HSBC UK Bank plc

Pillar 3 Disclosures at 30 June 2023

HSBC

Contents

Presentation of information

This document comprises the 30 June 2023 Pillar 3 disclosures for HSBC UK Bank plc ('the bank') and its subsidiaries (together 'HSBC UK' or 'the group'). 'We', 'us' and 'our' refer to HSBC UK Bank plc together with its subsidiaries. References to 'HSBC Group' or 'the Group' within this document mean HSBC Holdings plc together with its subsidiaries.

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

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

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

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

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement.

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

Tables

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

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

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

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

Introduction

Regulatory framework for disclosures

We are supervised on a consolidated basis in the United Kingdom ('UK') by the Prudential Regulation Authority ('PRA'). We have calculated capital for prudential regulatory reporting purposes using the Basel III framework of the Basel Committee ('Basel') as implemented in the UK. Any references to EU regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulation and/or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, and as may be subsequently amended under UK law.

The Basel III framework is structured around three 'pillars': the Pillar 1 minimum capital requirements and Pillar 2 supervisory review process are complemented by the requirements in Pillar 3 on 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 III framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy. Our Pillar 3 Disclosures at 30 June 2023 comprises both quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with part Eight of the Capital Requirements Regulation and Directive, as implemented ('CRR II') and the PRA Rulebook, and use the PRA's disclosure templates and instructions which came into force on 1 January 2022. They are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

Comparatives and references

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

Regulatory numbers and ratios are as presented at the date of reporting. Small changes may exist between these numbers and ratios and those subsequently submitted in regulatory filings. Where differences are significant, we will restate comparatives. Where disclosures have been enhanced, or are new, we do not generally restate or provide comparatives. Wherever specific rows and columns in the tables prescribed are not applicable or immaterial to our activities, we omit them and follow the same approach for comparatives.

Pillar 3 requirements may be met by inclusion in other disclosure media. Where we adopt this approach, references are provided to the relevant pages of the *Annual Report and Accounts 2022, Interim Report 2023* or other locations.

Frequency and location

We publish our Pillar 3 disclosures quarterly on the Group website www.hsbc.com.

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

On 13 March 2023 HSBC UK Bank plc acquired Silicon Valley Bank UK Ltd ('SVB UK') for a purchase price of £1. On acquisition, we performed a preliminary assessment of the fair value of the assets and liabilities purchased, and have recognised a £1.24bn provisional gain on acquisition representing the difference between the consideration paid and the fair value of the net assets acquired. This gain could change as ongoing due diligence is performed.

The acquisition increased RWAs by £8bn and the impact on our liquidity and Common Equity Tier 1 ('CET1') ratios is minimal.

For further detail, please see note 13 of the HSBC UK *Interim Report 2023.*

Pillar 3 Governance

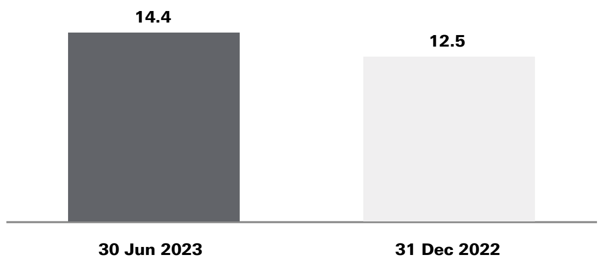
HSBC UK Bank Pillar 3 disclosures are governed by HSBC UK Bank plc's disclosure policy framework approved by the Audit Committee. This document has been approved by the HSBC UK Disclosure Committee as delegated by the HSBC UK Board.

Highlights

CET1 capital movement

Common equity tier 1 ('CET1') capital increased to £14.4bn from £12.5bn at December 2022 primarily from £0.6bn of capital generation through profit net of dividends and the provisional gain of £1.24bn on the acquisition of SVB UK.

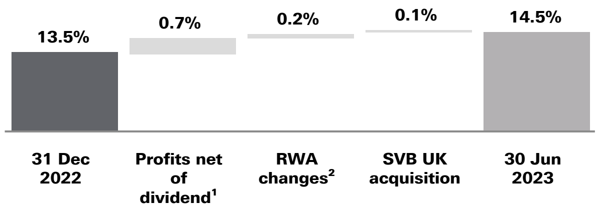
CET1 £bn



CET1 ratio movement %

CET1 capital ratio increased to 14.5% from 13.5% at December 2022 primarily on account of a 90bps increase driven by capital generation through profits net of dividends and decrease in RWAs (excluding the SVB acquisition impact) and 10bps increase driven by the provisional gain of £1.24bn offset by increase of £8bn in RWAs on the acquisition of SVB UK.

Common equity tier 1 ratio movement, %



1 *Profits net of dividend excludes provisional gain of £1.24bn on acquisition of SVB UK.*
2 *RWA changes excludes £8bn of RWA increase on acquisition of SVB UK.*

RWAs

RWAs increased by £6.7bn. Excluding £0.4bn reduction due to foreign currency translation differences, the £7.1bn increase was primarily due to the acquisition of SVB UK £8 bn of RWAs, lending growth of £0.7bn and changes in asset quality by £0.3bn. This was partly offset by reductions due to changes in methodology and policy by £1.3bn and model updates of £0.6bn.

Risk-weighted assets by risk types
£99,098m (31 December 2022: £92,413m)

Risk-weighted Assets 30 Jun 2023	£m	%
Credit risk	86,746	87.6
Operational risk	11,739	11.8
Market risk	182	0.2
Counterparty credit risk	431	0.4

Liquidity

The average HSBC UK Liquidity Cover Ratio ('LCR') and Net Stable Funding Ratio ('NSFR') were 213% and 162% respectively, which is above the regulatory minimum requirements. Liquidity and funding remains stable as at 30 June 2023.

Liquidity

	30 Jun 2023	31 Dec 2022
LCR (%)	213	226
NSFR (%)	162	164

Key metrics

Table 1 below sets out the key regulatory metrics covering HSBC UK's available capital (including buffer requirements and ratios), RWAs, leverage, liquidity coverage and net stable funding ratios.

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

		At				
		30 Jun	31 Mar	31 Dec	30 Sep	30 Jun
Ref*		**2023**	2023	2022	2022	2022
	Available capital (£m)[1]					
1	Common equity tier 1 ('CET1') capital^	**14,382**	14,317	12,519	12,338	12,346
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**14,382**	14,317	12,484	12,301	12,313
2	Tier 1 capital^	**16,632**	16,567	14,771	14,586	14,599
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**16,632**	16,567	14,736	14,549	14,566
3	Total capital^	**19,671**	19,625	17,847	17,721	17,668
	Total capital as if IFRS 9 transitional arrangements had not been applied	**19,671**	19,625	17,812	17,684	17,635
	Risk-weighted assets (£m)					
4	Total RWAs^	**99,098**	99,930	92,413	91,917	90,209
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**99,098**	99,930	92,384	91,887	90,183
	Capital ratios (%)[1]					
5	CET1^	**14.5**	14.3	13.5	13.4	13.7
	CET1 as if IFRS 9 transitional arrangements had not been applied	**14.5**	14.3	13.5	13.4	13.7
6	Tier 1^	**16.8**	16.6	16.0	15.9	16.2
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**16.8**	16.6	16.0	15.9	16.2
7	Total capital^	**19.9**	19.6	19.3	19.3	19.6
	Total capital as if IFRS 9 transitional arrangements had not been applied	**19.9**	19.6	19.3	19.3	19.6
	Additional own funds requirements based on Supervisory review and evaluation Process ('SREP') as a percentage of RWAs (%)[2]					
UK-7a	Additional CET1 SREP requirements	**2.2**	2.2	2.2	2.4	2.4
UK-7b	Additional additional tier 1 ('AT1') SREP requirements	**0.8**	0.8	0.8	0.8	0.8
UK-7c	Additional tier 2 ('T2') SREP requirements	**1.0**	1.0	1.0	1.0	1.0
UK-7d	Total SREP own funds requirements	**12.0**	12.0	12.0	12.2	12.2
	Combined buffer requirement as a percentage of RWAs (%)					
8	Capital conservation buffer requirement	**2.5**	2.5	2.5	2.5	2.5
9	Institution-specific countercyclical capital buffer (%)	**1.0**	0.9	1.0	—	—
UK-10a	Other Systemically Important Institution ('OSII') buffer	**1.0**	1.0	1.0	1.0	1.0
11	Combined buffer requirement	**4.5**	4.4	4.5	3.5	3.5
UK-11a	Overall capital requirements	**16.5**	16.4	16.5	15.7	15.7
12	CET1 available after meeting the total SREP own funds requirements	**7.8**	7.6	6.8	6.5	6.8
	Leverage ratio[2,^]					
13	Total leverage ratio exposure measure (£m)	**264,561**	261,676	251,500	261,410	253,401
14	Leverage ratio (%)	**6.3**	6.3	5.9	5.6	5.8
	Average exposure measure excluding claims on central banks (£m)	**260,415**	250,848	252,024	255,863	248,946
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)[2]					
14a	Fully loaded expected credit loss ('ECL') accounting model leverage ratio excluding claims on central banks (%)	**6.3**	6.3	5.9	5.6	5.8
14b	Leverage ratio including claims on central banks (%)^	**4.8**	4.7	4.2	4.1	4.1
14c	Average leverage ratio excluding claims on central banks (%)^	**6.5**	6.2	5.9	5.7	5.8
14d	Average leverage ratio including claims on central banks (%)^	**4.9**	4.5	4.2	4.2	4.2
14e	Countercyclical leverage ratio buffer (%)	**0.3**	0.3	0.3	—	—
EU 14d	Leverage ratio buffer requirement (%)	**0.7**	0.7	0.7	0.4	0.4
EU 14e	Overall leverage ratio requirements (%)	**3.9**	3.9	3.9	3.6	3.6
	Liquidity coverage ratio ('LCR')[3]					
15	Total high-quality liquid assets (£m)	**102,757**	107,018	110,722	114,008	112,761
UK16a	Cash outflows – Total weighted value (£m)	**53,629**	53,632	53,740	53,710	53,058
UK16b	Cash inflows – Total weighted value (£m)	**5,393**	5,009	4,793	4,638	4,527
16	Total net cash outflow (£m)	**48,236**	48,623	48,946	49,072	48,531
17	LCR ratio (%)	**213**	220	226	232	232
	Net Stable Funding Ratio ('NSFR')[3]					
18	Total available stable funding (£m)	**269,524**	272,487	273,802	274,870	274,912
19	Total required stable funding (£m)	**166,895**	166,886	166,551	166,921	165,936
20	NSFR ratio (%)	**162**	163	164	165	166

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

^ *We have adopted the regulatory transitional arrangements in CRR II for IFRS 9, including paragraph four of article 473a. These allow banks to add back to their capital base a proportion of the impact that IFRS 9 has upon their loan loss allowances. Our capital and ratios are presented under these arrangements. At 30 June 2023, the add-back to CET1 capital and the related tax charge were immaterial.*

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

2 *Leverage ratio is calculated using the CRR II end point basis for capital.*

3 *Since 30 September 2022, the LCR and NSFR ratios presented in this table have been based on average values. The LCR is the average of the preceding 12 months for each quarter. The NSFR is the average of preceding four quarters.*

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

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

Rows UK-7a to UK-7c in the table above show how the group additional capital requirement set by the PRA at 3.97% of RWAs is allocated to each these tiers of capital. Row UK-7d adds the total of these additional requirements to the CRR minimum requirements to give a total capital SREP requirement of 12%.

Rows 8 to 11 set out buffer requirements to which the group is also subject and which must be satisfied by CET1. The group's overall capital requirement in row UK-11a, 16.5%, is the sum of these buffer requirements and the minimum capital requirements calculated above (in Row UK-7d).

IFRS 9 transitional arrangements

We have adopted the regulatory transitional arrangements in CRR for IFRS 9 'Financial Instruments', including paragraph four of article 473a. These arrangements permit banks to add back to their capital bases a proportion of the impact that IFRS 9 has upon their loan loss allowances. Unless otherwise stated, our capital and ratios are presented under these arrangements. At 30 June 2023, the add-back to CET1 capital and the related tax charge were immaterial.

Regulatory developments

Basel 3.1

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

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

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

The UK's regulatory framework

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

Capital Buffers

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

Non-Performing Exposures Capital ('NPL') Deduction

In March 2023, the PRA published a consultation paper setting out a proposal to remove the Common Equity Tier 1 deduction for under-provisioned NPLs. Final rules are expected in 2H 2023.

HMT Ring Fencing

In March 2023, HMT published a consultation paper on the practicalities of aligning the ring-fencing and resolution regimes without unduly increasing the potential risks to the UK's financial stability.

Environmental, social and governance ('ESG') risk

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

In June 2023, the International Sustainability Standards Board ('ISSB') finalised its first sustainability-related disclosure standards, IFRS S1 – General sustainability-related disclosures and IFRS S2 – climate-related disclosures following a consultation period in 2022. The final standards apply from 1 January 2024 with transitional provisions. The transitional relief will allow entities to report only on climate-related risks and opportunities in the first year they apply these standards and to begin reporting on their other sustainability-related risks and opportunities in the second year. The ISSB standards will be adopted through national legislation. Basel is expected to commence its consultation process in 2H 2023 on a Pillar 3 disclosure framework for climate-related financial risks to complement the ISSB sustainability-related disclosures. In the UK, the ISSB disclosure standards will be adopted through the Companies Act and the FCA's listing rules following a consultation period.

