**		**12,464**	13,559
	Tier 2 capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)[3]		**(31)**	(33)
55	Direct and indirect holdings by the institution of T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	r	**(404)**	(416)
57	**Total regulatory adjustments to tier 2 capital**		**(435)**	(449)
58	**Tier 2 capital**		**12,029**	13,110
59	**Total capital (TC = T1 + T2)[1]**		**35,671**	35,414
60	**Total risk-weighted assets[1]**		**105,463**	112,237
	Capital ratios and buffers (%)			
61	Common equity tier 1[1]		**18.72**	16.40
62	Tier 1[1]		**22.42**	19.87
63	Total capital[1]		**33.82**	31.55
64	Institution CET1 overall capital requirement (per Art 92 (1) CRR, plus additional requirement in accordance with point (a) of Article 104(1) CRD, and combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)		**7.58**	7.30
65	– capital conservation buffer requirement		**2.50**	2.50
66	– countercyclical buffer requirement		**0.58**	0.30
68	Common equity tier 1 available to meet buffers[1]		**14.22**	11.90
	Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		**1,071**	1,249
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% threshold and net of eligible short positions)[1]		**1,080**	1,046
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)		**473**	600
	Applicable caps on the inclusion of provisions in tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		**244**	329
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		**327**	322

* *The references identify the lines prescribed in the template that are applicable and where there is a value.*

† *The references (a)–(r) identify balance sheet components in Table 6: Reconciliation of balance sheets – financial accounting to regulatory scope of consolidation 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 6 as a result of adjustment or analysis to apply regulatory definitions of capital.*

1 *From 1 January 2023, we adopted IFRS17 'Insurance Contracts', which replaced IFRS4 'Insurance Contracts'. Comparatives data have been represented accordingly.*

2 *Additional value adjustments are calculated on all assets measured at fair value and subsequently deducted from CET1.*

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

Leverage

The leverage ratio was introduced into the Basel III framework as a non-risk-based limit, to supplement risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector, introducing additional safeguards against model risk and measurement errors. This ratio has been implemented in the EU for reporting and disclosure purposes but has not been set as a binding requirement for the HSBC Group. The UK leverage ratio has become a formal binding regulatory requirement since 1 January 2023 and applies at the highest level of UK consolidation. The framework has been used for management purposes from 1 January 2022.

The risk of excess leverage is managed as part of HSBC's global risk appetite framework and monitored using a leverage ratio metric within our Risk Appetite Statement ('RAS'). The RAS articulates the aggregate level and types of risk that HSBC is willing to accept in its business activities 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, to ensure that any excessive risk is highlighted, assessed and mitigated appropriately.

For the group, the leverage exposure measure is also calculated and presented to the Asset, Liability and Capital Management Committee every month.

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

Table 8: Leverage ratio common disclosure (UK LR2 – LRCom)

		At	
		30 Jun 2023	31 Dec 2022
Ref*		**£m**	£m
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	**386,133**	394,614
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	**5,876**	7,279
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**(38,231)**	(41,824)
6	(Asset amounts deducted in determining tier 1 capital (leverage))	**(735)**	(979)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**353,043**	359,090
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**18,875**	22,398
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions (mark-to-market method)	**56,665**	58,429
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	**(11,817)**	(10,236)
11	Adjusted effective notional amount of written credit derivatives	**59,782**	72,614
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**(57,511)**	(70,049)
13	**Total derivative exposures**	**65,994**	73,156
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**186,575**	154,661
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**(100,852)**	(84,302)
16	Counterparty credit risk exposure for SFT assets	**5,310**	4,823
18	**Total securities financing transaction exposures**	**91,033**	75,182
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	**115,985**	118,580
20	(Adjustments for conversion to credit equivalent amounts)	**(70,696)**	(71,370)
22	**Total off-balance sheet exposures**	**45,289**	47,210
	Excluded exposures		
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	**(271)**	(288)
UK-22k	**(Total exempted exposures)**	**(271)**	(288)
	Capital and total exposures measure[1]		
23	**Tier 1 capital (leverage)**	**23,642**	22,304
24	Total exposure measure including claims on central banks	**555,088**	554,350
UK-24a	(—) Claims on central banks excluded	**(123,374)**	(137,536)
UK-24b	**Total exposure measure excluding claims on central banks**	**431,714**	416,814
	Leverage ratios[1]		
25	Leverage ratio excluding claims on central banks (%)	**5.48**	5.35
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.48**	5.35
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 (%)	**5.48**	5.35
UK-25c	Leverage ratio including claims on central banks (%)	**4.26**	4.02
26	Regulatory minimum leverage ratio requirement (%)	**3.25**	N/A
	Additional leverage ratio disclosure requirements – leverage ratio buffers[2]		
27	Leverage ratio buffer (%)	**0.20**	N/A
UK-27a	of which: G-SII or O-SII additional leverage ratio buffer (%)	**—**	N/A
UK-27b	of which: countercyclical leverage ratio buffer (%)	**0.20**	N/A
	Additional leverage ratio disclosure requirements – disclosure of mean values[2]		
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	**85,674**	N/A
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	**85,723**	N/A
UK-31	Average total exposure measure including claims on central banks	**576,374**	N/A
UK-32	Average total exposure measure excluding claims on central banks	**448,477**	N/A
UK-33	Average leverage ratio including claims on central banks	**4.15**	N/A
UK-34	Average leverage ratio excluding claims on central banks	**5.34**	N/A

1 *From 1 January 2023, we adopted IFRS17 'Insurance Contracts', which replaced IFRS4 'Insurance Contracts'. Comparatives data have been represented accordingly.*
2 *New sections added as UK leverage ratio became a formal binding regulatory requirement at 1 January 2023*

Our leverage ratio went up to 5.5% at 30 June 2023, from 5.4% at 31 December 2022. The improvement was primarily due to a rise in Tier 1 capital and downward FX movement driven by strengthening of GBP against EUR partly offset by organic increase in SFT exposures.The following tables provide a reconciliation of the total assets in our published balance sheet under IFRS and the total leverage exposure (Table 9) and a breakdown of on-balance sheet exposures excluding derivatives, SFTs and exempted exposures, by asset class (Table 10):

Table 9: Summary reconciliation of accounting assets and leverage ratio exposures (UK LR1 – LRSum)

		At	
		30 Jun 2023	31 Dec 2022
Ref*		**£m**	£m
1	Total assets as per published financial statements[1]	**723,237**	716,646
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation[1]	**(21,779)**	(21,720)
4	(Adjustment for exemption of exposures to central banks)	**(123,375)**	(137,536)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(15,623)**	(3,106)
7	Adjustment for eligible cash pooling transactions	**(6,961)**	(7,005)
8	Adjustment for derivative financial instruments	**(169,966)**	(186,417)
9	Adjustment for securities financing transactions (SFTs)	**(1,360)**	6,669
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**45,289**	47,210
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	**(735)**	(979)
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	**(271)**	(288)
12	Other adjustments	**3,258**	3,340
13	**Total leverage ratio exposure[1]**	**431,714**	416,814

1 *From 1 January 2023, we adopted IFRS17 'Insurance Contracts', which replaced IFRS4 'Insurance Contracts'. Comparatives data have been represented accordingly.*

Table 10: Leverage ratio – Split of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (UK LR3 – LRSpl)

		At	
		30 Jun 2023	31 Dec 2022
Ref*		**£m**	£m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) of which:[1]	**224,277**	214,993
UK-2	Trading book exposures	**72,704**	63,983
UK-3	Banking book exposures, of which:[1]	**151,573**	151,010
UK-4	Covered bonds	**370**	—
UK-5	Exposures treated as sovereigns	**31,892**	28,064
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	**5**	—
UK-7	Institutions	**15,237**	13,227
UK-8	Secured by mortgages of immovable properties	**21,918**	23,152
UK-9	Retail exposures	**3,188**	3,182
UK-10	Corporate	**46,787**	48,049
UK-11	Exposures in default	**1,460**	1,493
UK-12	Other exposures (e.g. equity, securitisations and other non-credit obligation assets)[1,2]	**30,716**	33,843

1 *From 1 January 2023, we adopted IFRS17 'Insurance Contracts', which replaced IFRS4 'Insurance Contracts'. Comparatives data have been represented accordingly.*
2 *At 30 June 2023, covered bond exposures are presented separately. Previously these were included in exposures to institutions, comparatives are not re-presented.*

Capital buffers

The geographical breakdown and institution specific countercyclical buffer disclosures can be found in Appendix I of this document.