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

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

Linkage to the Interim Report

This section demonstrates the links between HSBC UK's 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:

- special purpose entities ('SPEs') where significant risk has been transferred to third parties. Exposures to these SPEs are risk weighted as securitisation positions for regulatory purposes.
- participating interests in banking associates/joint ventures are proportionally consolidated for regulatory purposes by including our share of assets, liabilities, profit and loss, and RWAs in accordance with the PRA's application of European Union ('EU') legislation.

For further explanation of the differences between the accounting and regulatory scope of consolidation and their definition of exposure, see page 11 of the Pillar 3 Disclosures at 31 December 2022.

Table 2 below presents the reconciliation between HSBC UK's 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 2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (UK CC2)

	Ref †	Accounting balance sheet £m	Deconsolidation of securitisation/ other entities £m	Consolidation of banking associates £m	Regulatory balance sheet £m
Assets					
Cash and balances at central banks		**76,666**		**59**	**76,725**
Items in the course of collection from other banks		**327**			**327**
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss		**118**			**118**
Derivatives		**422**			**422**
Loans and advances to banks	*l*	**7,324**			**7,324**
Loans and advances to customers	*l*	**209,566**			**209,566**
– *of which: expected credit losses on internal ratings-based ('IRB') portfolios*	*h*	***(1,975)***			***(1,975)***
Reverse repurchase agreements – non-trading		**6,781**			**6,781**
Financial investments		**22,129**			**22,129**
Prepayments, accrued income and other assets	*j*	**8,164**	**8**	**24**	**8,197**
– *of which: retirement benefit assets*	*j*	***5,359***			***5,359***
Interests in associates and joint ventures		**8**		**(8)**	**—**
Goodwill and intangible assets	*e*	**4,265**			**4,265**
Total assets at 30 Jun 2023		**335,770**	**8**	**75**	**335,853**
Liabilities and equity					
Liabilities					
Deposits by banks		**10,844**		**62**	**10,906**
Customer accounts		**273,785**	**215**		**274,000**
Repurchase agreements – non-trading		**7,659**			**7,659**
Items in the course of transmission to other banks		**156**			**156**
Derivatives		**206**			**206**
Debt securities in issue		**1,257**	**(207)**		**1,050**
Accruals, deferred income and other liabilities		**3,330**		**12**	**3,342**
Current tax liabilities		**681**			**681**
Provisions		**375**	**—**		**375**
– *of which: credit-related contingent liabilities and contractual commitments on IRB portfolios*	*h*	***107***			***107***
Deferred tax liabilities		**441**			**441**
Subordinated liabilities		**13,066**			**13,066**
– *of which: included in tier 2*	*o*	***3,039***			***3,039***
Total liabilities at 30 Jun 2023		**311,800**	**8**	**74**	**311,882**
Equity					
Called up share capital	*a*	**—**	**—**	**—**	**—**
Share premium account	*a*	**9,015**			**9,015**
Other equity instruments	*m*	**2,196**			**2,196**
Other reserves	*c, g*	**5,580**		**1**	**5,581**
Retained earnings	*b, c*	**7,119**			**7,119**
Total shareholders' equity		**23,910**		**1**	**23,911**
Non-controlling interests	*n*	**60**			**60**
Total equity at 30 Jun 2023		**23,970**		**1**	**23,971**
Total liabilities and equity at 30 Jun 2023		**335,770**	**8**	**75**	**335,853**

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

Treasury Risk management

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

Capital, liquidity, interest rate risk in the banking book and non-trading book foreign exchange risk are the responsibility of the Executive Committee and the Risk Committee. The Treasury function actively manages these risks on an on-going basis, supported by the Asset and Liability Management Committee ('ALCO'), overseen by Treasury Risk Management and the Risk Management Meeting ('RMM').

Our policy is underpinned by our risk management framework, our Internal capital Adequacy Assessment Process ('ICAAP') and our Internal Liquidity Adequacy Assessment Process ('ILAAP'). The risk framework incorporates a number of measures aligned to our assessment of risks for both internal and regulatory purposes.

These risks include credit, market, operational, pensions, non-trading book foreign exchange risk, and interest rate risk in the banking book.

For further details of our approach to treasury risk management including capital risk, liquidity risk, interest rate in the banking book, non-trading foreign exchange exposure and pension risk, please see pages 55 to 58 of the Annual Report and Accounts 2022.

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.

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, accountability and efficiency.

Risk to capital and liquidity

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

Capital risk

HSBC UK's 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 regulatory and stress testing requirements at all times.

HSBC Holdings plc is the sole primary provider of equity capital to the group and provides non-equity capital where necessary Capital generated in excess of planned dividends is returned to the shareholders in the form of additional dividends. Capital securities are regularly reviewed for compliance with regulatory requirements and 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 are also available at www.hsbc.com.

Liquidity risk

We aim to ensure that management have oversight of our liquidity and funding risks by maintaining comprehensive policies, metrics and controls. We maintain a strong 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. We manage liquidity and funding risk at an operating entity level to make sure that obligations can be met in the jurisdiction where they fall due, generally without reliance on other parts of the Group.

Own funds

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

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

			At	
		Ref †	**30 Jun 2023 £m**	31 Dec 2022 £m
	Common equity tier 1 ('CET1') capital: instruments and reserves			
1	Capital instruments and the related share premium accounts		**9,015**	9,015
	– ordinary shares	a	**9,015**	9,015
2	Retained earnings	b	**11,988**	12,078
3	Accumulated other comprehensive income (and other reserves)	c	**(2,118)**	(2,556)
UK-5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	b	**1,882**	896
6	**Common equity tier 1 capital before regulatory adjustments**		**20,766**	19,433
	Common equity tier 1 capital: regulatory adjustments			
7	Additional value adjustments (negative amount)[1]		**(21)**	(18)
8	Intangible assets (net of related tax liability) (negative amount)	e	**(4,265)**	(4,257)

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

		Ref †	At 30 Jun 2023 £m	31 Dec 2022 £m
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	g	**1,890**	1,324
12	Negative amounts resulting from the calculation of expected loss amounts	h	**(25)**	(144)
15	Defined-benefit pension fund assets (negative amount)	j	**(3,858)**	(3,785)
UK-27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	l	**(106)**	(33)
28	**Total regulatory adjustments to common equity tier 1**		**(6,384)**	(6,914)
29	**Common Equity Tier 1 ('CET1') capital**		**14,382**	12,519
	Additional tier 1 ('AT1') capital: instruments			
30	Capital instruments and the related share premium accounts		**2,196**	2,196
31	– classified as equity under IFRSs	m	**2,196**	2,196
34	Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in CET1) issued by subsidiaries and held by third parties	n	**54**	56
36	**Additional tier 1 capital before regulatory adjustments**		**2,250**	2,252
45	**Tier 1 capital (T1 = CET1 + AT1)**		**16,632**	14,771
	Tier 2 capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	o	**3,039**	3,076
51	**Tier 2 capital before regulatory adjustments**		**3,039**	3,076
	Tier 2 capital: regulatory adjustments			
58	**Tier 2 capital**		**3,039**	3,076
59	**Total capital (TC = T1 + T2)**		**19,671**	17,847
60	**Total risk-weighted assets**		**99,098**	92,413
	Capital ratios and buffers (%)			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)		**14.5**	13.5
62	Tier 1 (as a percentage of total risk exposure amount)		**16.8**	16.0
63	Total capital (as a percentage of total risk exposure amount)		**19.9**	19.3
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)		**11.2**	11.2
65	– capital conservation buffer requirement		**2.5**	2.5
66	– countercyclical buffer requirement		**1**	1
67	– systemic risk buffer requirement		**1**	1
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		**10.0**	9.0
	Amounts below the threshold for deduction (before risk weighting)			
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)		**323**	290
	Applicable caps on the inclusion of provisions in tier			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		**134**	51
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		**450**	451

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

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

At 30 June 2023, our CET1 capital ratio increased to 14.5% from 13.5% at 31 December 2022.

The key drivers for the increase in the CET1 capital ratio were:

- an increase of 0.9% from £0.6bn of capital generation through profit net of dividends and decrease in RWA of £1.4bn (excluding the provisional gain and increase in RWA on acquisition of SVB UK).
- an increase of 0.1% from the provisional gain of £1.24bn offset by increase of £8bn in RWAs on the acquisition of SVB UK.

At 30 June 2023, our Pillar 2A requirement, in accordance with the PRA's Individual Capital Requirement based on a point-in-time assessment, was equivalent to 3.97% of RWAs, of which 2.23% was met by CET1 capital. Throughout the first half of 2023, we complied with the PRA's regulatory capital adequacy requirements.

Leverage ratio

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

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

The risk appetite profile report is presented monthly to the Risk Management Meeting.

Our approach to risk appetite is described on page 12 of the *Interim Report 2023*.

Table 4 below provides a reconciliation of the total assets in our published balance sheet under IFRS to the total leverage exposure.

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

		At	
		30 Jun 2023	**31 Dec 2022**
		£m	**£m**
1	Total assets as per published financial statements	**335,770**	**342,442**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	**82**	**87**
4	(Adjustment for exemption of exposures to central banks)	**(81,289)**	**(99,171)**
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(126)**	**(9)**
7	Adjustment for eligible cash pooling transactions	**2,406**	**2,175**
8	Adjustment for derivative financial instruments	**159**	**(117)**
9	Adjustment for securities financing transactions ('SFTs')	**953**	**1,290**
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**19,172**	**18,123**
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	**(8,253)**	**(8,220)**
12	Other adjustments	**(4,313)**	**(5,100)**
13	**Total leverage ratio exposure**	**264,561**	**251,500**

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

		At	
		30 Jun 2023	31 Dec 2022
		£m	£m
	On-balance sheet exposures (excluding derivatives and securities financing transactions ('SFTs'))		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**326,617**	331,644
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	**1,770**	1,123
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**(1,770)**	(1,123)
6	(Asset amounts deducted in determining tier 1 capital (leverage))	**(8,253)**	(8,219)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**318,364**	323,425
	Derivative exposures		
8	Replacement cost associated with standardised approach for counterparty credit risk ('SA-CCR') derivatives transactions (i.e. net of eligible cash variation margin)	**108**	62
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**473**	366
13	**Total derivative exposures**	**581**	428
	SFT exposures		
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**7,607**	11,039
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**(574)**	(3,458)
16	Counterparty credit risk exposure for SFT assets	**702**	1,115
18	**Total securities financing transaction exposures**	**7,735**	8,696
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	**77,183**	74,059
20	(Adjustments for conversion to credit equivalent amounts)	**(58,011)**	(55,936)
22	**Total off-balance sheet exposures**	**19,172**	18,123
	Capital and total exposures measure		
23	**Tier 1 capital (leverage)**	**16,632**	14,771
24	Total exposure measure including claims on central banks	**345,851**	350,671
UK-24a	(-) Claims on central banks excluded	**(81,289)**	(99,171)
UK-24b	**Total exposure measure excluding claims on central banks**	**264,561**	251,500
	Leverage ratios[1]		
25	**Leverage ratio excluding claims on central banks (%)**	**6.3**	5.9
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**6.3**	5.9
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 (%)	**6.3**	5.9
UK-25c	Leverage ratio including claims on central banks (%)	**4.8**	4.2
26	Regulatory minimum leverage ratio requirement (%)	**3.3**	3.3
	Additional leverage ratio disclosure requirements – leverage ratio buffers		
27	Leverage ratio buffer (%)	**0.7**	0.7
UK-27a	– *of which: G-SII or O-SII additional leverage ratio buffer (%)*	***0.4***	*0.4*
UK-27b	– *of which: countercyclical leverage ratio buffer (%)*	***0.3***	*0.3*

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

		At	
		30 Jun 2023	31 Dec 2022
		£m	£m
	Additional leverage ratio disclosure requirements – disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	**6,559**	9,176
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	**7,033**	7,580
UK-31	Average total exposure measure including claims on central banks	**346,211**	351,117
UK-32	Average total exposure measure excluding claims on central banks	**260,415**	252,024
UK-33	Average leverage ratio including claims on central banks %	**4.9**	4.2
UK-34	Average leverage ratio excluding claims on central banks %	**6.5**	5.9

1 *Leverage ratio is calculated using the CRR II end point basis for capital.*

Table 6 provides the breakdown of on-balance sheet exposures excluding derivatives, SFTs and exempted exposures, by asset class.

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

		At	
		30 Jun 2023	31 Dec 2022
		£m	£m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), *of which:*	**243,558**	231,350
UK-3	Banking book exposures, *of which:*	**243,558**	231,350
UK-5	Exposures treated as sovereigns	***20,924***	*16,063*
UK-6	Exposures to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereigns	***404***	—
UK-7	Institutions	***3,861***	*2,765*
UK-8	Secured by mortgages of immovable properties	***126,135***	*125,226*
UK-9	Retail exposures	***14,509***	*14,159*
UK-10	Corporates	***64,077***	*57,066*
UK-11	Exposures in default	***2,296***	*3,202*
UK-12	Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	***11,353***	*12,869*

Our leverage ratio, calculated in accordance with the PRA's UK Leverage framework implemented on 1 January 2022 was 6.3% at 30 June 2023.

The leverage ratio increased to 6.3% from 5.9%, resulting from an increase in capital of £1.9bn, partly offset by an increase in exposure of £13bn. Key drivers for an overall increase in 0.4% of Leverage ratio were:

- a 0.2% increase from the £0.6bn of capital generation through profits less dividends (excluding the provisional gain on acquisition of SVB UK) , partly offset by a £2.5bn increase in lending exposures;
- a 0.2% increase from the £1.24bn increase in capital partly offset by an increase in exposure of £9.6bn due to the acquisition of SVB UK.

At 30 June 2023, UK minimum leverage ratio requirement of 3.25% under the PRA's UK leverage framework was supplemented by an additional leverage ratio buffers of 0.7%. These additional buffers translated into capital values of £1.9bn. We exceeded these leverage requirements.

Capital buffers

Our geographical breakdown and institution-specific countercyclical capital buffer ('CCyB') disclosure is provided on page 42 of this document.

Pillar 1 minimum capital requirements and RWA flow

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

Risk category	Scope of permissible approaches	Our approach
Credit risk	The Basel Committee's framework applies three approaches of increasing sophistication to the calculation of Pillar 1 credit risk capital requirements. The most basic level, the standardised approach, requires banks to use external credit ratings to determine the risk weightings applied to rated counterparties. Other counterparties are grouped into broad categories, and standardised risk weightings are applied to these categories. The next level, the foundation IRB ('FIRB') approach, allows banks to calculate their credit risk capital requirements on the basis of their internal assessment of a counterparty's probability of default ('PD'), but subjects their quantified estimates of exposure at default ('EAD') and loss given default ('LGD') to standard supervisory parameters. Finally, the advanced IRB ('AIRB') approach allows banks to use their own internal assessment in both determining PD and quantifying EAD and LGD. Where the requirements for the estimation of probability of default (PD) under the corporate internal ratings-based (IRB) approach cannot be met, Institutions are required to adopt slotting approach. This involves mapping internal credit grades to regulatory defined categories, each of which is associated with a specific risk weight.	HSBC UK has adopted the IRB approach for the majority of our business. For retail portfolios, the advanced IRB approach is primarily used, with the foundation approach used for most of the corporate portfolios. Slotting methodology is used for our commercial real estate portfolio. Some portfolios remain on the standardised approach under exemptions from IRB treatment.
Counterparty credit risk ('CCR')	CCR covers the risk of counterparty default and potential mark to market losses in derivatives and SFTs. The potential for mark to market losses is known as Credit Valuation ('CVA') risk. Default exposures for a given netting set are determined either by the Credit Risk Mitigation ('CRM') approach, Standardised Approach for Counterparty Credit Risk ('SA-CCR' or by Internal modelling ('IMM')). For CVA, permissible approaches are Standardised Approach to Credit Valuation ('SA-CVA'), Basic Approach to Credit Valuation Approach ('BA-CVA') and a proxy approach.	HSBC UK uses the Standardised Approach for Counterparty Credit Risk.
Equity	For the non-trading book, equity exposures can be assessed under standardised or IRB approaches.	For HSBC UK, all equity exposures are treated under the standardised approach.
Securitisation	The framework prescribes the following approaches: – internal ratings-based approach ('SEC-IRBA'); – standardised approach ('SEC-SA'); – external ratings-based approach ('SEC-ERBA'); and – internal assessment approach ('IAA').	Under the framework: – Our originated positions are reported under SEC-IRBA. – Wherever broader approach categorisation is required, 'SEC-IRBA' is mapped to IRB approach and the remaining three approaches are mapped to standardised category.
Market risk	Market risk capital requirements can be determined under either the standard rules or the internal models approach ('IMA'). The latter involves the use of internal value at risk ('VaR') models to measure market risks and determine the appropriate capital requirement. In addition to the VaR models, other internal models include stressed VaR, incremental risk charge ('IRC') and comprehensive risk measure.	For HSBC UK, the market risk capital requirement is measured using the standardised rules.
Operational risk	The Basel Committee allows firms to calculate their operational risk capital requirement under the basic indicator approach, the standardised approach or the advanced measurement approach.	HSBC UK uses the standardised approach in determining our operational risk capital requirement.

Table 7 below shows the total RWAs split and the corresponding total own funds requirement by risk type.

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

		At			
		30 Jun 2023	31 Mar 2023	**30 Jun 2023**	31 Mar 2023
		RWAs	RWAs	**Total own funds requirement[1]**	Total own funds requirement[1]
		£m	£m	**£m**	£m
1	**Credit risk (excluding counterparty credit risk)**	**86,354**	86,950	**6,908**	6,956
2	– standardised approach	**10,471**	10,931	**838**	874
3	– foundation IRB approach	**41,089**	41,043	**3,287**	3,283
4	– slotting approach	**5,068**	5,391	**405**	431
5	– advanced IRB approach	**29,726**	29,585	**2,378**	2,367
6	**Counterparty credit risk**	**431**	494	**35**	40
7	– standardised approach	**256**	306	**20**	24
UK-8a	– risk exposure amount for contributions to the default fund of a central counterparty[2]	**86**	72	**7**	6
UK-8b	– credit valuation adjustment	**69**	103	**6**	8
9	– Other CCR[2]	**20**	13	**2**	1
16	**Securitisation exposures in the non-trading book**	**392**	592	**31**	47
17	– internal ratings-based approach ('SEC-IRBA')	**252**	308	**20**	24
18	– external ratings-based approach ('SEC-ERBA') including internal assessment approach ('IAA')	**—**	2	**—**	—
19	– standardised approach ('SEC-SA')	**140**	126	**11**	10
UK-19a	– 1250%/deduction	**—**	156	**—**	12
20	**Position, foreign exchange and commodities risks (Market risk)**	**182**	233	**15**	19
21	– standardised approach	**182**	233	**15**	19
23	**Operational risk**	**11,739**	11,661	**939**	933
UK-23b	– standardised approach	**11,739**	11,661	**939**	933
29	**Total**	**99,098**	99,930	**7,928**	7,995
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)[3]**	**808**	860	**65**	69

1 *'Total own funds requirement' in this table represents the minimum capital charge set at 8% of RWAs by Article 92(1) of CRR.*
2 *Other counterparty credit risk includes RWAs on securities financing transactions and free deliveries.*
3 *Balances are included in rows 1 and 2 of the table.*

Credit risk, including amounts below the thresholds for deduction

Credit risk RWAs decreased by £0.6bn during the quarter. Excluding a decrease of £0.2bn from foreign currency translation differences, RWAs decline by £0.4bn.

Standardised RWAs decrease by 0.5bn and slotting RWAs decreased by £0.3bn due to reductions in corporate lending.

Advanced IRB RWAs increased by £0.1bn mainly due to £0.7bn increase in retail lending and debt securities partially offset by £0.6bn driven due to implementation of the new mortgage model approved by PRA.

Securitisation

RWAs decreased by £0.2bn mainly from write off of first loss tranche exposures risk weighted at 1250% due to losses in the underlying securitised portfolio.

Table 8 represents the drivers of the quarterly movements of credit risk RWAs (excluding securitisation positions and non-credit obligation assets) under the IRB approach.

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

		Quarter ended			
		30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
		£m	£m	£m	£m
1	**RWAs at the opening period**	**75,087**	75,151	75,672	74,504
2	Asset size	**1,494**	(34)	(312)	2,135
3	Asset quality	**16**	442	(441)	81
4	Model updates	**(616)**	—	—	—
5	Methodology and policy	**(867)**	(316)	232	(1,048)
7	Foreign exchange movements[1]	**(197)**	(156)	—	—
9	**RWAs at the closing period**	**74,917**	75,087	75,151	75,672

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

Excluding a decrease in RWAs of £0.2bn due to foreign currency translation differences, IRB RWAs remained flat during the quarter.The main movements were:

Asset Size

RWA's has increased by £1.5bn mainly as a result of increased mortgage and unsecured lending and growth in corporate lending.

Methodology & Policy

Changes in methodology and policy caused £0.9bn decrease in RWAs due to risk parameter refinements and data quality improvements.

Model Update

£0.6bn decrease mainly driven by the new mortgage model approved by the PRA.

Credit risk

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

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

Further details of our approach to credit risk may be found in 'Credit Risk' on page 15 of our Interim Report 2023*.*

Credit quality of assets

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

The IFRS 9 stages have the following characteristics:

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

Credit-impaired (Stage 3) exposures are disclosed on page 23 of our Interim Report 2023*.*

Table 9 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 Financial Reporting framework ('FINREP') categories and definitions.

Table 9: 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			Accum-ulated partial write-off	On perform-ing expo-sures	On non-perform-ing expo-sures
		of which: Stage 1	of which: Stage 2		of which: Stage 2	of which: Stage 3		of which: Stage 1	of which: Stage 2		of which: Stage 2	of which: Stage 3			
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005 **Cash balances at central banks and other demand deposits**	82,925	82,925	—	2	—	2	—	—	—	(2)	—	(2)	—	—	—
010 **Loans and advances**	215,373	161,450	53,837	4,129	—	4,129	(1,244)	(257)	(987)	(792)	—	(792)	(455)	164,513	2,616
030 General governments	3	3	—	—	—	—	—	—	—	—	—	—	—	—	—
040 Credit institutions	3,736	3,733	—	—	—	—	—	—	—	—	—	—	—	2,894	—
050 Other financial corporations	10,835	10,034	718	72	—	72	(20)	(12)	(8)	(8)	—	(8)	—	4,694	7
060 Non-financial corporations	61,624	43,442	18,182	3,198	—	3,198	(585)	(127)	(458)	(588)	—	(588)	(455)	30,464	2,072
070 – *of which: SMEs*[3]	11,950	9,175	2,775	1,358	—	1,358	(167)	(49)	(118)	(112)	—	(112)	(20)	8,611	406
080 Households	139,175	104,238	34,937	859	—	859	(639)	(118)	(521)	(196)	—	(196)	—	126,461	537
090 **Debt securities**	22,129	22,129	—	—	—	—	(1)	(1)	—	—	—	—	—	727	—
100 Central banks	290	290	—	—	—	—	—	—	—	—	—	—	—	—	—
110 General governments	18,575	18,575	—	—	—	—	(1)	(1)	—	—	—	—	—	474	—
120 Credit institutions	3,144	3,144	—	—	—	—	—	—	—	—	—	—	—	253	—
130 Other financial corporations	120	120	—	—	—	—	—	—	—	—	—	—	—	—	—
150 **Off-balance-sheet exposures**	76,891	62,423	9,380	293	—	239	(65)	(28)	(37)	(41)	—	(36)	—	15,916	57
170 General governments	6	2	—	—	—	—	—	—	—	—	—	—	—	—	—
180 Credit institutions	151	71	1	—	—	—	—	—	—	—	—	—	—	—	—
190 Other financial corporations	3,966	3,086	579	—	—	—	(2)	(1)	(1)	—	—	—	—	111	—
200 Non-financial corporations	30,418	20,687	5,027	228	—	174	(54)	(18)	(36)	(40)	—	(35)	—	4,747	45
210 Households	42,350	38,577	3,773	65	—	65	(9)	(9)	—	(1)	—	(1)	—	11,058	12
220 **Total at 30 Jun 2023**	397,318	328,927	63,217	4,424	—	4,370	(1,310)	(286)	(1,024)	(835)	—	(830)	(455)	181,156	2,673

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

		Gross carrying amount/ nominal amount[1,2]						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures			Non-performing exposures					
			of which: Stage 1	of which: Stage 2		of which: Stage 2	of which: Stage 3		of which: Stage 1	of which: Stage 2		of which: Stage 2	of which: Stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	99,963	99,962	1	4	—	4	—	—	—	(2)	—	(2)	—	—	—
010	Loans and advances	209,583	162,811	46,700	4,544	—	4,544	(1,190)	(249)	(941)	(723)	—	(723)	(385)	164,411	2,659
030	General governments	3	3	—	—	—	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	1,634	1,632	—	—	—	—	—	—	—	—	—	—	—	1,242	—
050	Other financial corporations	8,846	8,641	135	8	—	8	(4)	(2)	(2)	(1)	—	(1)	—	6,961	7
060	Non-financial corporations	61,314	45,790	15,524	3,696	—	3,696	(503)	(135)	(368)	(533)	—	(533)	(385)	30,447	2,166
070	– *of which: SMEs*	*16,257*	13,130	3,127	*1,574*	—	1,574	*(190)*	(59)	(131)	*(128)*	—	(128)	—	*11,268*	*774*
080	Households	137,786	106,745	31,041	840	—	840	(683)	(112)	(571)	(189)	—	(189)	—	125,761	486
090	Debt securities	16,093	16,093	—	—	—	—	(1)	(1)	—	—	—	—	—	304	—
100	Central banks	277	277	—	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	13,432	13,432	—	—	—	—	(1)	(1)	—	—	—	—	—	304	—
120	Credit institutions	2,379	2,379	—	—	—	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	5	5	—	—	—	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	73,849	63,564	4,953	312	—	259	(66)	(29)	(37)	(37)	—	(31)	—	16,977	39
170	General governments	7	2	—	—	—	—	—	—	—	—	—	—	—	—	—
180	Credit institutions	71	56	12	—	—	—	—	—	—	—	—	—	—	—	—
190	Other financial corporations	1,392	1,032	88	—	—	—	—	—	—	—	—	—	—	140	—
200	Non-financial corporations	30,063	20,524	4,488	225	—	172	(57)	(20)	(37)	(37)	—	(31)	—	5,260	30
210	Households	42,316	41,950	365	87	—	87	(9)	(9)	—	—	—	—	—	11,577	9
220	Total at 31 Dec 2022	399,488	342,430	51,654	4,860	—	4,807	(1,257)	(279)	(978)	(762)	—	(756)	(385)	181,692	2,698

1 Includes reverse repos and settlement accounts.
2 The staging analysis is non-additive as totals contain instruments not eligible for staging, such as those held at fair value through profit and loss.
3 Reporting process improvements resulted in the re-classification of some exposures from Corporate SME to Corporate Other in June 23.