Credit risk

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

Table CR1 below provides information on the gross carrying amount of exposures and related impairment with further details of the IFRS 9 stage, accumulated partial write off, and collateral and guarantees received within each of the FINREP categories and definitions.

Table 11: Performing and non-performing exposures and related provisions (CR1)

		Gross carrying amount /nominal amount[1,2]					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures		Performing exposures			Non-performing exposures		Accu- mulated partial write- off		
			of which: stage 1	of which: stage 2		of which: stage 3		of which: stage 1	of which: stage 2		of which stage 3		On performing exposures	On non- performing exposures
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	At 30 Jun 2023													
1	**Loans and advances**	318,917	306,882	10,708	2,587	2,587	(206)	(64)	(142)	(944)	(944)	(21)	116,368	528
2	Central banks	127,810	127,810	—	65	65	(2)	(2)	—	(17)	(17)	—	3,132	—
3	General governments	3,700	3,579	121	57	57	—	—	—	(2)	(2)	—	192	—
4	Credit institutions	55,660	55,581	79	—	—	(27)	(3)	(24)	—	—	—	38,349	—
5	Other financial corporations	58,886	56,496	1,073	268	268	(14)	(3)	(11)	(98)	(98)	—	35,997	—
6	Non-financial corporations	49,718	43,045	6,663	1,937	1,937	(130)	(44)	(86)	(747)	(747)	(21)	16,710	364
7	*– of which: SMEs*	1,376	1,165	210	158	158	(11)	(4)	(7)	(80)	(80)	(21)	926	48
8	Households	23,143	20,371	2,772	260	260	(33)	(12)	(21)	(80)	(80)	—	21,988	164
9	**Debt securities**	31,117	30,663	75	—	—	(29)	(3)	(26)	—	—	—	3,286	—
10	Central banks	33	33	—	—	—	—	—	—	—	—	—	—	—
11	General governments	22,024	21,955	—	—	—	(3)	(3)	—	—	—	—	1,848	—
12	Credit institutions	7,043	7,006	37	—	—	—	—	—	—	—	—	1,438	—
13	Other financial corporations	1,537	1,420	13	—	—	(12)	1	(13)	—	—	—	—	—
14	Non-financial corporations	480	249	25	—	—	(14)	(1)	(13)	—	—	—	—	—
15	**Off-balance-sheet exposures**	164,038	131,212	8,980	345	197	(42)	(11)	(26)	(31)	(25)	—	1,383	2
16	Central banks	1,348	1,348	—	—	—	—	—	—	—	—	—	—	—
17	General governments	1,836	1,539	1	—	—	—	—	—	—	—	—	—	—
18	Credit institutions	47,034	44,224	84	—	—	(1)	—	—	—	—	—	—	—
19	Other financial corporations	28,956	24,640	2,954	25	25	(7)	(1)	(6)	(1)	(1)	—	220	—
20	Non-financial corporations	82,742	57,620	5,909	316	169	(34)	(10)	(20)	(30)	(24)	—	1,091	2
21	Households	2,122	1,841	32	4	3	—	—	—	—	—	—	72	—
22	**Total**	514,072	468,757	19,763	2,932	2,784	(277)	(78)	(194)	(975)	(969)	(21)	121,037	530

Table 11: Performing and non-performing exposures and related provisions (CR1) (continued)

		Gross carrying amount /nominal amount[1,2]					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures		Performing exposures			Non-performing exposures				
			of which: stage 1	*of which: stage 2*		*of which: stage 3*		*of which: stage 1*	*of which: stage 2*		*of which stage 3*	Accumulated partial write-off	On performing exposures	On non-performing exposures
		£m	*£m*	*£m*	£m	*£m*	£m	*£m*	*£m*	£m	*£m*	£m	£m	£m
	At 31 Dec 2022													
1	Loans and advances	283,896	*274,371*	*8,224*	2,298	*2,298*	(212)	*(57)*	*(155)*	(925)	*(925)*	(22)	77,252	422
2	Central banks	141,268	*141,255*	*13*	65	*65*	(3)	*(3)*	—	(16)	*(16)*	—	3,140	—
3	General governments	1,431	*1,294*	*137*	64	*64*	(1)	*(1)*	—	(2)	*(2)*	—	208	—
4	Credit institutions	41,203	*40,802*	*401*	—	—	(25)	*(4)*	*(21)*	—	—	—	23,240	—
5	Other financial corporations	42,493	*40,470*	*724*	268	*268*	(5)	*(1)*	*(4)*	(103)	*(103)*	—	26,145	1
6	Non-financial corporations	51,592	*45,256*	*6,335*	1,796	*1,796*	(154)	*(40)*	*(114)*	(772)	*(772)*	(22)	18,951	356
7	*– of which: SMEs*	*1,363*	1,111	252	*164*	164	*(11)*	(3)	(8)	*(83)*	(83)	*(22)*	*924*	*55*
8	Households	5,909	*5,294*	*614*	105	*105*	(24)	*(8)*	*(16)*	(32)	*(32)*	—	5,568	65
9	Debt securities	25,062	*24,505*	*189*	—	—	(27)	*(2)*	*(25)*	—	—	—	1,227	—
10	Central banks	65	*65*	—	—	—	—	—	—	—	—	—	—	—
11	General governments	16,665	*16,664*	—	—	—	(1)	*(1)*	—	—	—	—	993	—
12	Credit institutions	6,052	*5,930*	*121*	—	—	(1)	*(1)*	—	—	—	—	234	—
13	Other financial corporations	1,849	*1,690*	*33*	—	—	(13)	*1*	*(14)*	—	—	—	—	—
14	Non-financial corporations	431	*156*	*35*	—	—	(12)	*(1)*	*(11)*	—	—	—	—	—
15	Off-balance-sheet exposures	151,779	*123,097*	*9,828*	339	*247*	(60)	*(14)*	*(33)*	(45)	*(40)*	—	1,664	4
16	Central banks	924	*924*	—	—	—	—	—	—	—	—	—	—	—
17	General governments	2,026	*1,486*	*180*	—	—	—	—	—	—	—	—	—	—
18	Credit institutions[1]	37,444	*34,541*	*226*	—	—	(6)	—	*(1)*	—	—	—	—	—
19	Other financial corporations[1]	24,448	*22,005*	*1,482*	2	*2*	(4)	*(1)*	*(3)*	—	—	—	358	—
20	Non-financial corporations	84,766	*62,115*	*7,831*	330	*240*	(50)	*(13)*	*(29)*	(45)	*(40)*	—	1,243	4
21	Households	2,171	*2,026*	*109*	7	*5*	—	—	—	—	—	—	63	—
22	Total	460,737	*421,973*	*18,241*	2,637	*2,545*	(299)	*(73)*	*(213)*	(970)	*(965)*	(22)	80,143	426

1 Includes reverse repos and settlement accounts.
2 The staging analysis is non-additive as totals contain instruments not eligible for staging, such as those held at fair value through profit and loss.