Table 10 below presents the residual maturity breakdown of on and off-balance sheet loans and debt securities.

Table 10: Maturity of exposures (CR1-A)

		Net exposure value[1]					
		On demand	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
		£m	**£m**	**£m**	**£m**	**£m**	**£m**
1	Loans and advances	**49,680**	**46,041**	**59,622**	**140,664**	**—**	**296,007**
2	Debt securities	**0**	**3,279**	**7,708**	**11,086**	**—**	**22,073**
3	Total at 30 Jun 2023	**49,680**	**49,320**	**67,330**	**151,750**	**—**	**318,080**
1	Loans and advances	47,604	42,018	56,917	140,436	—	286,975
2	Debt securities	0	1,841	4,449	9,888	—	16,178
3	Total at 31 Dec 2022	47,604	43,859	61,366	150,324	—	303,153

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

Table 11 shows changes in gross carrying amount of on-balance sheet non-performing loans and advances during the period.

Table 11: Changes in the stock of non-performing loans and advances (CR2)

		Jan-Jun 2023 Gross carrying value	July-Dec 2022 Gross carrying value
		£m	£m
010	**Initial stock of non-performing loans and advances**	**4,544**	4,154
020	Inflows to non-performing portfolios	**1,460**	1,340
030	Outflows from non-performing portfolios	**(421)**	(393)
040	Outflows due to write-offs	**(244)**	(233)
050	Outflow due to other situations[1]	**(1,210)**	(324)
060	**Final stock of non-performing loans and advances**	**4,129**	4,544

1 *Other changes include foreign exchange movements, maturity and repayments.*

Non-performing and forborne exposures

Tables 12 to 15 are presented in accordance with the European Banking Authority's ('EBA') 'Guidelines on disclosure of non-performing and forborne exposures'.

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

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

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

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

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

The table 12 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 12: Credit quality of forborne exposures (CQ1)

		Gross carrying amount/ nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
		Performing forborne	Total	*of which: defaulted*	*of which: impaired*	On performing forborne exposures	On non-performing forborne exposures	Total	*of which: forborne non-performing exposures*
		£m	£m	*£m*	*£m*	£m	£m	£m	*£m*
010	**Loans and advances**	**1,083**	**1,447**	***1,447***	***1,447***	**(72)**	**(274)**	**1,373**	***729***
050	Other financial corporations	**—**	**1**	***1***	***1***	**—**	**—**	**1**	***1***
060	Non-financial corporations	**905**	**1,062**	***1,062***	***1,062***	**(40)**	**(172)**	**1,130**	***512***
070	Households	**178**	**384**	***384***	***384***	**(32)**	**(102)**	**242**	***216***
090	**Loan commitments given**	**67**	**102**	***102***	***102***	**—**	**—**	**87**	***42***
100	**Total at 30 Jun 2023**	**1,150**	**1,549**	***1,549***	***1,549***	**(72)**	**(274)**	**1,460**	***771***
010	Loans and advances	746	1,430	*1,430*	*1,430*	(53)	(213)	1,147	*675*
050	Other financial corporations	—	1	*1*	*1*	—	—	1	*1*
060	Non-financial corporations	587	1,053	*1,053*	*1,053*	(21)	(117)	919	*469*
070	Households	159	376	*376*	*376*	(32)	(96)	227	*205*
090	Loan commitments given	31	94	*94*	*94*	—	—	50	*28*
100	Total at 31 Dec 2022	777	1,524	*1,524*	*1,524*	(53)	(213)	1,197	*703*

Concentration risk

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

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

Table 13 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 13: Quality of non-performing exposures by geography (CQ4)

		Gross carrying/ Nominal amount						
		Total	*of which: non-performing*	*of which: defaulted*	*of which: subject to impairment*	Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		£m	£m	£m	£m	£m	£m	£m
010	**On balance sheet exposures[1]**	**241,631**	***4,129***	**4,129**	***241,546***	**(2,037)**	**—**	**—**
020	– United Kingdom	**215,801**	***4,068***	***4,068***	***215,718***	**(1,983)**	**—**	**—**
030	– United States	**9,017**	***2***	***2***	***9,017***	**(13)**	**—**	**—**
040	– Luxembourg	**1,998**			***1,998***	**(4)**	**—**	**—**
050	– France	**1,473**	***1***	***1***	***1,471***	**—**	**—**	**—**
060	– Hong Kong	**1,419**	***1***	***1***	***1,419***	**(2)**	**—**	**—**
070	– Other countries	**11,923**	***57***	***57***	***11,923***	**(35)**	**—**	**—**
080	**Off balance sheet exposures**	**77,184**	***293***	***293***	**—**	**—**	**107**	**—**
090	– United Kingdom	**73,240**	***292***	***292***	**—**	**—**	**102**	**—**
100	– United States	**618**	**—**	**—**	**—**	**—**	**1**	**—**
110	– Luxembourg	**808**	**—**	**—**	**—**	**—**	**1**	**—**
120	– France	**34**	**—**	**—**	**—**	**—**	**—**	**—**
130	– Hong Kong	**103**	**—**	**—**	**—**	**—**	**—**	**—**
140	– Other countries	**2,381**	***1***	***1***	**—**	**—**	**3**	**—**
150	**Total at 30 Jun 2023**	**318,815**	***4,422***	***4,422***	***241,546***	**(2,037)**	**107**	**—**
010	On balance sheet exposures[1]	230,220	*4,544*	*4,544*	*230,150*	(1,914)	—	—
020	– United Kingdom	214,430	*4,483*	*4,483*	*214,360*	(1,871)	—	—
030	– United States	5,946	*2*	*2*	*5,946*	(5)	—	—
040	– HongKong	1,434	*2*	*2*	*1,434*	(4)	—	—
070	– Other countries	8,410	*57*	*57*	*8,410*	(34)	—	—
080	Off balance sheet exposures	74,161	*312*	*312*	—	—	105	—
090	– United Kingdom	71,620	*310*	*310*	—	—	102	—
100	– United States	582	*1*	*1*	—	—	1	—
110	– HongKong	122	—	—	—	—	—	—
140	– Other countries	1,837	*1*	*1*	—	—	2	—
150	Total at 31 Dec 2022	304,381	*4,856*	*4,856*	*230,150*	(1,914)	105	—

1 Excludes cash and balances at central banks.

Table 14 shows the gross carrying amount of loans and advances to non-financial corporations and the related accumulated impairment, and the accumulated changes in fair value to credit risk by industry types.

Table 14: Credit quality of loans and advances to non-financial corporations by industry (CQ5)[1]

		Gross carrying amount					
		Total	*of which: non-performing*	*of which: defaulted*	*of which: subject to impairment*	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		£m	£m	£m	£m	£m	£m
010	Agriculture, forestry and fishing	**4,237**	***178***	***178***	***4,237***	**(60)**	**—**
020	Mining and quarrying	**644**	***37***	***37***	***644***	**(23)**	**—**
030	Manufacturing	**7,817**	***398***	***398***	***7,817***	**(135)**	**—**
040	Electricity, gas, steam and air conditioning supply	**633**	***1***	***1***	***633***	**(9)**	**—**
050	Water supply	**955**	***9***	***9***	***955***	**(12)**	**—**
060	Construction	**3,464**	***226***	***226***	***3,464***	**(69)**	**—**
070	Wholesale and retail trade	**10,966**	***580***	***580***	***10,966***	**(211)**	**—**
080	Transport and storage	**2,146**	***68***	***68***	***2,146***	**(25)**	**—**
090	Accommodation and food service activities	**6,315**	***309***	***309***	***6,315***	**(119)**	**—**
100	Information and communication	**3,282**	***170***	***170***	***3,282***	**(106)**	**—**
110	Financial and insurance activities	**—**	***—***	***—***	***—***	**—**	**—**
120	Real estate activities	**10,702**	***545***	***545***	***10,702***	**(180)**	**—**
130	Professional, scientific and technical activities	**4,072**	***167***	***167***	***4,072***	**(74)**	**—**
140	Administrative and support service activities	**5,088**	***131***	***131***	***5,088***	**(61)**	**—**
160	Education	**713**	***65***	***65***	***713***	**(25)**	**—**
170	Human health services and social work activities	**1,786**	***117***	***117***	***1,786***	**(25)**	**—**
180	Arts, entertainment and recreation	**847**	***59***	***59***	***847***	**(21)**	**—**
190	Other services	**1,155**	***138***	***138***	***1,155***	**(18)**	**—**
200	**Total at 30 Jun 2023**	**64,822**	***3,198***	***3,198***	***64,822***	**(1,173)**	**—**
010	Agriculture, forestry and fishing	4,059	*152*	*152*	*4,059*	(57)	—
020	Mining and quarrying	681	*33*	*33*	*681*	(10)	—
030	Manufacturing	7,954	*420*	*420*	*7,954*	(123)	—
040	Electricity, gas, steam and air conditioning supply	998	*1*	*1*	*998*	(2)	—
050	Water supply	833	*8*	*8*	*833*	(5)	—
060	Construction	3,391	*234*	*234*	*3,391*	(71)	—
070	Wholesale and retail trade	11,914	*839*	*839*	*11,914*	(257)	—
080	Transport and storage	1,960	*80*	*80*	*1,960*	(17)	—
090	Accommodation and food service activities	6,540	*341*	*341*	*6,540*	(93)	—
100	Information and communication	2,453	*148*	*148*	*2,453*	(38)	—
120	Real estate activities	10,825	*551*	*551*	*10,825*	(160)	
130	Professional, scientific and technical activities	3,860	*132*	*132*	*3,860*	(49)	—
140	Administrative and support service activities	4,793	*260*	*260*	*4,793*	(59)	—
160	Education	837	*69*	*69*	*837*	(23)	—
170	Human health services and social work activities	1,670	*121*	*121*	*1,670*	(19)	—
180	Arts, entertainment and recreation	901	*92*	*92*	*901*	(34)	—
190	Other services	1,341	*215*	*215*	*1,341*	(19)	—
200	Total at 31 Dec 2022	65,010	*3,696*	*3,696*	*65,010*	(1,036)	—

1 *Changes in the Nomenclature of Economic Activities ('NACE') classification for non-financial holding companies introduced in EBA Q&A (2022_6673) released in May 2023 are not yet reflected in the exposure classifications reported above.*

Table 15 provides information on the instruments that were cancelled in exchange for collateral obtained by taking possession and on the value of the collateral. The value at initial recognition represents the gross carrying amount of the collateral obtained by taking possession at initial recognition on the balance sheet, whilst the accumulated negative change is the accumulated impairment or negative change in the value of the collateral since initial recognition, including amortisation in the case of property, plant and equipment and investment properties.

Table 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
020	Other than property, plant and equipment	**2**	**—**	1	—
030	– Residential immovable property	**2**	**—**	1	—
080	**Total**	**2**	**—**	1	—

Risk mitigation

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

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

Table 16 provides a breakdown of loans and advances and debt securities by different credit risk mitigation techniques.

Table 16: Credit risk mitigation techniques – overview (CR3)[1]

		Exposures unsecured: carrying amount	**Exposures secured: carrying amount**	**Exposures secured by collateral**	**Exposures secured by financial guarantees**	**Exposures secured by credit derivatives[1]**
		£m	**£m**	**£m**	**£m**	**£m**
1	Loans and advances	**133,262**	**167,129**	**160,960**	**6,169**	**—**
2	Debt securities	**21,402**	**727**	**—**	**727**	
3	**Total at 30 Jun 2023**	**154,664**	**167,856**	**160,960**	**6,896**	**—**
4	*– of which: non-performing exposures*	***721***	***2,616***	***1,544***	***1,072***	**—**
5	*– of which: defaulted*	***721***	***2,616***	***1,544***	***1,072***	**—**
1	Loans and advances	145,109	167,070	159,855	7,215	—
2	Debt securities	15,788	304	—	304	
3	Total at 31 Dec 2022	160,897	167,374	159,855	7,519	—
4	*– of which: non-performing exposures*	*1,164*	*2,659*	*1,398*	*1,261*	—
5	*– of which: defaulted*	*1,164*	*2,659*	*1,398*	*1,261*	—

1 HSBC UK does not have any exposures secured by credit derivatives.

Table 17 presents the split of credit risk exposures under the standardised approach, reflecting the EAD before and after the impact of credit risk mitigation (CRM) techniques and credit conversion factors ('CCF'). Securitisation positions are not included in this table.

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

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWAs and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
		£m	£m	£m	£m	£m	%
	Asset classes[1]						
1	Central governments or central banks	**91,633**	**1**	**97,906**	**32**	**807**	**1**
2	Regional governments or local authorities	**14**	**—**	**406**	**—**	**—**	**—**
3	Public sector entities	**586**	**—**	**—**	**—**	**—**	**4**
4	Multilateral development banks	**385**	**—**	**385**	**—**	**—**	**—**
5	International organisations	**122**	**—**	**122**	**—**	**—**	**—**
6	Institutions	**1,878**	**—**	**1,878**	**—**	**572**	**31**
7	Corporates	**6,279**	**3,573**	**6,237**	**1,258**	**7,417**	**99**
8	Retail	**2,035**	**423**	**1,938**	**15**	**1,389**	**71**
9	Secured by mortgages on immovable property	**200**	**—**	**200**	**—**	**70**	**35**
10	Exposures in default	**55**	**2**	**44**	**—**	**61**	**139**
15	Equity	**34**		**34**		**34**	**100**
16	Other items	**333**		**333**		**121**	**36**
17	**Total at 30 Jun 2023**	**103,554**	**3,999**	**109,483**	**1,305**	**10,471**	**10**
1	Central governments or central banks	108,124	1	115,470	25	724	1
2	Regional governments or local authorities	15	—	210	—	—	—
3	Public sector entities	514	—	0	—	—	—
4	Multilateral development banks						
5	International organisations	132	—	132	—	0	0
6	Institutions	843	—	843	—	366	44
7	Corporates	968	179	910	86	894	90
8	Retail	2,678	533	2,466	20	1,705	69
9	Secured by mortgages on immovable property	197	—	197	—	76	38
10	Exposures in default	84	3	67	—	96	141
15	Equity	36	—	36	—	36	100
16	Other items	374	—	374	—	92	25
17	Total at 31 Dec 2022	113,966	716	120,707	132	3,990	3

1 *Current period includes HSBC Innovation Bank Limited exposures.*

Table 18 discloses credit risk exposures under the standardised approach by risk weights split into exposure class. Securitisation positions are not included in this table.

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

	Risk weight ('RW%')	0	20	35	50	75	100	150	250	Total credit exposure amount (post-CCF and CRM)	*of which: un-rated*[2]
		£m	£m	£m	£m	£m	£m	£m	£m	£m	*£m*
	Asset classes[1]										
1	Central governments or central banks[2]	**97,616**	**—**	**—**	**—**	**—**	**—**	**—**	**323**	**97,938**	**—**
2	Regional governments or local authorities	**406**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**406**	**—**
4	Multilateral development banks	**385**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**385**	**—**
5	International organisations	**122**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**122**	**—**
6	Institutions	**—**	**1,241**	**—**	**624**	**—**	**11**	**—**	**—**	**1,878**	***496***
7	Corporates	**—**	**80**	**—**	**15**	**—**	**7,401**	**—**	**—**	**7,495**	***7,401***
8	Retail	**—**	**—**	**—**	**—**	**1,953**	**—**	**—**	**—**	**1,953**	***1,953***
9	Secured by mortgages on immovable property	**—**	**—**	**200**	**—**	**—**	**—**	**—**	**—**	**200**	***200***
10	Exposures in default	**—**	**—**	**—**	**—**	**—**	**9**	**34**	**—**	**44**	***44***
15	Equity	**—**	**—**	**—**	**—**	**—**	**34**	**—**	**—**	**34**	***34***
16	Other items	**—**	**265**	**—**	**—**	**—**	**68**	**—**	**—**	**333**	***333***
17	**Total at 30 Jun 2023**	**98,529**	**1,586**	**200**	**639**	**1,953**	**7,523**	**34**	**323**	**110,788**	***10,461***
1	Central governments or central banks[2]	115,205	—	—	—	—	—	—	290	115,495	—
2	Regional governments or local authorities	210	—	—	—	—	—	—	—	210	—
4	Multilateral development banks	—	—	—	—	—	—	—	—	—	—
5	International organisations	132	—	—	—	—	—	—	—	132	—
6	Institutions	—	194	—	642	—	6	—	—	843	*6*
7	Corporates	—	41	—	148	—	797	11	—	996	*797*
8	Retail	—	—	—	—	2,487	—	—	—	2,487	*2,487*
9	Secured by mortgages on immovable property	—	—	187	—	—	10	—	—	197	*197*
10	Exposures in default	—	—	—	—	—	12	56	—	68	*68*
15	Equity	—	—	—	—	—	36	—	—	36	*36*
16	Other items	—	353	—	—	—	21	—	—	374	*374*
17	Total at 31 Dec 2022	115,547	588	187	790	2,487	883	66	290	120,839	*4,255*

1 *Current period includes HSBC Innovation Bank Limited exposures.*
2 *Deferred tax assets risk weighted at 250% are excluded from the 'unrated' column and prior period has been restated.*

Table 19 discloses the detailed key parameters used for the calculation of capital requirements of credit risk exposure under the IRB approach broken down by portfolio and PD range. Securitisation positions and non-credit obligation assets are excluded from this table.

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

PD scale	On-balance sheet expo-sures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post-CRM	Exposure weighted average PD	Number of obligors[3]	Exposure weighted average LGD	Exposure weighted average maturity	Risk weighted exposure amount after support-ing factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provi-sions
	£m	£m	%	£m	%		%	years	£m	%	£m	£m
AIRB – Central government and central banks												
0.00 to <0.15	9,858	—	—	9,858	0.01	61	45.0	3.1	944	10	—	—
0.00 to <0.10	*9,858*	*—*	*—*	*9,858*	*0.01*	*61*	*45.0*	*3.1*	*944*	*10*	*—*	*—*
Sub-total	9,858	—	—	9,858	0.01	61	45.0	3.1	944	10	—	—
AIRB – Institutions												
0.00 to <0.15	1,956	176	54.0	1,955	0.05	453	24.0	2.8	277	14	—	—
0.00 to <0.10	*1,698*	*66*	*73.0*	*1,651*	*0.03*	*343*	*20.0*	*3.1*	*177*	*11*	*—*	*—*
0.10 to <0.15	*258*	*110*	*42.0*	*304*	*0.13*	*110*	*45.9*	*1.4*	*100*	*33*	*—*	*—*
0.15 to <0.25	45	1	—	45	0.22	12	12.5	2.7	6	14	—	—
Sub-total	2,001	177	54.0	2,000	0.05	465	24.0	2.8	283	14	—	—
AIRB – Corporate – specialised lending (excluding slotting)[1]												
0.00 to <0.15	—	17	57.0	10	0.13	1	18.0	2.8	1	12	—	—
0.10 to <0.15	*—*	*17*	*57.0*	*10*	*0.13*	*1*	*18.0*	*2.8*	*1*	*12*	*—*	*—*
0.15 to <0.25	159	41	57.0	182	0.22	10	27.3	4.1	57	31	—	1
0.25 to <0.50	239	78	58.0	285	0.37	7	29.9	4.3	138	49	—	7
0.50 to <0.75	77	23	57.0	90	0.63	8	24.1	3.2	33	37	—	—
0.75 to <2.50	29	307	50.0	184	1.04	8	33.3	4.4	168	92	1	1
0.75 to <1.75	*29*	*307*	*50.0*	*184*	*1.04*	*8*	*33.3*	*4.4*	*168*	*92*	*1*	*1*
2.50 to <10.00	33	5	57.0	36	5.75	1	45.0	3.5	66	182	1	2
5 to <10	*33*	*5*	*57.0*	*36*	*5.75*	*1*	*45.0*	*3.5*	*66*	*182*	*1*	*2*
Sub-total	537	471	53.0	787	0.77	35	30.0	4.1	463	59	2	11
AIRB – Corporate – SME												
0.25 to <0.50	2	—	3.0	2	0.37	1	48.0	0.8	1	36	—	—
Sub-total	2	—	3.0	2	0.37	1	48.0	0.8	1	36	—	—

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

PD scale	On-balance sheet expo-sures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post-CCF and post-CRM £m	Exposure weighted average PD %	Number of obligors[3]	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after support-ing factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjust-ments and provi-sions £m
AIRB – Corporate – Other												
0.00 to <0.15	**157**	**93**	**44.0**	**198**	**0.10**	**59**	**21.6**	**2.6**	**32**	**16**	**—**	**—**
0.00 to <0.10	*52*	*83*	*40.0*	*85*	*0.06*	*34*	*31.1*	*2.2*	*14*	*16*	*—*	*—*
0.10 to <0.15	*105*	*10*	*77.0*	*112*	*0.13*	*25*	*14.3*	*2.9*	*18*	*16*	*—*	*—*
0.15 to <0.25	**143**	**76**	**1.0**	**144**	**0.22**	**29**	**24.8**	**2.7**	**50**	**35**	**—**	**—**
0.25 to <0.50	**171**	**30**	**1.0**	**171**	**0.34**	**43**	**9.2**	**1.7**	**20**	**12**	**—**	**—**
0.50 to <0.75	**189**	**32**	**8.0**	**147**	**0.60**	**54**	**12.4**	**1.8**	**26**	**18**	**—**	**1**
0.75 to <2.50	**217**	**40**	**35.0**	**228**	**1.61**	**3,892**	**20.5**	**2.3**	**117**	**51**	**1**	**3**
0.75 to <1.75	*162*	*28*	*49.0*	*173*	*1.39*	*3,043*	*25.6*	*2.2*	*111*	*64*	*1*	*3*
1.75 to <2.5	*55*	*12*	*3.0*	*55*	*2.27*	*849*	*4.5*	*3.0*	*6*	*11*	*—*	*—*
2.50 to <10.00	**239**	**940**	**—**	**240**	**4.72**	**471**	**24.9**	**2.8**	**215**	**90**	**2**	**—**
2.5 to <5	*220*	*939*	*—*	*221*	*4.63*	*432*	*24.0*	*3.0*	*193*	*87*	*2*	*—*
5 to <10	*19*	*1*	*18.0*	*19*	*5.77*	*39*	*35.8*	*1.0*	*22*	*118*	*—*	*—*
10.00 to <100.00	**38**	**10**	**1.0**	**37**	**66.81**	**80**	**19.0**	**1.0**	**26**	**69**	**2**	**—**
10 to <20	*13*	*—*	*62.0*	*12*	*10.59*	*72*	*45.8*	*1.1*	*25*	*198*	*1*	*—*
30.00 to <100.00	*25*	*10*	*—*	*25*	*95.18*	*8*	*5.4*	*1.0*	*1*	*3*	*1*	*—*
100.00 (Default)	**58**	**1**	**92.0**	**58**	**100.00**	**17**	**26.6**	**1.5**	**101**	**174**	**9**	**9**
Sub-total	**1,212**	**1,222**	**5.0**	**1,223**	**8.16**	**4,645**	**19.7**	**2.3**	**587**	**48**	**14**	**13**
Wholesale AIRB – Total at 30 Jun 2023	**13,610**	**1,870**	**21.7**	**13,870**	**0.80**	**5,207**	**38.9**	**3.0**	**2,278**	**16**	**16**	**24**