Table 11 provides information on the gross carrying amount of exposures and related impairment with further detail on the IFRS 9 stage, accumulated partial write off and collateral. The IFRS 9 stages have the following characteristics:

- Stage 1: These financial assets are unimpaired and without a significant increase in credit risk. A 12-month allowance for ECL is recognised.
- Stage 2: A significant increase in credit risk has been experienced on these financial assets since initial recognition. A lifetime ECL is recognised.
- Stage 3: There is objective evidence of impairment and the financial assets are therefore considered to be in default or otherwise credit impaired. A lifetime ECL is recognised.
- Purchased or originated credit-impaired ('POCI'): Financial assets purchased or originated at a deep discount are seen to reflect incurred credit losses. A lifetime ECL is recognised. These exposures are included in Stage 3 in table 11.

Table CR1-A below presents the residual maturity breakdown of on and off-balance sheet loans and debt securities.

Table 12: 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	**39,487**	**129,247**	**76,749**	**37,632**	**—**	**283,115**
2	Debt securities	**—**	**5,346**	**16,994**	**7,613**	**—**	**29,953**
3	**Total at 30 June 2023**	**39,487**	**134,593**	**93,743**	**45,245**	**—**	**313,068**
1	Loans and advances	34,626	109,411	71,105	27,843	—	242,985
2	Debt securities	—	6,327	12,116	5,329	—	23,772
3	**Total at 31 Dec 2022**	34,626	115,738	83,221	33,172	—	266,757

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

Table CR2 shows changes in gross carrying amount of on-balance sheet non-performing loans and advances during the period.

Table 13: Changes in the stock of non-performing loans and advances (CR2)

		Half-year to 30 Jun	
		2023	2022
		Gross carrying value	Gross carrying value
		£m	£m
010	**Initial stock of non-performing loans and advances**	**3,276**	2,538
020	Inflows to non-performing portfolios	**396**	951
030	Outflows from non-performing portfolios	**(547)**	(104)
040	Outflows due to write-offs	**(122)**	(152)
050	Outflow due to other situations[1]	**(283)**	43
060	**Final stock of non-performing loans and advances**	**2,720**	3,276

1 Other changes include foreign exchange movements and repayments.

Non-performing and forborne exposures

Tables CQ1 and CQ7 below are presented in accordance with the EBA's 'Guidelines on disclosure of non-performing and forborne exposures'.

The EBA defines non-performing exposures as exposures with material amounts that are more than 90 days past due or exposures where the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of collateral, regardless of the existence of any past due amounts or number days past due. For our retail portfolios a past due credit obligation is recognised where any amount of principal, interest or fees has not been paid at the date it was due (or cycle date). Any debtors that are in default for regulatory purposes or impaired under the applicable accounting framework are always considered as non-performing exposures. The Annual Report and Accounts 2022 definition of stage 3 credit-impaired is aligned to the EBA's definition of non-performing exposures.The IFRS 9 accounting standard expected credit losses are classified as Pillar 3 specific credit risk adjustments.

Table CQ1 breaks down performing and non-performing forborne exposures by FINREP product and counterparty type, showing the gross carrying amount, accumulated impairments and collateral and financial guarantees received against these exposures.

Table 14: 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*
	At 30 Jun 2023								
005	**Cash balances at central banks and other demand deposits**								
010	**Loans and advances**	**1,732**	**1,101**	***1,101***	***1,101***	**(18)**	**(376)**	**321**	***139***
020	Central banks	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
030	General governments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
040	Credit institutions	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
050	Other financial corporations	**24**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
060	Non-financial corporations	**1,632**	**1,041**	***1,041***	***1,041***	**(15)**	**(370)**	**198**	***88***
070	Households	**76**	**60**	***60***	***60***	**(3)**	**(6)**	**123**	***51***
080	**Debt securities**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
090	**Loan commitments given**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
100	**Total**	**1,732**	**1,101**	***1,101***	***1,101***	**(18)**	**(376)**	**321**	***139***
	At 31 Dec 2022								
005	Cash balances at central banks and other demand deposits								
010	Loans and advances	1,845	758	*758*	*758*	(26)	(257)	283	*104*
020	Central banks	—	—	—	—	—	—	—	—
030	General governments	—	—	—	—	—	—	—	—
040	Credit institutions	—	—	—	—	—	—	—	—
050	Other financial corporations	12	4	*4*	*4*	(1)	—	1	*1*
060	Non-financial corporations	1,805	722	*722*	*722*	(23)	(252)	231	*78*
070	Households	28	32	*32*	*32*	(2)	(5)	51	*25*
080	Debt securities	—	—	—	—	—	—	—	—
090	Loan commitments given	—	—	—	—	—	—	—	—
100	Total	1,845	758	*758*	*758*	(26)	(257)	283	*104*

Table CQ7 provides information on the instruments that were cancelled in exchange for collateral obtained by taking possession and 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, whilst the accumulated negative change is the accumulated impairment or negative change on the initial recognition value of the collateral obtained by taking possession including amortisation in the case of PP&E and investment properties.

Table 15: Collateral obtained by taking possession and execution processes (CQ7)

		At 30 Jun 2023		At 31 Dec 2022	
		Collateral obtained by taking possession		Collateral obtained by taking possession	
		Value at initial recognition	**Accumulated negative changes**	Value at initial recognition	Accumulated negative changes
		£m	**£m**	£m	£m
010	Property plant and equipment (PP&E)	**—**	**—**	—	—
020	Other than property, plant and equipment (PP&E)	**12**	**—**	12	—
030	*– Residential immovable property*	***2***	**—**	*2*	—
040	*– Commercial immovable property*	***2***	**—**	*2*	—
050	*– Movable property (auto, shipping, etc.)*	**—**	**—**	—	—
060	*– Equity and debt instruments*	**—**	**—**	—	—
070	*– Other*	***8***	**—**	*8*	—
080	**Total**	**12**	**—**	12	—

Concentration risk

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

Table CQ4 shows the credit quality of on and off balance sheet exposures by geography. The geographical breakdown is based on the country of residence of the immediate counterparty.

Table 16: Quality of non-performing exposures by geography (CQ4)

		Gross carrying/ nominal amount			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*	Accumulated impairment		
		£m	*£m*	£m	£m	£m
010	**On balance sheet exposures**	**223,867**	***2,523***	**(1,159)**	**—**	**—**
020	United Kingdom	**53,963**	***262***	**(247)**	**—**	**—**
030	France	**48,255**	***946***	**(457)**	**—**	**—**
040	United States	**20,325**	***34***	**(12)**	**—**	**—**
050	Germany	**15,140**	***319***	**(119)**	**—**	**—**
060	Hong Kong	**11,523**	***—***	**—**	**—**	**—**
070	Other countries	**74,661**	***962***	**(324)**	**—**	**—**
080	**Off balance sheet exposures**	**164,382**	***344***	**—**	**73**	**—**
090	United Kingdom	**26,298**	***14***	**—**	**10**	**—**
100	France	**32,452**	***66***	**—**	**14**	**—**
110	United States	**7,073**	***—***	**—**	**2**	**—**
120	Germany	**26,489**	***55***	**—**	**8**	**—**
130	Hong Kong	**2,239**	***—***	**—**	**—**	**—**
140	Other countries	**69,831**	***209***	**—**	**39**	**—**
150	**Total at 30 Jun 2023**	**388,249**	***2,867***	**(1,159)**	**73**	**—**

1 *Excludes cash and balances at central banks.*

Table CQ5 below shows the gross carrying amount of loans and advances to non-financial corporations, the related accumulated impairment, and the accumulated changes in fair value to credit risk by industry types.

Table 17: Credit quality of loans and advances to non-financial corporations by industry (CQ5)

		Gross carrying amount			Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Total	*of which: defaulted*	Accumulated impairment	
		£m	*£m*	£m	£m
010	Agriculture, forestry and fishing	**245**	***33***	**(8)**	**—**
020	Mining and quarrying	**1,041**	***154***	**(3)**	**—**
030	Manufacturing	**11,819**	***300***	**(98)**	**—**
040	Electricity, gas, steam and air conditioning supply	**1,808**	***73***	**(9)**	**—**
050	Water supply	**197**	***5***	**(4)**	**—**
060	Construction	**560**	***19***	**(17)**	**—**
070	Wholesale and retail trade	**9,366**	***177***	**(110)**	**—**
080	Transport and storage	**3,343**	***160***	**(91)**	**—**
090	Accommodation and food service activities	**853**	***43***	**(18)**	**—**
100	Information and communication	**2,915**	***27***	**(22)**	**—**
110	Real estate activities	**4,647**	***183***	**(128)**	**—**
120	Financial and insurance activities[1]	**45**	***5***	**(1)**	**—**
130	Professional, scientific and technical activities	**3,685**	***249***	**(107)**	**—**
140	Administrative and support service activities	**9,094**	***428***	**(228)**	**—**
150	Public administration and defense, compulsory social security	**2**	***—***	**—**	**—**
160	Education	**72**	***3***	**(1)**	**—**
170	Human health services and social work activities	**256**	***4***	**(3)**	**—**
180	Arts, entertainment and recreation	**205**	***6***	**(4)**	**—**
190	Other services	**1,503**	***69***	**(25)**	**—**
200	**Total at 30 Jun 2023**	**51,656**	***1,938***	**(877)**	**—**

1 *The table above includes an update for EBA Q&A 2022_6673 released in May 23, noting a change in NACE classification for non-financial holding companies to be included in row 120 above.*

Risk mitigation

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

Mitigation of credit risk is a key aspect of effective risk management and takes many forms.

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

Table CR3 provides a breakdown of loans and advances and debt securities by different credit risk mitigation techniques.

Table 18: 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
		£m	£m	£m	£m	£m
1	Loans and advances	**203,458**	**116,896**	**91,390**	**25,506**	**—**
2	Debt securities	**27,812**	**3,286**	**—**	**3,286**	**—**
3	**Total at 30 Jun 2023**	**231,270**	**120,182**	**91,390**	**28,792**	**—**
4	*– of which: non-performing exposures*	***1,067***	***528***	***203***	***325***	**—**
5	*– of which: defaulted*	***1,067***	***528***	**—**	**—**	**—**
1	Loans and advances	207,384	77,674	66,390	11,284	—
2	Debt securities	23,819	1,227	—	1,227	—
3	Total at 31 Dec 2022	231,203	78,901	66,390	12,511	—
4	*– of which: non-performing exposures*	*903*	*422*	*180*	*242*	—
5	*– of which: defaulted*	*903*	*422*	—	—	—

Table CR4 presents the split of credit risk exposures under the standardised approach, reflecting EAD before and after the impact of CRM techniques and credit conversion factors.

Table 19: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4)

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWAs and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
		£m	£m	£m	£m	£m	%
	Asset classes[1]						
1	Central governments or central banks	**132,678**	**1,430**	**139,674**	**1,166**	**1,154**	**1**
2	Regional governments or local authorities	**1,320**	**86**	**2,820**	**27**	**1**	**—**
3	Public sector entities	**3,282**	**73**	**55**	**—**	**11**	**21**
4	International organisations	**965**	**—**	**965**	**—**	**—**	**—**
5	Institutions	**5,877**	**3,114**	**5,955**	**2,580**	**2,425**	**28**
6	Corporates	**6,364**	**7,088**	**5,467**	**834**	**5,816**	**92**
7	Retail	**412**	**1,067**	**390**	**145**	**376**	**70**
8	Secured by mortgages on immovable property	**3,470**	**99**	**3,470**	**18**	**1,762**	**51**
9	Exposures in default	**236**	**24**	**201**	**7**	**259**	**124**
10	Exposures associated with particularly high risk	**80**	**9**	**79**	**4**	**124**	**150**
11	Collective investment undertakings	**267**	**—**	**267**	**—**	**267**	**100**
12	Equity	**1,773**	**—**	**1,773**	**—**	**3,386**	**191**
13	Other items	**2,278**	**—**	**2,278**	**—**	**733**	**32**
14	**Total at 30 Jun 2023**	**159,002**	**12,990**	**163,394**	**4,781**	**16,314**	**10**
1	Central governments or central banks	146,581	1,379	153,814	1,190	1,591	1
2	Regional governments or local authorities	1,710	89	3,054	23	1	—
3	Public sector entities	2,940	79	151	—	36	24
4	International organisations	568	—	568	—	—	—
5	Institutions	3,890	2,178	4,001	1,409	1,636	30
6	Corporates	9,047	7,142	8,052	1,684	7,981	82
7	Retail	462	665	436	49	348	72
8	Secured by mortgages on immovable property	3,607	17	3,607	5	1,823	50
9	Exposures in default	326	32	284	9	369	126
10	Exposures associated with particularly high risk	87	18	86	7	139	150
11	Collective investment undertakings	1,475	684	1,475	342	3,315	182
12	Equity	2,501	—	2,501	—	5,223	209
13	Other items	2,657	—	2,657	—	829	31
14	Total at 31 Dec 2022	175,851	12,283	180,686	4,718	23,291	13

1 *Securitisation positions and free deliveries are not included in this table.*
2 *These balance include capital requirements for underlying equity exposures within CIUs calculated under the look-through approach using the IRB simple risk-weight method.*

Table CR7 provides a breakdown of IRB credit risk RWAs before and after credit derivatives CRM effects. The table excludes securitisation positions, free deliveries and non-credit obligation assets.

Table 20: IRB – Effect on the RWA of credit derivatives used as CRM techniques (CR7)

		At 30 Jun 2023		At 31 Dec 2022	
		Pre-credit derivatives RWAs	**Actual RWAs**	Pre-credit derivatives RWAs	Actual RWAs
		£m	**£m**	£m	£m
1	**Exposures under FIRB**	**15,243**	**14,954**	17,756	17,362
2	Central governments and central banks	**6**	**6**	6	6
3	Institutions	**3**	**3**	12	12
4	Corporates[2]	**15,234**	**14,945**	17,738	17,345
4.1	– *of which SMEs*	***33***	***33***	*69*	*69*
4.2	– *of which specialised lending*[2]	**—**	**—**	—	—
4.3	– *of which others*	**15,201**	**14,912**	17,669	17,276
5	**Exposures under AIRB[1,2]**	**21,778**	**21,715**	21,903	21,859
6	Central governments and central banks	**2,687**	**2,687**	1,926	1,926
7	Institutions	**1,682**	**1,676**	2,136	2,127
8	Corporates[2]	**13,737**	**13,680**	13,853	13,818
8.1	– *of which SMEs*	***50***	***50***	*24*	*24*
8.2	– *of which specialised lending*[2]	***379***	***379***	*484*	*484*
8.3	– *of which others*	***13,308***	***13,251***	*13,345*	*13,310*
9	Retail	**3,672**	**3,672**	3,988	3,988
9.1	– *of which immovable property SMEs*	***161***	***161***	*180*	*180*
9.2	– *of which immovable property non-SMEs*	***2,083***	***2,083***	*2,411*	*2,411*
9.3	– *of which qualifying revolving*	***65***	***65***	*66*	*66*
9.4	– *of which other SMEs*	***313***	***313***	*332*	*332*
9.5	– *of which other non-SMEs*	***1,050***	***1,050***	*999*	*999*
10	**Total (including FIRB exposures and AIRB exposures)[2]**	**37,021**	**36,669**	39,659	39,221

1 *Securitisation exposures, non-credit obligation assets and equity exposures are not included in this table.*
2 *Specialised lending exposures under the slotting approach are not included in this table, prior period has been presented accordingly.*

The below table CR7-A discloses percentage of exposures secured by various CRM techniques, separately for each exposure class in AIRB and FIRB approaches. Free deliveries are not included in the table.