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

PD scale	On-balance sheet expo-sures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post-CCF and post-CRM £m	Exposure weighted average PD %	Number of obligors[3]	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after support-ing factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjust-ments and provi-sions £m
AIRB – Secured by mortgages on immovable property non-SME[5]												
0.00 to <0.15	12,843	7,412	79.0	18,673	0.11	137,858	13.8	—	972	5	5	3
0.00 to <0.10	*98*	*3,653*	*100.0*	*3,741*	*0.05*	*8,666*	*19.5*	—	*298*	*8*	*2*	—
0.10 to <0.15	*12,745*	*3,759*	*58.0*	*14,932*	*0.12*	*129,192*	*12.4*	—	*674*	*5*	*3*	*3*
0.15 to <0.25	20,451	2,615	41.0	21,538	0.21	101,693	11.9	—	1,207	6	6	6
0.25 to <0.50	44,233	910	55.0	44,745	0.32	411,534	13.7	—	3,673	8	20	19
0.50 to <0.75	22,419	232	74.0	22,614	0.51	162,474	14.0	—	2,683	12	16	21
0.75 to <2.50	24,513	515	64.0	24,935	1.00	168,447	23.7	—	4,315	17	33	50
0.75 to <1.75	*22,559*	*448*	*68.0*	*22,949*	*0.92*	*151,923*	*24.7*	—	*3,795*	*17*	*28*	*40*
1.75 to <2.5	*1,954*	*67*	*39.0*	*1,986*	*1.97*	*16,524*	*12.9*	—	*520*	*26*	*5*	*10*
2.50 to <10.00	1,237	242	22.0	1,293	4.14	15,068	12.7	—	488	38	6	11
2.5 to <5	*1,113*	*208*	*22.0*	*1,163*	*3.75*	*13,303*	*12.1*	—	*418*	*36*	*5*	*10*
5 to <10	*124*	*34*	*20.0*	*130*	*7.67*	*1,765*	*17.9*	—	*70*	*53*	*1*	*1*
10.00 to <100.00	355	30	37.0	369	32.48	4,072	9.2	—	186	50	11	6
10 to <20	*160*	*24*	*22.0*	*166*	*14.76*	*2,322*	*10.5*	—	*98*	*59*	*3*	*2*
20 to <30	*6*	—	—	*6*	*23.32*	*119*	*8.5*	—	*3*	*45*	—	—
30.00 to <100.00	*189*	*6*	*96.0*	*197*	*47.71*	*1,631*	*8.2*	—	*85*	*43*	*8*	*4*
100.00 (Default)	615	4	103.0	619	100.00	6,294	14.3	—	782	126	27	85
Sub-total	**126,666**	**11,960**	**67.0**	**134,786**	**1.01**	**1,007,440**	**15.3**	**—**	**14,306**	**11**	**124**	**201**
AIRB – Qualifying revolving retail exposures												
0.00 to <0.15	2,061	22,204	65.0	16,529	0.05	10,802,063	77.0	—	742	5	11	23
0.00 to <0.10	*1,535*	*19,048*	*66.0*	*14,148*	*0.04*	*9,643,999*	*76.2*	—	*500*	*4*	*7*	*16*
0.10 to <0.15	*526*	*3,156*	*59.0*	*2,381*	*0.13*	*1,158,064*	*81.7*	—	*242*	*10*	*4*	*7*
0.15 to <0.25	493	2,594	63.0	2,126	0.22	1,650,150	83.2	—	350	16	6	10
0.25 to <0.50	652	1,433	69.0	1,605	0.37	1,394,833	81.0	—	385	24	7	16
0.50 to <0.75	564	869	60.0	1,106	0.60	534,871	83.5	—	438	40	9	27
0.75 to <2.50	1,362	956	82.0	2,172	1.37	1,144,671	82.6	—	1,582	73	41	117
0.75 to <1.75	*1,139*	*849*	*77.0*	*1,816*	*1.20*	*874,156*	*83.0*	—	*1,234*	*68*	*31*	*93*
1.75 to <2.5	*223*	*107*	*119.0*	*356*	*2.23*	*270,515*	*80.2*	—	*348*	*98*	*10*	*24*
2.50 to <10.00	634	381	79.0	958	4.52	607,720	79.4	—	1,373	143	50	91
2.5 to <5	*409*	*308*	*70.0*	*636*	*3.38*	*399,101*	*81.1*	—	*835*	*131*	*28*	*51*
5 to <10	*225*	*73*	*119.0*	*322*	*6.78*	*208,619*	*75.9*	—	*538*	*167*	*22*	*40*
10.00 to <100.00	225	48	86.0	282	28.67	178,204	79.2	—	780	277	106	60
10 to <20	*133*	*30*	*101.0*	*170*	*13.31*	*95,708*	*77.6*	—	*456*	*269*	*26*	*27*
20 to <30	*21*	*4*	*117.0*	*31*	*26.12*	*36,833*	*79.0*	—	*98*	*321*	*8*	—
30.00 to <100.00	*71*	*14*	*45.0*	*81*	*61.69*	*45,663*	*82.6*	—	*226*	*279*	*72*	*33*
100.00 (Default)	103	17	50.0	111	100.00	184,149	82.3	—	180	162	61	58
Sub-total	**6,094**	**28,502**	**66.0**	**24,889**	**1.17**	**16,496,661**	**78.7**	**—**	**5,830**	**23**	**291**	**402**

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

PD scale	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post-CCF and post-CRM £m	Exposure weighted average PD %	Number of obligors[3]	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
AIRB – Other SME												
0.00 to <0.15	2	14	96.0	15	0.11	30,594	93.6	—	3	20	—	58
0.00 to <0.10	*—*	*4*	*113.0*	*5*	*0.08*	*10,293*	*94.0*	—	*1*	*17*	—	*58*
0.10 to <0.15	*2*	*10*	*90.0*	*10*	*0.12*	*20,301*	*93.4*	—	*2*	*22*	—	—
0.15 to <0.25	6	38	61.0	28	0.20	38,013	93.2	—	9	32	—	—
0.25 to <0.50	16	119	64.0	90	0.39	90,608	94.6	—	46	52	—	1
0.50 to <0.75	14	85	71.0	73	0.61	69,870	94.4	—	49	67	1	—
0.75 to <2.50	2,033	809	53.0	960	1.58	448,729	83.4	—	827	86	15	15
0.75 to <1.75	*1,521*	*657*	*52.0*	*803*	*1.48*	*348,542*	*82.7*	—	*641*	*80*	*10*	*10*
1.75 to <2.5	*512*	*152*	*54.0*	*157*	*2.12*	*100,187*	*87.2*	—	*186*	*118*	*5*	*5*
2.50 to <10.00	1,377	255	52.0	503	5.10	234,897	84.8	—	558	111	27	30
2.5 to <5	*712*	*158*	*52.0*	*270*	*3.64*	*134,645*	*85.2*	—	*296*	*110*	*11*	*10*
5 to <10	*665*	*97*	*51.0*	*233*	*6.80*	*100,252*	*84.3*	—	*262*	*113*	*16*	*20*
10.00 to <100.00	1,232	72	59.0	247	22.19	141,124	83.9	—	391	158	58	59
10 to <20	*819*	*46*	*56.0*	*143*	*13.44*	*83,801*	*81.8*	—	*190*	*133*	*18*	*30*
20 to <30	*204*	*16*	*59.0*	*54*	*24.34*	*27,860*	*86.8*	—	*99*	*182*	*14*	*1*
30.00 to <100.00	*209*	*10*	*69.0*	*50*	*44.85*	*29,463*	*86.6*	—	*102*	*204*	*26*	*28*
100.00 (Default)	949	10	48.0	60	100.00	21,417	64.9	—	44	73	48	41
Sub-total	**5,629**	**1,402**	**56.0**	**1,976**	**7.96**	**1,075,252**	**84.4**	**—**	**1,927**	**98**	**149**	**204**
AIRB – Other non-SME												
0.00 to <0.15	230	632	54.0	572	0.10	31,051	18.5	—	24	4	—	3
0.00 to <0.10	*145*	*309*	*14.0*	*189*	*0.05*	*22,179*	*31.0*	—	*9*	*5*	—	*2*
0.10 to <0.15	*85*	*323*	*92.0*	*383*	*0.13*	*8,872*	*12.3*	—	*15*	*4*	—	*1*
0.15 to <0.25	761	82	38.0	801	0.20	114,934	69.7	—	231	29	1	3
0.25 to <0.50	1,438	111	4.0	1,439	0.38	123,971	80.5	—	748	52	4	5
0.50 to <0.75	201	50	4.0	203	0.60	14,041	65.4	—	111	55	1	6
0.75 to <2.50	2,197	136	30.0	2,231	1.39	239,986	79.5	—	2,096	94	24	34
0.75 to <1.75	*1,745*	*31*	*12.0*	*1,743*	*1.20*	*172,039*	*80.3*	—	*1,584*	*91*	*16*	*23*
1.75 to <2.5	*452*	*105*	*36.0*	*488*	*2.07*	*67,947*	*76.9*	—	*512*	*105*	*8*	*11*
2.50 to <10.00	693	24	42.0	700	4.63	115,325	80.4	—	864	123	25	55
2.5 to <5	*502*	*24*	*41.0*	*511*	*3.75*	*87,111*	*78.1*	—	*596*	*117*	*14*	*29*
5 to <10	*191*	—	*88.0*	*190*	*7.00*	*28,214*	*86.5*	—	*268*	*141*	*11*	*26*
10.00 to <100.00	132	5	5.0	132	38.51	18,459	79.0	—	206	157	39	40
10 to <20	*65*	*1*	*12.0*	*65*	*13.70*	*9,017*	*79.3*	—	*103*	*159*	*7*	*15*
20 to <30	*13*	—	*9.0*	*13*	*25.43*	*1,908*	*77.2*	—	*26*	*196*	*3*	*2*
30.00 to <100.00	*54*	*4*	*3.0*	*54*	*71.67*	*7,534*	*79.1*	—	*77*	*144*	*29*	*23*
100.00 (Default)	54	1	44.0	54	100.00	6,730	83.0	—	119	223	35	41
Sub-total	**5,706**	**1,041**	**41.0**	**6,132**	**2.88**	**664,497**	**72.4**	**—**	**4,399**	**72**	**129**	**187**
Retail AIRB Total at 30 Jun 2023	**144,095**	**42,905**	**65.07**	**167,783**	**1**	**19,243,851**	**27.6**	**—**	**26,462**	**15.8**	**693**	**994**

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

PD scale	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post-CCF and post-CRM £m	Exposure weighted average PD %	Number of obligors[3]	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
FIRB – Corporate – SME[4]												
0.00 to <0.15	372	148	18.0	393	0.13	787	39.2	2.7	102	26	—	1
0.00 to <0.10	2	1	22.0	2	0.07	8	45.0	1.2	—	14	—	—
0.10 to <0.15	370	147	18.0	391	0.13	779	39.1	2.7	102	26	—	1
0.15 to <0.25	1,089	309	18.0	1,111	0.22	1,960	38.1	2.7	372	34	1	3
0.25 to <0.50	1,399	325	14.0	1,379	0.37	2,428	37.8	2.8	599	44	3	6
0.50 to <0.75	1,016	231	17.0	1,002	0.63	1,659	37.4	2.6	535	53	3	5
0.75 to <2.50	1,981	421	21.0	1,926	1.32	3,588	38.1	2.6	1,339	70	13	12
0.75 to <1.75	1,680	360	23.0	1,646	1.16	2,965	38.1	2.5	1,101	67	10	9
1.75 to <2.5	301	61	13.0	280	2.25	623	37.7	2.9	238	85	3	3
2.50 to <10.00	724	129	19.0	658	4.80	1,325	38.6	2.3	656	100	16	15
2.5 to <5	403	89	21.0	379	3.65	866	38.9	2.5	353	93	7	6
5 to <10	321	40	12.0	279	6.37	459	38.3	2.1	303	108	9	9
10.00 to <100.00	194	21	15.0	167	14.53	292	39.0	1.9	235	141	12	8
10 to <20	182	20	15.0	157	12.59	260	39.0	1.9	219	140	10	7
30.00 to <100.00	12	1	18.0	10	43.59	32	37.7	2.6	16	151	2	1
100.00 (Default)	375	19	27.0	338	100.00	476	39.7	2.2	—	—	134	47
Sub-total	**7,150**	**1,603**	**18.0**	**6,974**	**6.22**	**12,515**	**38.1**	**2.6**	**3,838**	**55**	**182**	**97**
FIRB – Corporate – Other												
0.00 to <0.15	6,222	6,696	62.0	10,820	0.10	5,413	36.1	2.4	2,783	26	4	12
0.00 to <0.10	2,706	3,539	64.0	5,313	0.06	826	34.9	2.2	1,007	19	1	2
0.10 to <0.15	3,516	3,157	60.0	5,507	0.13	4,587	37.3	2.5	1,776	32	3	10
0.15 to <0.25	5,262	4,280	52.0	7,499	0.22	4,046	37.3	2.2	3,109	42	7	24
0.25 to <0.50	5,733	2,498	39.0	6,893	0.37	4,126	37.9	2.0	3,656	53	12	28
0.50 to <0.75	5,092	2,140	47.0	5,981	0.63	3,039	37.6	1.9	4,031	67	17	32
0.75 to <2.50	13,767	6,505	38.0	15,331	1.47	35,262	36.4	2.0	13,736	90	98	103
0.75 to <1.75	10,095	5,054	33.0	11,305	1.19	32,853	36.8	2.1	9,800	87	60	66
1.75 to <2.5	3,672	1,451	54.0	4,026	2.25	2,409	35.3	1.9	3,936	98	38	37
2.50 to <10.00	4,887	2,188	52.0	5,696	4.43	4,204	37.8	2.0	7,397	130	114	105
2.5 to <5	3,414	1,708	51.0	4,021	3.63	3,110	37.7	2.2	4,996	124	67	66
5 to <10	1,473	480	55.0	1,675	6.35	1,094	38.0	1.5	2,401	143	47	39
10.00 to <100.00	1,306	275	49.0	1,365	12.25	763	38.5	1.5	2,541	186	81	68
10 to <20	1,237	258	49.0	1,293	10.83	697	38.5	1.5	2,375	184	67	64
30.00 to <100.00	69	17	40.0	72	37.87	66	39.1	1.1	166	232	14	4
100.00 (Default)	1,449	192	48.0	1,398	100.00	1,336	41.5	1.8	—	—	581	423
Sub-total	**43,718**	**24,774**	**49.0**	**54,983**	**3.88**	**58,189**	**37.1**	**2.1**	**37,253**	**68**	**914**	**795**
FIRB – Total at 30 Jun 2023	50,868	26,377	47.0	61,957	4.14	70,704	37.2	2.1	41,091	66	1,096	892