Table 21: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A)

			Funded credit protection ('FCP')								
				Part of exposures covered by Other eligible collaterals (%)				Part of exposures covered by Other funded credit protection (%)			
AIRB		**Total exposures**	**Part of exposures covered by Financial Collaterals**	**Total**	**Part of exposures covered by Immovable property collaterals**	**Part of exposures covered by receivables**	**Part of exposures covered by Other physical collateral**	**Total**	**Part of exposures covered by cash on deposit**	**Part of exposures covered by life insurance policies**	**Part of exposures covered by instru-ments held by a third party**
		£m	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
1	Central governments and central banks	17,486	0.5	—	—	—	—	—	—	—	—
2	Institutions	11,345	25.2	—	—	—	—	—	—	—	—
3	Corporates[1]	34,433	2.3	7.7	5.4	0.9	1.4	—	—	—	—
3.1	– *of which Corporates – SMEs*	139	*0.2*	*19.9*	*17.3*	*2.6*	—	—	—	—	—
3.2	*Corporates – Specialised lending*[1]	976	—	—	—	—	—	—	—	—	—
3.3	*Corporates – Other*	33,318	*2.4*	*7.9*	*5.5*	*0.9*	*1.4*	—	—	—	—
4	Retail	22,340	6.7	28.9	28.8	0.1	—	—	—	—	—
4.1	– *of which: Retail – Immovable property SMEs*	264	*3.9*	*93.3*	*92.2*	*1.1*	—	—	—	—	—
4.2	*Retail – Immovable property non-SMEs*	18,381	*0.9*	*33.7*	*33.7*	—	—	—	—	—	—
4.3	*Retail – Qualifying revolving*	633	—	—	—	—	—	—	—	—	—
4.4	*Retail – Other SMEs*	1,005	*8.8*	*2.6*	—	*2.4*	*0.2*	—	—	—	—
4.5	*Retail – Other non-SMEs*	2,057	*60.5*	—	—	—	—	—	—	—	—
5	**Total at 30 Jun 2023**[1]	85,604	6.1	10.7	9.7	0.4	0.6	—	—	—	—
FIRB											
1	Central governments and central banks	—	—	—	—	—	—	—	—	—	—
2	Institutions	—	—	—	—	—	—	—	—	—	—
3	Corporates	50,463	34.0	1.6	1.3	0.3	—	—	—	—	—
3.1	– *of which: Corporates – SMEs*	*63*	*26.9*	*4.8*	*4.8*	—	—	—	—	—	—
3.2	*Corporates – Specialised lending*	—	—	—	—	—	—	—	—	—	—
3.3	*Corporates – Other*	*50,400*	*34.0*	*1.6*	*1.3*	*0.3*	—	—	—	—	—
4	**Total at 30 Jun 2023**	50,463	34.0	1.6	1.3	0.3	—	—	—	—	—
IRB											
	Specialised lending under the slotting approach	*807*	—	—	—	—	—	—	—	—	—
	Equity Exposures[2]	*1,359*	—	—	—	—	—	—	—	—	—

Table 21: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) (continued)

		Unfunded credit Protection		Credit risk mitigation methods in the calculation of RWAs	
AIRB		**Part of exposures covered by guarantees**	**Part of exposures covered by credit derivatives**	**RWA post- all CRM assigned to the obligor exposure class**	**RWA with substitution effects**
		%	**%**	**£m**	**£m**
1	Central governments and central banks	**0.3**	**—**	**2,687**	**2,687**
2	Institutions	**—**	**—**	**1,798**	**1,676**
3	Corporates[1]	**2.2**	**—**	**13,559**	**13,680**
3.1	– *of which:* *Corporates – SMEs*	***—***	***—***	***50***	***50***
3.2	*Corporates – specialised lending*[1]	***3.8***	***—***	***379***	***379***
3.3	*Corporates – other*	***2.1***	***—***	***13,130***	***13,251***
4	Retail	**54.0**	**—**	**3,672**	**3,672**
4.1	– *of which:* *Retail – immovable property SMEs*	***0.3***	***—***	***161***	***161***
4.2	*Retail – immovable property non-SMEs*	***65.4***	***—***	***2,083***	***2,083***
4.3	*Retail – qualifying revolving*	***—***	***—***	***65***	***65***
4.4	*Retail – other SMEs*	***1.6***	***—***	***313***	***313***
4.5	*Retail – other non-SMEs*	***0.7***	***—***	***1,050***	***1,050***
5	**Total at 30 Jun 2023[1]**	***15.0***	**—**	**21,715**	**21,715**
FIRB					
1	Central governments and central banks	**—**	**—**	**0**	**6**
2	Institutions	**—**	**—**	**0**	**3**
3	Corporates	**—**	**—**	**14,968**	**14,945**
3.1	– *of which:* *Corporates – SMEs*	***—***	***—***	***33***	***33***
3.2	*Corporates – specialised lending*	***—***	***—***	***0***	***0***
3.3	*Corporates – other*	***—***	***—***	***14,935***	***14,912***
4	**Total at 30 Jun 2023**	**—**	**—**	**14,968**	**14,954**
IRB					
	Specialised lending under the slotting approach	**—**	**—**	**577**	**577**
	Equity Exposures[2]	**—**	**—**	**2,738**	**2,738**

Table 21: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) (continued)

			Funded credit protection ('FCP')								
				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	Total	Part of exposures covered by Immovable property collaterals	Part of exposures covered by receivables	Part of exposures covered by Other physical collateral	Total	Part of exposures covered by cash on deposit	Part of exposures covered by life insurance policies	Part of exposures covered by instru-ments held by a third party
		£m	%	%	%	%	%	%	%	%	%
1	Central governments and central banks	14,021	4.9	0.0	0.0	0.0	0.0	—	—	—	—
2	Institutions	11,182	26.4	0.3	0.3	0.0	0.0	—	—	—	—
3	Corporates[1]	36,122	2.2	7.2	4.9	0.9	1.4	—	—	—	—
3.1	– *of which Corporates – SMEs*	*41*	*0.7*	*72.8*	*63.5*	*9.3*	*0.0*	—	—	—	—
3.2	*Corporates – Specialised lending*[1]	*1,175*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	—	—	—	—
3.3	*Corporates – Other*	*34,906*	*2.3*	*7.3*	*5.0*	*0.9*	*1.4*	—	—	—	—
4	Retail	23,877	7.2	28.0	27.9	0.0	0.0	—	—	—	—
4.1	– *of which: Retail – Immovable property SMEs*	*299*	*3.6*	*93.4*	*92.2*	*1.2*	*0.0*	—	—	—	—
4.2	*Retail – Immovable property non-SMEs*	*19,580*	*0.9*	*32.6*	*32.6*	*0.0*	*0.0*	—	—	—	—
4.3	*Retail – Qualifying revolving*	*583*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	—	—	—	—
4.4	*Retail – Other SMEs*	*928*	*10.7*	*0.8*	*0.0*	*0.4*	*0.4*	—	—	—	—
4.5	*Retail – Other non-SMEs*	*2,487*	*57.6*	*0.0*	*0.0*	*0.0*	*0.0*	—	—	—	—
5	Total at 31 Dec 2022[1]	85,202	7.2	10.9	10.0	0.4	0.6	—	—	—	—
FIRB											
1	Central governments and central banks	—	0.0	0.0	0.0	0.0	0.0	—	—	—	—
2	Institutions	—	0.0	0.0	0.0	0.0	0.0	—	—	—	—
3	Corporates	51,320	28.2	1.8	1.3	0.4	0.1	—	—	—	—
3.1	– *of which: Corporates – SMEs*	*113*	*15.8*	*6.4*	*6.4*	*0.0*	*0.0*	—	—	—	—
3.2	*Corporates – Specialised lending*	—	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	—	—	—	—
3.3	*Corporates – Other*	*51,207*	*28.2*	*1.8*	*1.2*	*0.4*	*0.1*	—	—	—	—
4	Total at 31 Dec 2022	51,320	28.2	1.8	1.3	0.4	0.1	—	—	—	—
IRB											
	Specialised lending under the slotting approach	*2,049*	—	—	—	—	—	—	—	—	—
	Equity Exposures[2]	—	—	—	—	—	—	—	—	—	—

Table 21: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) (continued)