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

PD scale	On-balance sheet expo-sures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post-CRM	Exposure weighted average PD	Number of obligors[3]	Exposure weighted average LGD	Exposure weighted average maturity	Risk weighted exposure amount after support-ing factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provi-sions
	£m	£m	%	£m	%		%	years	£m	%	£m	£m
AIRB – Central government and central banks												
0.00 to <0.15	5,803	—	—	5,803	—	58	45.0	4.00	700	12.1	—	—
0.00 to <0.10	*5,803*	—	—	*5,803*	—	*58*	*45.0*	*4.00*	*700*	*12.1*	—	—
Sub-total	5,803	—	—	5,803	—	58	45.0	4.00	700	12.1	—	—
AIRB – Institutions												
0.00 to <0.15	1,924	107	76.0	1,987	0.05	402	25.5	3.0	323	16.2	—	2
0.00 to <0.10	*1,697*	*67*	*72.0*	*1,727*	*0.04*	*307*	*22.1*	*3.2*	*233*	*13.5*	—	—
0.10 to <0.15	*226*	*40*	*84.0*	*260*	*0.13*	*95*	*47.6*	*1.2*	*89*	*34.4*	—	*1*
0.15 to <0.25	—	1	—	—	0.22	6	45.0	1.0	—	38.3	—	—
Sub-total	1,924	108	76.0	1,987	0.05	408	25.5	3.0	323	16.2	—	2
AIRB – Corporate – specialised lending (excluding slotting)[1]												
0.00 to <0.15	6	17	57.0	15	0.13	2	30.2	3	4	23.3	—	—
0.10 to <0.15	*6*	*17*	*57.0*	*15*	*0.13*	*2*	*30.2*	*3*	*4*	*23.3*	—	—
0.15 to <0.25	160	40	57.0	183	0.22	8	26.1	4	52	28.5	—	1
0.25 to <0.50	224	68	58.0	263	0.37	6	33.8	4	149	56.4	—	1
0.50 to <0.75	104	31	57.0	122	0.63	9	40.4	3	86	70.5	—	—
0.75 to <2.50	83	189	60.0	196	1.09	8	36.3	5	204	104.1	1	—
0.75 to <1.75	*83*	*189*	*60.0*	*196*	*1.09*	*8*	*36.3*	*5*	*204*	*104.1*	*1*	—
Sub-total	577	345	59.0	780	0.55	33	33.6	4	494	63.4	2	2
AIRB – Corporate – SME												
0.25 to <0.50	2	—	—	2	0.4	1	47.9	1	1	43	—	—
Sub-total	2	—	—	2	0.4	1	47.9	1	1	43	—	—
AIRB – Corporate – Other												
0.00 to <0.15	159	174	1.0	165	0.1	66	14.8	2	20	12	—	—
0.00 to <0.10	*67*	*158*	*1.0*	*67*	*0.1*	*45*	*16.7*	*2*	*7*	*10*	—	—
0.10 to <0.15	*92*	*15*	*10.0*	*98*	*0.1*	*21*	*13.4*	*3*	*13*	*14*	—	—
0.15 to <0.25	104	1	73.0	105	0.2	24	15.2	4	18	17	—	—
0.25 to <0.50	125	39	53.0	146	0.4	46	18.8	3	43	30	—	—
0.50 to <0.75	180	35	4.0	181	0.6	29	11.2	2	37	20	—	—
0.75 to <2.50	222	65	105.0	286	1.8	1,760	21.9	2	163	57	1	1
0.75 to <1.75	*87*	*24*	*237.0*	*140*	*1.4*	*1,748*	*18.0*	*2*	*63*	*46*	—	—
1.75 to <2.5	*135*	*41*	*29.0*	*147*	*2.2*	*12*	*25.5*	*2*	*100*	*68*	*1*	—
2.50 to <10.00	70	739	—	70	4.6	29	29.7	1	65	92	1	—
2.5 to <5	*69*	*738*	*0.0*	*70*	*4.5*	*25*	*29.4*	*1*	*63*	*91*	*1*	—
5 to <10	*1*	—	*0.0*	*1*	*5.8*	*4*	*49.5*	*1*	*1*	*168*	—	—
10.00 to <100.00	7	—	—	7	16.3	9	13.2	1	5	64	—	—
10 to <20	*6*	—	*0.0*	*6*	*10.9*	*6*	*14.6*	*1*	*4*	*68*	—	—
30.00 to <100.00	*2*	—	*0.0*	*2*	*36.0*	*3*	*8.3*	*1*	*1*	*53*	—	—
100.00 (Default)	61	—	—	62	100.0	13	18.4	1	68	110	7	7
Sub-total	928	1,053	9.0	1,023	7.2	1,976	18.0	2	419	41	10	8
Wholesale AIRB – Total at 31 Dec 2022	9,234	1,506	25.2	9,594	0.8	2,476	37.1	4	1,937	20	12	12

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

PD scale	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post-CCF and post-CRM £m	Exposure weighted average PD %	Number of obligors[3]	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
AIRB – Secured by mortgages on immovable property SME												
10.00 to <100.00	1	1	15.0	1	14.08	43	72.4	—	2	300	—	—
10 to <20	*1*	*1*	*15.0*	*1*	*14.08*	*43*	*72.4*	—	*2*	*300*	—	—
Sub-total	1	1	15.0	1	14.08	43	72.4	—	2	300	—	—
AIRB – Secured by mortgages on immovable property non-SME												
0.00 to <0.15	104,652	9,528	102.0	116,521	0.07	836,341	13.6	—	7,735	6.6	29	9
0.00 to <0.10	*89,988*	*6,582*	*101.0*	*98,510*	*0.05*	*717,635*	*12.8*	—	*5,349*	*5.4*	*19*	*7*
0.10 to <0.15	*14,664*	*2,946*	*104.0*	*18,011*	*0.12*	*118,706*	*17.9*	—	*2,386*	*13.2*	*10*	*3*
0.15 to <0.25	9,925	1,898	104.0	12,096	0.20	75,777	16.8	—	2,159	17.8	10	4
0.25 to <0.50	5,595	636	107.0	6,382	0.35	42,368	15.4	—	1,541	24.1	8	4
0.50 to <0.75	1,966	170	107.0	2,187	0.61	12,581	14.1	—	670	30.6	4	3
0.75 to <2.50	1,958	194	103.0	2,190	1.27	12,421	14.7	—	995	45.4	7	7
0.75 to <1.75	*1,680*	*161*	*101.0*	*1,870*	*1.12*	*10,263*	*15.7*	—	*848*	*45.4*	*6*	*5*
1.75 to <2.5	*278*	*33*	*113.0*	*320*	*2.11*	*2,158*	*9.2*	—	*146*	*45.7*	*1*	*3*
2.50 to <10.00	525	80	114.0	626	4.63	5,058	7.3	—	327	52.3	4	15
2.5 to <5	*357*	*54*	*114.0*	*424*	*3.58*	*3,362*	*7.9*	—	*211*	*49.8*	*2*	*7*
5 to <10	*169*	*26*	*115.0*	*201*	*6.86*	*1,696*	*6.2*	—	*116*	*57.6*	*2*	*7*
10.00 to <100.00	507	14	109.0	531	28.29	5,227	9.6	—	626	117.8	32	59
10 to <20	*227*	*8*	*113.0*	*240*	*15.58*	*2,264*	*10.9*	—	*305*	*127.3*	*8*	*18*
20 to <30	*97*	*1*	*127.0*	*100*	*24.51*	*981*	*6.7*	—	*106*	*105.7*	*4*	*12*
30.00 to <100.00	*183*	*6*	*101.0*	*192*	*46.14*	*1,982*	*9.5*	—	*215*	*112.2*	*20*	*29*
100.00 (Default)	623	16	20.0	624	100.00	7,789	11.7	—	725	116.2	28	83
Sub-total	125,751	12,537	103.0	141,157	0.69	997,562	13.9	—	14,778	10.5	123	185
AIRB – Qualifying revolving retail exposures												
0.00 to <0.15	2,029	22,021	65.0	16,269	0.05	10,659,512	77.0	—	734	4.5	11	22
0.00 to <0.10	*1,522*	*18,927*	*65.0*	*13,915*	*0.04*	*9,500,989*	*76.2*	—	*491*	*3.5*	*7*	*15*
0.10 to <0.15	*507*	*3,094*	*59.0*	*2,355*	*0.13*	*1,158,523*	*81.8*	—	*242*	*10.3*	*4*	*7*
0.15 to <0.25	459	2,458	64.0	2024	0.22	1,605,945	83.2	—	336	16.6	6	10
0.25 to <0.50	597	1,350	77.0	1,629	0.36	1,339,551	81.9	—	391	24.0	7	16
0.50 to <0.75	534	816	67.0	1,115	0.59	534,542	84.0	—	443	39.8	9	27
0.75 to <2.50	1,310	986	80.0	2,129	1.39	1,122,226	82.6	—	1,554	73.0	42	120
0.75 to <1.75	*1,079*	*809*	*76.0*	*1,724*	*1.21*	*836,122*	*83.1*	—	*1,188*	*68.9*	*31*	*97*
1.75 to <2.5	*230*	*177*	*95.0*	*405*	*2.18*	*286,104*	*80.5*	—	*366*	*90.4*	*11*	*24*
2.50 to <10.00	600	316	87.0	894	4.63	584,571	78.9	—	1,277	142.8	47	85
2.5 to <5	*371*	*244*	*77.0*	*571*	*3.45*	*377,447*	*80.5*	—	*746*	*130.6*	*25*	*46*
5 to <10	*229*	*71*	*118.0*	*323*	*6.71*	*207,124*	*76.1*	—	*531*	*164.3*	*22*	*39*
10.00 to <100.00	213	47	85.0	268	28.61	158,373	80.1	—	763	284.4	107	52
10 to <20	*129*	*29*	*105.0*	*166*	*13.17*	*93,252*	*78.3*	—	*449*	*270.4*	*25*	*24*
20 to <30	*19*	*3*	*117.0*	*29*	*27.27*	*29,980*	*82.6*	—	*107*	*367.5*	*9*	—
30.00 to <100.00	*65*	*15*	*37.0*	*73*	*64.09*	*35,141*	*83.2*	—	*208*	*283.1*	*73*	*28*
100.00 (Default)	123	28	66.0	139	100.00	223,370	65.7	—	229	164.4	77	62
Sub-total	5,863	28,022	66.0	24,468	1.28	16,228,090	78.7	—	5,727	23.4	306	394

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

PD scale	On-balance sheet expo-sures	Off-balance-sheet expo-sures pre-CCF	Expo-sure weight-ed average CCF	Exposure post-CCF and post-CRM	Expo-sure weight-ed average PD	Number of obligors[3]	Exposure weighted average LGD	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	£m	£m	%	£m	%		%	years	£m	%	£m	£m
AIRB – Other SME												
0.00 to <0.15	1	13	101.0	14	0.12	30,845	93.5	—	3	21.4	—	46
0.00 to <0.10	—	3	100.0	3	0.08	6,448	93.9	—	—	16.0	—	46
0.10 to <0.15	1	10	101.0	11	0.13	24,397	93.4	—	3	22.8	—	—
0.15 to <0.25	5	22	73.0	19	0.21	28,715	92.4	—	6	31.1	—	—
0.25 to <0.50	11	96	60.0	67	0.39	79,901	94.4	—	32	48.4	—	—
0.50 to <0.75	13	96	66.0	75	0.63	69,450	94.6	—	48	63.1	—	—
0.75 to <2.50	2,226	866	53.0	976	1.61	525,135	83.6	—	834	85.4	16	15
0.75 to <1.75	1,533	675	53.0	791	1.50	386,002	83.2	—	649	82.0	11	8
1.75 to <2.5	693	191	53.0	184	2.09	139,133	85.7	—	185	100.2	5	7
2.50 to <10.00	1,663	288	52.0	553	5.19	310,360	83.2	—	639	115.6	36	31
2.5 to <5	827	180	52.0	293	3.64	171,169	83.8	—	343	117.0	15	10
5 to <10	837	108	52.0	260	6.94	139,191	82.7	—	296	114.0	20	21
10.00 to <100.00	1,355	86	52.0	219	22.16	212,352	85.9	—	338	154.1	47	57
10 to <20	910	58	48.0	130	13.87	135,061	84.6	—	177	135.6	18	32
20 to <30	206	17	56.0	46	24.24	35,091	87.7	—	81	177.2	11	1
30.00 to <100.00	239	11	67.0	44	44.74	42,200	88.2	—	81	185.0	19	24
100.00 (Default)	1,113	11	68.0	76	100.00	54,640	68.0	—	50	66.3	59	49
Sub-total	6,388	1,478	55.0	1,998	8.48	1,311,398	84.1	—	1,949	97.5	159	200
AIRB – Other non-SME												
0.00 to <0.15	492	655	61.0	890	0.10	54,366	24.4	—	65	7.3	—	2
0.00 to <0.10	215	302	21.0	277	0.04	27,313	26.7	—	17	6.3	—	2
0.10 to <0.15	278	353	95.0	612	0.13	27,053	23.4	—	47	7.7	—	—
0.15 to <0.25	542	47	41.0	560	0.20	94,612	77.9	—	188	33.5	1	2
0.25 to <0.50	1,343	134	4.0	1,345	0.37	111,077	74.8	—	649	48.2	4	7
0.50 to <0.75	198	44	5.0	200	0.60	12,741	61.8	—	98	49.0	—	—
0.75 to <2.50	2,098	105	39.0	2,131	1.36	213,708	77.6	—	1,939	91.0	22	30
0.75 to <1.75	1,737	93	42.0	1,770	1.20	166,107	76.2	—	1,523	86.1	15	19
1.75 to <2.5	362	12	13.0	362	2.13	47,601	84.0	—	416	115.1	6	10
2.50 to <10.00	595	11	93.0	602	4.66	98,119	85.8	—	789	131.0	24	53
2.5 to <5	393	11	93.0	401	3.47	68,939	85.5	—	506	126.3	12	29
5 to <10	203	—	—	202	7.02	29,180	86.4	—	283	140.2	12	24
10.00 to <100.00	111	1	65.0	110	35.13	17,630	85.2	—	187	169.2	33	31
10 to <20	61	1	42.0	61	14.03	9,218	83.4	—	101	166.7	7	11
20 to <30	10	—	—	10	25.90	1,793	86.4	—	22	220.2	2	2
30.00 to <100.00	40	—	—	39	70.12	6,619	87.7	—	63	159.8	24	18
100.00 (Default)	48	1	63.0	47	100.00	6,038	82.1	—	104	219.9	31	36
Sub-total	5,428	997	48.0	5,885	2.58	608,291	69.4	—	4,018	68.3	115	162
Retail AIRB – Total at 31 Dec 2022	143,432	43,035	75.9	173,510	1.00	19,145,341	25.7	—	26,476	15.3	703	941