		Unfunded credit Protection		Credit risk mitigation methods in the calculation of RWAs	
AIRB		Part of exposures covered by guarantees	Part of exposures covered by credit derivatives	RWA post- all CRM assigned to the obligor exposure class	RWA with substitution effects
		%	%	£m	£m
1	Central governments and central banks	0.5	—	1,926	1,926
2	Institutions	0.0	—	2,135	2,127
3	Corporates[1]	2.1	—	13,808	13,818
3.1	– *of which:* *Corporates – SMEs*	*0.0*	—	*24*	*24*
3.2	*Corporates – specialised lending*[1]	*4.5*	—	*484*	*484*
3.3	*Corporates – other*	*2.0*	—	*13,300*	*13,311*
4	Retail	54.7	—	3,988	3,988
4.1	– *of which:* *Retail – immovable property SMEs*	*0.2*	—	*180*	*180*
4.2	*Retail – immovable property non-SMEs*	*66.5*	—	*2,412*	*2,412*
4.3	*Retail – qualifying revolving*	*0.0*	—	*66*	*66*
4.4	*Retail – other SMEs*	*2.3*	—	*332*	*332*
4.5	*Retail – other non-SMEs*	*0.7*	—	*999*	*999*
5	Total at 31 Dec 2022[1]	16.3	—	21,856	21,859
FIRB					
1	Central governments and central banks	0.0	—	—	6
2	Institutions	0.0	—	—	12
3	Corporates	0.0	—	17,369	17,345
3.1	– *of which:* *Corporates – SMEs*	*0.0*	—	*69*	*69*
3.2	*Corporates – specialised lending*	*0.0*	—	—	—
3.3	*Corporates – other*	*0.0*	—	*17,301*	*17,277*
4	Total at 31 Dec 2022	0.0	—	17,369	17,362
IRB					
	Specialised lending under the slotting approach	—	—	*1,314*	*1,314*
	Equity Exposures[2]	—	—	—	—

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

Table CR10 sets out the specialised lending exposures by different regulatory slotting categories split by remaining maturity. It also includes a separate disclosure of equity exposures under the simple risk-weighted approach.

Table 22: Specialised lending and equity exposures under the simple risk-weighted approach (CR10)[1]

Specialised lending: Project finance (Slotting approach)		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected loss
Regulatory categories	Remaining maturity	£m	£m	%	£m	£m	£m
Category 1	Less than 2.5 years	—	—	50.0	—	—	—
	Equal to or more than 2.5 years	—	—	70.0	—	—	—
Category 2	Less than 2.5 years	—	—	70.0	—	—	—
	Equal to or more than 2.5 years	3	—	90.0	3	2	—
Category 3	Less than 2.5 years	—	—	115.0	—	—	—
	Equal to or more than 2.5 years	—	—	115.0	—	—	—
Category 4	Less than 2.5 years	—	—	250.0	—	—	—
	Equal to or more than 2.5 years	—	—	250.0	—	—	—
Category 5	Less than 2.5 years	—	—	0.0	—	—	—
	Equal to or more than 2.5 years	—	—	0.0	—	—	—
Total at 30 Jun 2023	Less than 2.5 years	—	—	0.0	—	—	—
	Equal to or more than 2.5 years	3	—	0.0	3	2	—

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	96	1	50.0	97	54	—
	Equal to or more than 2.5 years	193	103	70.0	253	171	1
Category 2	Less than 2.5 years	221	25	70.0	239	167	1
	Equal to or more than 2.5 years	17	22	90.0	33	30	—
Category 3	Less than 2.5 years	85	—	115.0	85	98	2
	Equal to or more than 2.5 years	—	—	115.0	—	—	—
Category 4	Less than 2.5 years	—	—	250.0	—	—	—
	Equal to or more than 2.5 years	—	—	250.0	—	—	—
Category 5	Less than 2.5 years	2	—	—	2	—	1
	Equal to or more than 2.5 years	—	—	—	—	—	—
Total at 30 Jun 2023	Less than 2.5 years	404	26	—	423	319	5
	Equal to or more than 2.5 years	210	124	—	286	201	1

Table 22: Specialised lending and equity exposures under the simple risk-weighted approach (CR10)[1] (continued)

Specialised lending: Object finance (Slotting approach)		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected loss
Regulatory categories	Remaining maturity	£m	£m	%	£m	£m	£m
Category 1	Less than 2.5 years	27	10	50.0	34	17	—
	Equal to or more than 2.5 years	54	—	70.0	54	38	—
Category 2	Less than 2.5 years	—	—	70.0	—	—	—
	Equal to or more than 2.5 years	—	—	90.0	—	—	—
Category 3	Less than 2.5 years	—	—	115.0	—	—	—
	Equal to or more than 2.5 years	—	—	115.0	—	—	—
Category 4	Less than 2.5 years	—	—	250.0	—	—	—
	Equal to or more than 2.5 years	—	—	250.0	—	—	—
Category 5	Less than 2.5 years	2	—	—	2	—	1
	Equal to or more than 2.5 years	—	—	—	—	—	—
Total at 30 Jun 2023	Less than 2.5 years	29	10	—	36	17	1
	Equal to or more than 2.5 years	54	—	—	54	38	—

Equity exposures under simple risk weighted approach[1]	On-balance sheet amount	Off-balance sheet amount	RW	Exposure amount	RWAs	Expected losses
Regulatory categories	$m	$m	%	$m	$m	$m
Private equity exposures	1,085	—	190	985	1,872	150
Exchange-traded equity exposures	—	—	290	—	—	—
Other equity exposures	—	—	370	—	—	—
Off balance sheet CIU equity exposures[2]	1,085	—				
Total at 30 Jun 2023	1,085			985	1,872	150

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

Liquidity

Management of liquidity and funding risk

Liquidity coverage ratio

The Liquidity Coverage Ratio ('LCR') aims to ensure that a bank has a sufficient unencumbered high-quality liquidity assets ('HQLA') to meet its liquidity needs in a 30 calendar days liquidity stress scenarios.

At 30 June 2023 our LCR increased to 149.0% from 148.0% at 31 March 2023, and remained above regulatory minimum levels and HSBC Bank plc's Risk Appetite.

Net stable funding ratio

HSBC Bank plc uses a regulatory Net stable funding ratio ('NSFR') as a basis for establishing stable funding needs. The NSFR requires HSBC Bank plc to maintain sufficient stable funding and reflects its long-term funding profile (funding with a term of more than one year) commensurate with the risk profile of the balance sheet.

At 30 June 2023 our NSFR decreased to 116.8% from 118.6% at 31 March 2023. The 1.8% reduction was mainly driven by growth in Markets and Securities Services assets and reduction in deposits. We maintained sufficient stable funding relative to the required stable funding assessed using NSFR.

Currency mismatch in the LCR

The Group's internal liquidity and funding risk management framework requires all operating entities to monitor the LCR for material currencies. Limits are set to ensure that outflows can be met, given assumptions for stressed capacity in the foreign exchange swap markets. This continuous monitoring helps with the overall management of currency exposures, in line with our internal framework.

Table LIQ1 below sets out the granular split of cash outflows and cash inflows, as well as the available high quality liquid assets on both an unweighted and weighted basis, that are used to derive the liquidity coverage ratio.

Table 23: Level and components of HSBC Bank plc liquidity coverage ratio (LIQ1)[1]

		Quarter ended							
UK-1a		**30 Jun 2023**		31 Mar 2023		31 Dec 2022		30 Sep 2022	
		Total unweighted value	**Total weighted value**	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
		£m	**£m**	£m	£m	£m	£m	£m	£m
UK-1b	Number of data points used in the calculation of averages		**12**		12		12		12
High-quality liquid assets									
1	Total high-quality liquid assets ('HQLA')	**—**	**108,593**	—	108,336		104,491		102,609
Cash outflows									
2	Retail deposits and small business funding	**18,625**	**2,670**	18,002	2,547	17,264	2,399	16,631	2,274
	– *of which:*								
3	*stable deposits*	***3,664***	***183***	*3,645*	*182*	*3,699*	*185*	*3,882*	*194*
4	*less stable deposits*	***14,938***	***2,487***	*14,338*	*2,365*	*13,545*	*2,215*	*12,731*	*2,080*
5	Unsecured wholesale funding	**144,618**	**78,886**	143,498	78,697	140,772	77,428	138,906	76,715
6	– operational deposits (all counterparties) and deposits in networks of cooperative banks	**50,373**	**12,549**	50,499	12,580	50,093	12,477	48,844	12,164
7	– non-operational deposits (all counterparties)	**92,779**	**64,873**	91,651	64,770	89,096	63,368	87,886	62,374
8	– unsecured debt	**1,465**	**1,465**	1,347	1,347	1,584	1,584	2,177	2,177
9	Secured wholesale funding	**—**	**7,631**		6,284		5,273		4,717
10	Additional requirements	**45,411**	**26,372**	47,500	28,048	47,397	27,747	45,466	25,906
11	– outflows related to derivative exposures and other collateral requirements	**21,934**	**19,810**	22,500	20,797	21,298	19,981	18,722	17,862
12	– outflows related to loss of funding on debt products	**—**	**—**	—	—	—	—	—	—
13	– credit and liquidity facilities	**23,477**	**6,562**	25,000	7,252	26,100	7,766	26,744	8,044
14	Other contractual funding obligations	**23,442**	**10,294**	24,908	10,146	25,693	9,319	24,781	7,802
15	Other contingent funding obligations	**51,637**	**796**	56,774	708	57,422	666	56,578	681
16	**Total cash outflows**	**—**	**126,649**		126,430		122,833		118,095
Cash inflows									
17	Secured lending transactions (including reverse repos)	**94,075**	**20,136**	85,748	18,734	79,240	17,314	76,003	17,164
18	Inflows from fully performing exposures	**10,493**	**10,128**	10,759	10,368	10,284	9,913	9,694	9,355
19	Other cash inflows	**42,200**	**23,670**	41,723	24,147	39,738	22,605	36,733	19,901
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	**—**	**—**		—		—		—
UK-19b	(Excess inflows from a related specialised credit institution)	**—**	**—**		—		—		—
20	**Total cash inflows**	**146,768**	**53,934**	138,230	53,249	129,262	49,831	122,429	46,419
UK-20a	Fully exempt inflows	**—**	**—**	—	—	—	—	—	—
UK-20b	Inflows subject to 90% cap	**—**	**—**	—	—	—	—	—	—
UK-20c	Inflows subject to 75% cap	**122,044**	**53,934**	118,972	53,249	114,882	49,831	110,998	46,419
Liquidity coverage ratio (adjusted value)									
UK-21	Liquidity buffer		**108,593**		108,336		104,491		102,609
22	Total net cash outflows		**72,715**		73,181		73,002		71,675
23	Liquidity coverage ratio (%)		**149.0**		148.0		143.1		143.2

1 *These amounts relate to HSBC Bank plc as a single entity and are not produced on a consolidated basis. The LCR is reported as specified in the PRA Rulebook effective since 1 January 2022. LCR disclosure is calculated based on 12 month-end averages ending respectively.*

Table LIQ2 below shows the components of the net stable funding ratio for unweighted values by residual maturity and the resultant weighted amounts.

Table 24: Net Stable Funding Ratio (LIQ2)[1]

		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	20,537	884	778	12,224	32,761
2	Own funds	20,537	884	778	11,396	31,934
3	Other capital instruments		—	—	828	828
4	Retail deposits		18,713	—	—	17,026
5	Stable deposits		3,685	—	—	3,501
6	Less stable deposits		15,028	—	—	13,525
7	Wholesale funding:		194,227	6,876	9,769	63,073
8	Operational deposits		47,952	17	—	23,985
9	Other wholesale funding		146,276	6,859	9,768	39,088
10	Interdependent liabilities		2,147	—	—	—
11	Other liabilities:	880	37,287	—	—	—
12	NSFR derivative liabilities	880				
13	All other liabilities and capital instruments not included in the above categories		37,287	—	—	—
14	**Total available stable funding ('ASF')**					112,860
Required stable funding ('RSF') Items						
15	Total high-quality liquid assets ('HQLA')					12,526
UK-15a	Assets encumbered for more than 12months in cover pool					
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		91,817	8,682	44,039	54,653
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		31,215	3,492	312	3,459
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		30,865	1,384	1,213	3,586
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		12,961	1,164	9,068	15,866
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*88*	*72*	*1,886*	*2,087*
22	*Performing residential mortgages, of which:*		58	58	1,935	—
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*34*	*35*	*1,149*	—
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		16,717	2,585	31,511	31,742
25	Interdependent assets		—	—	2,147	—
26	Other assets:		58,786	—	13,937	27,479
27	Physical traded commodities				2,275	1,934
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		10,543	—	—	8,962
29	NSFR derivative assets		854	—	—	854
30	NSFR derivative liabilities before deduction of variation margin posted		31,668	—	—	1,583
31	All other assets not included in the above categories		15,721	—	13,937	14,147
32	Off-balance sheet items		13,365	4,296	52,997	1,988
33	**Total RSF**					96,646
34	**Net Stable Funding Ratio (%)**					116.8

1 *These amounts relate to HSBC Bank plc as a single entity and are not produced on a consolidated basis. NSFR is calculated in line with PRA guidance which came into effect on 1 January 2022. The disclosure for June 2023 is based on the average of preceding quarters.*

Appendix I

Countercyclical capital buffer

Table CCyB1 below discloses the geographical distribution of credit exposures relevant to the calculation of the countercyclical buffer ('CCyB') under Article 440 of the Disclosure (CRR) part of the PRA Rulebook. Exposures to central governments/banks, regional governments, local authorities, public sector entities, multilateral development banks, international organisations and institutions are excluded and therefore differ from those presented in the credit and counterparty credit risk sections.

Countries or territories that have a CCyB requirement, or have an own funds requirement of greater than 0.7%, or that are otherwise material in nature are disclosed below. Countries or territories that do not meet these criteria are disclosed in *Other* category in the table.

Table 25: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (CCyB1)

	General credit exposures		Trading book exposures		Securiti-sation exposures		Own funds requirements						
	SA	IRB	Sum of long/ short positions for SA	Internal models	Total exposure value in the banking book	Total expo-sure value	*of which: General credit expo-sures*	*of which: Trading book expo-sures*	*of which: Securitis-ation expo-sures*	Total	Risk-weighted exposure amounts	Share of total own funds require-ments	CCyB rate
Country	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	***£m***	***£m***	***£m***	**£m**	**£m**	**%**	**%**
Australia	2	464	—	14	—	480	*12*	*1*	—	13	157	0.25	1.00
Belgium	56	1029	23	6	—	1,114	*38*	*1*	—	40	494	0.80	—
Bulgaria	2	6	—	—	—	9	—	—	—	—	3	0.01	1.50
Cayman Islands	85	1,621	—	—	—	1,706	*94*	—	—	94	1,171	1.89	—
Czech Republic	59	356	—	3	—	419	*17*	*1*	—	18	228	0.37	2.50
Denmark	—	1,170	—	7	—	1,177	*42*	*1*	—	43	538	0.87	2.50
Estonia	—	—	—	—	—	—	—	—	—	—	—	0.00	1.00
France	1,394	36,969	46	33	4,300	42,742	*1,041*	*5*	*56*	1,103	13,785	22.23	0.50
Germany	573	10,876	172	55	462	12,139	*440*	*12*	*4*	457	5,707	9.20	0.75
Greece	224	618	3	3	—	848	*38*	—	—	38	477	0.77	—
Hong Kong	9	354	—	8	—	370	*7*	*1*	—	8	97	0.16	1.00
Iceland	—	—	—	—	—	—	—	—	—	—	—	0.00	2.00
Ireland	403	3,133	513	16	496	4,560	*104*	*13*	*9*	127	1,585	2.56	0.50
Italy	223	1,058	208	2	240	1,731	*65*	*14*	*4*	83	1,040	1.68	—
Jersey	115	1,967	—	3	—	2,085	*57*	*2*	—	59	737	1.19	—
Luxembourg	538	3,932	—	11	—	4,482	*195*	*2*	—	198	2,471	3.98	0.50
Malta	2,605	148	—	4	—	2,757	*118*	*1*	—	119	1,492	2.41	—
Netherlands	898	4,572	282	30	1,242	7,023	*206*	*15*	*14*	235	2,939	4.74	1.00
Norway	—	159	—	25	—	185	*4*	—	—	4	48	0.08	2.50
Poland	422	347	—	19	—	788	*41*	*1*	—	41	519	0.84	—
Romania	—	8	—	2	—	10	—	—	—	—	5	0.01	0.50
Slovakia	3	48	—	—	—	51	*1*	—	—	1	15	0.02	1.00
South Africa	301	530	—	41	—	873	*42*	*16*	—	58	727	1.17	—
Spain	379	1,553	38	8	—	1,979	*78*	*6*	—	84	1,048	1.69	—
Sweden	33	875	—	12	—	920	*57*	*3*	—	59	739	1.19	2.00
Switzerland	185	4,145	—	11	—	4,341	*92*	*3*	—	94	1,179	1.90	—
United Arab Emirates	106	952	—	16	—	1,074	*24*	*2*	—	26	329	0.53	—
United Kingdom	4,571	37,373	725	261	6,135	49,065	*1,084*	*39*	*147*	1,271	15,882	25.61	1.00
United States	491	8,755	8	373	878	10,505	*264*	*11*	*29*	304	3,803	6.13	—
Other countries	1,302	9,630	87	532	167	11,717	*283*	*99*	*2*	384	4,804	7.77	—
Total	**14,979**	**132,648**	**2,105**	**1,495**	**13,920**	**165,150**	***4,444***	***249***	***265***	**4,961**	**62,019**	**100.00**	

Table CCyB2 shows the total RWAs calculated in accordance with Article 92(3) of CRR II and provides an overview of institution-specific countercyclical capital exposure and buffer requirement.

Table 26: Amount of Institution specific countercyclical capital buffer (CCyB2)

	30 Jun 2023
Total risk exposure amount (£m)	**105,463**
Institution specific countercyclical capital buffer rate (%)	**0.58**
Institution specific countercyclical capital buffer requirement (£m)	**612**

Appendix II

Abbreviations

The following abbreviated terms are used throughout this document.

A	
AIRB	Advanced internal ratings-based approach
ALCM	Asset, Liability and Capital Management
ALCO	Asset, Liability and Capital Management Committee
AT1 capital	Additional tier 1 capital
B	
BCBS	Basel Committee on Banking Supervision
BoE	Bank of England
C	
CCP[1]	Central counterparty
CCR[1]	Counterparty credit risk
CDS[1]	Credit default swap
CET1[1]	Common equity tier 1
CIU	Collective investment undertakings
CMB	Commercial Banking
CRA	Credit risk adjustment
CRD IV[1]	Capital Requirements Regulation and Directive
CRE[1]	Commercial real estate
CRM[1]	Credit risk mitigation/mitigant
CRR II	Revised Capital Requirements Regulation, as implemented
CVA[1]	Credit valuation adjustment
E	
EAD[1]	Exposure at default
EBA	European Banking Authority
EC	European Commission
ECL[1]	Expected credit losses
EEA	European Economic Area
EL[1]	Expected loss
EU	European Union
F	
FCA	Financial Conduct Authority's
FPC[1]	Financial Policy Committee (UK)
FRTB	Fundamental Review of the Trading book
FSB	Financial Stability Board
G	
Group	HSBC Holdings together with its subsidiary undertakings
H	
HMT	His Majesty's Treasury
HQLA	High-quality liquid assets
HSBC	HSBC Holdings together with its subsidiary undertakings
I	
IAA	Internal Assessment Approach
ICAAP[1]	Internal Capital Adequacy Assessment Process
ICG	Individual capital guidance
IFRSs	International Financial Reporting Standards
ILAAP	Individual Liquidity Adequacy Assessment Process
ILR	Inherent Liquidity Risk
IMA[1]	Internal Models Approach
IMM[1]	Internal Model Method
IRB[1]	Internal ratings based approach
IRC	Incremental risk charge
IRRBB	Interest rate risk in the banking book
L	
LCR[1]	Liquidity Coverage Ratio
LFRF	Liquidity and Funding Risk Management Framework
LGD[1]	Loss given default
LREQ	Leverage Ratio Requirements
M	
MSS	Markets and Securities Services
MREL	Minimum requirements for own funds and eligible liabilities
MRT	Material Risk-Takers
N	
NQH	Non Qualifying Hedge
NSFR[1]	Net Stable Funding Ratio
O	
OTC[1]	Over-the-counter
P	
PD[1]	Probability of default
PFE	Potential future exposure
PRA[1]	Prudential Regulation Authority (UK)
R	
RAS	Risk appetite statement
RBM[1]	Ratings Based Method
RNIV	Risks not in VaR
RWA[1]	Risk-weighted asset
S	
S&P	Standard and Poor's rating agency
SFM	Supervisory Formula Method
SFT	Securities Financing Transactions
SME	Small- and medium-sized enterprise
SPE[1]	Special Purpose Entity
SREP	Supervisory Review and Evaluation Process
SA/STD[1]	Standardised approach
SVaR	Stressed Value at Risk
T	
TLAC[1]	Total Loss Absorbing Capacity
TTC	Through-the-cycle
T1 capital[1]	Tier 1 capital
T2 capital[1]	Tier 2 capital
U	
UK	United Kingdom
V	
VaR[1]	Value at risk

1 *Full definition included in Glossary on the HSBC website www.hsbc.com.*

Appendix III

Cautionary statement regarding forward-looking statements

This *Pillar 3 Disclosure at 30 June 2023* contains certain forward-looking statements with respect to the company's financial condition; results of operations and business, including the strategic priorities; financial, investment and capital targets; and the company's ability to contribute to the HSBC Group's environmental, social and governance ('ESG') targets, commitments and ambitions described herein.

Statements that are not historical facts, including statements about the company's beliefs and expectations, are forward-looking statements. Words such as 'may', 'will', 'should', 'expects', 'targets', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', or the negative thereof, other variations thereon or similar expressions are intended to identify forward-looking statements. These statements are based on current plans, information, data, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. The company makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements. Written and/or oral forward-looking statements may also be made in the periodic reports to the US Securities and Exchange Commission, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by the company's Directors, officers or employees to third parties, including financial analysts. Forward-looking statements involve inherent risks and uncertainties.

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

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

accuracy and effective use of data, including internal management information that may not have been independently verified; changes in insurance customer behaviour and insurance claim rates; the company's dependence on loan payments and dividends from subsidiaries to meet its obligations; changes in the HSBC Group's reporting framework and accounting standards, which have had and may continue to have a material impact on the way the company prepares its financial statements; changes in the company's ability to manage third-party, fraud and reputational risks inherent in its operations; employee misconduct, which may result in regulatory sanctions and/or reputational or financial harm; changes in skill requirements, ways of working and talent shortages, which may affect the company's ability to recruit and retain senior management and diverse and skilled personnel; and changes in the company's ability to develop sustainable finance and climate-related products consistent with the evolving expectations of its regulators, and the company's capacity to measure the climate impact from its financing activity (including as a result of data limitations and changes in methodologies), which may affect the group's ability to achieve the HSBC Group's climate ambition, targets and commitments, and increase the risk of greenwashing. Effective risk management depends on, among other things, the company's ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; the company's success in addressing operational, legal and regulatory, and litigation challenges; and other risks and uncertainties we identify in 'Top and emerging risks' on page 15 of the *Interim Report 2023.*

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