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

PD scale	On-balance sheet expo-sures	Off-balance-sheet expo-sures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post CRM	Exposure weighted average PD	Number of obligors[3]	Exposure weighted average LGD	Exposure weighted average maturity	Risk weighted exposure amount after support-ing factors	Density of risk weighted exposure amount	Expecte d loss amount	Value adjustme nts and provisions
	£m	£m	%	£m	%		%	years	£m	%	£m	£m
FIRB – Corporate – SME												
0.00 to <0.15	622	231	19.0	652	0.13	1,392	40.7	2.6	196	30	—	1
0.00 to <0.10	*3*	*—*	*—*	*3*	*0.07*	*2*	*45.0*	*1.5*	*—*	*17*	*—*	*0*
0.10 to <0.15	*619*	*231*	*19.0*	*649*	*0.13*	*1,390*	*40.7*	*2.6*	*196*	*30*	*—*	*1*
0.15 to <0.25	1,608	586	16.0	1,639	0.22	2,573	38.8	2.3	575	35	2	3
0.25 to <0.50	1,903	491	11.0	1,885	0.37	2,661	38.0	2.7	900	48	4	5
0.50 to <0.75	1,608	325	21.0	1,604	0.63	1,901	38.1	2.6	969	60	5	7
0.75 to <2.50	3,117	632	21.0	3,036	1.32	4,222	38.3	2.4	2,300	76	21	14
0.75 to <1.75	*2,650*	*544*	*22.0*	*2,606*	*1.17*	*3,597*	*38.3*	*2.4*	*1,920*	*74*	*16*	*12*
1.75 to <2.5	*468*	*88*	*17.0*	*429*	*2.25*	*625*	*38.4*	*2.4*	*380*	*89*	*5*	*2*
2.50 to <10.00	956	164	16.0	872	4.83	1,416	38.2	2.4	960	110	22	16
2.5 to <5	*529*	*94*	*19.0*	*500*	*3.56*	*826*	*38.2*	*2.7*	*507*	*101*	*9*	*7*
5 to <10	*427*	*70*	*12.0*	*372*	*6.54*	*590*	*38.2*	*2.1*	*454*	*122*	*12*	*9*
10.00 to <100.00	313	41	18.0	279	14.60	409	38.4	1.9	437	157	21	12
10 to <20	*289*	*39*	*18.0*	*258*	*12.70*	*357*	*38.3*	*1.9*	*397*	*154*	*17*	*11*
20 to <30	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*0*
30.00 to <100.00	*24*	*2*	*11.0*	*21*	*38.02*	*52*	*39.7*	*2.1*	*40*	*190*	*4*	*1*
100.00 (Default)	530	27	15.0	473	100.00	348	38.7	2.2	—	—	183	78
Sub-total	10,658	2,497	17.0	10,439	5.92	14,922	38.5	2.5	6,337	61	257	137
FIRB – Corporate – Other												
0.00 to <0.15	5,114	6,390	64.0	9,608	0.09	4,401	36.1	2.1	2,371	25	4	4
0.00 to <0.10	*2,438*	*3,693*	*68.0*	*5,245*	*0.06*	*920*	*35.4*	*2.0*	*980*	*19*	*1*	*1*
0.10 to <0.15	*2,676*	*2,698*	*58.0*	*4,363*	*0.13*	*3,481*	*37.1*	*2.3*	*1,390*	*32*	*3*	*2*
0.15 to <0.25	5,671	4,327	53.0	7,884	0.22	3,633	37.4	2.2	3,317	42	8	14
0.25 to <0.50	4,640	2,510	46.0	5,958	0.37	3,338	39.4	1.9	3,247	55	11	16
0.50 to <0.75	4,455	2,273	44.0	5,539	0.63	2,652	33.8	1.7	3,287	59	14	14
0.75 to <2.50	12,291	5,853	47.0	14,172	1.48	31,115	38.6	2.1	14,054	99	98	81
0.75 to <1.75	*9,304*	*4,594*	*45.0*	*10,798*	*1.24*	*28,801*	*38.8*	*2.1*	*10,287*	*95*	*63*	*57*
1.75 to <2.5	*2,986*	*1,259*	*55.0*	*3,374*	*2.25*	*2,314*	*37.8*	*2.2*	*3,767*	*112*	*35*	*24*
2.50 to <10.00	4,578	2,123	51.0	5,213	4.30	3,782	38.4	2.0	6,898	132	104	73
2.5 to <5	*3,265*	*1,742*	*52.0*	*3,797*	*3.57*	*3,016*	*37.8*	*2.2*	*4,769*	*126*	*62*	*38*
5 to <10	*1,313*	*381*	*46.0*	*1,415*	*6.25*	*766*	*40.0*	*1.6*	*2,129*	*150*	*42*	*35*
10.00 to <100.00	988	130	45.0	998	12.24	602	35.1	1.5	1,758	176	55	44
10 to <20	*965*	*119*	*48.0*	*974*	*11.06*	*539*	*35.1*	*1.5*	*1,724*	*177*	*49*	*43*
20 to <30	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*0*
30.00 to <100.00	*24*	*10*	*11.0*	*24*	*60.29*	*63*	*35.8*	*1.1*	*35*	*145*	*6*	*1*
100.00 (Default)	1,444	172	47.0	1,392	100.00	1,444	40.8	2.0	—	—	577	342
Sub-total	39,180	23,777	53.0	50,762	4.00	50,967	37.5	2.0	34,933	69	870	588
FIRB – Total at 31 Dec 2022	49,838	26,274	49.0	61,201	4.33	65,781	37.6	2.1	41,269	67	1,127	725

1 *Slotting exposures are disclosed in Table 21: Specialised lending and equity exposures under the simple risk weighted approach (CR10).*
2 *Figures have been prepared on an IFRS 9 transitional basis.*
3 *Single obligor with multiple ratings/PD are counted separately for every PD band. We count the number of obligors on the basis of our exposure to the original counterparty (reported in the first two columns of this table). Where exposure is subject to risk-transfer to another party, to avoid duplication, we do not count the exposure again after risk transfer.*
4 *Reporting process improvements resulted in the re-classification of some exposures from Corporate SME to Corporate Other in June 23.*
5 *HSBC UK implemented a new mortgage model in May'23 which has changed the distribution of exposures across PD bands.*
6 *The disclosures across all PD ranges are Modelled LGD.*

The following table 20 discloses percentage of exposures secured by various CRM techniques, separately for each exposure class in AIRB and FIRB approaches.

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

			Funded credit Protection								
				Part of exposures covered by Other eligible collaterals				Part of exposures covered by Other funded credit protection			
		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 Instruments held by a third party
AIRB		£m	%	%	%	%	%	%	%	%	%
1	Central governments and central banks	9,858	—	—	—	—	—	—	—	—	—
2	Institutions	2,096	—	—	—	—	—	—	—	—	—
3	Corporates	2,216	17.77	19.73	19.73	—	—	—	—	—	—
3.1	*– of which Corporates – SMEs*[1]	*2*	—	*19.00*	*19.00*	—	—	—	—	—	—
3.2	*Corporates – Specialised lending*[2]	*780*	—	*0.00*	*0.00*	—	—	—	—	—	—
3.3	*Corporates – Other*	*1,435*	*27.80*	*27.90*	*27.90*	—	—	—	—	—	—
4	Retail	171,980	0.40	78.30	78.30	—	—	—	—	—	—
4.1	*– of which: Retail – Immovable property SMEs*	*1*	—	*90.70*	*90.70*	—	—	—	—	—	—
4.2	*Retail – Immovable property non-SMEs*	*134,787*	—	*100.00*	*100.00*	—	—	—	—	—	—
4.3	*Retail – Qualifying revolving*	*24,889*	—	—	—	—	—	—	—	—	—
4.4	*Retail – Other SMEs*	*6,173*	—	—	—	—	—	—	—	—	—
4.5	*Retail – Other non-SMEs*	*6,131*	*9.40*	—	—	—	—	—	—	—	—
5	**Total at 30 Jun 2023**	186,150	0.55	72.61	72.61	—	—	—	—	—	—
FIRB											
3	Corporates	63,288	9.80	33.80	24.90	6.20	2.70	—	—	—	—
3.1	*– of which: Corporates – SMEs*[1]	*7,442*	*0.20*	*65.60*	*52.00*	*9.60*	*4.00*	—	—	—	—
3.3	*Corporates – Other*	*55,846*	*11.10*	*29.50*	*21.30*	*5.70*	*2.50*	—	—	—	—
4	**Total at 30 Jun 2023**	63,288	9.80	33.80	24.90	6.20	2.70	—	—	—	—
IRB											
	Specialised lending under the slotting approach at 30 Jun 2023[3]	8,730	—	—	—	—	—	—	—	—	—

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

			Funded credit Protection								
				Part of exposures covered by Other eligible collaterals				Part of exposures covered by Other funded credit protection			
		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 Instruments held by a third party
	AIRB	£m	%	%	%	%	%	%	%	%	%
1	Central governments and central banks	5,803	—	—	—	—	—	—	—	—	—
2	Institutions	2,006	2.00	—	—	—	—	—	—	—	—
3	Corporates	1,761	—	—	—	—	—	—	—	—	—
3.1	– *of which Corporates – SMEs*	*2*	—	*17.80*	*17.80*	—	—	—	—	—	—
3.2	*Corporates – Specialised lending*[2]	*780*	—	—	—	—	—	—	—	—	—
3.3	*Corporates – Other*	*979*	*25.70*	*35.30*	*34.10*	—	*1.20*	—	—	—	—
4	Retail	178,476	0.50	79.00	79.00	—	—	—	—	—	—
4.1	– *of which: Retail – Immovable property SMEs*	*2*	—	*84.10*	*84.10*	—	—	—	—	—	—
4.2	*Retail – Immovable property non-SMEs*	*141,157*	—	*99.80*	*99.80*	—	—	—	—	—	—
4.3	*Retail – Qualifying revolving*	*24,468*	—	—	—	—	—	—	—	—	—
4.4	*Retail – Other SMEs*	*6,962*	—	—	—	—	—	—	—	—	—
4.5	*Retail – Other non-SMEs*	*5,887*	*13.10*	—	—	—	—	—	—	—	—
5	Total at 31 Dec 2022	188,045	—	—	—	—	—	—	—	—	—
FIRB											
3	Corporates	62,623	8.40	33.10	23.20	7.10	2.90	—	—	—	—
3.1	– *of which: Corporates – SMEs*	*11,084*	*0.30*	*62.60*	*45.90*	*12.10*	*4.60*	—	—	—	—
3.3	*Corporates – Other*	*51,539*	*10.10*	*26.80*	*18.30*	*6.00*	*2.50*	—	—	—	—
4	Total at 31 Dec 2022	62,623	8.40	33.10	23.20	7.10	2.90	—	—	—	—
IRB											
	Specialised lending under the slotting approach at 31 Dec 2022[3]	9,233	—	—	—	—	—	—	—	—	—

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

		Unfunded credit Protection		Credit risk Mitigation methods in the calculation of RWAs	
		Part of exposures covered by Guarantees	Part of exposures covered by Credit Derivatives	RWA post-all CRM assigned to the obligor exposure class	RWA with substitution effects
AIRB		%	%	£m	£m
1	Central governments and central banks	**—**	**—**	**944**	**944**
2	Institutions	**—**	**—**	**283**	**283**
3	Corporates	**14.97**	**—**	**1,051**	**1,051**
3.1	– *of which: Corporates – SMEs*[1]	**—**	**—**	***1***	***1***
3.2	*Corporates – Specialised lending*	***2.74***	**—**	***464***	***464***
3.3	*Corporates – Other*	***21.90***	**—**	***586***	***586***
4	Retail	**—**	**—**	**26,465**	**26,465**
4.1	– *of which: Retail – Immovable property SMEs*	***0.10***	**—**	***2***	***2***
4.2	*Retail – Immovable property non-SMEs*	**—**	**—**	***14,307***	***14,307***
4.3	*Retail – Qualifying revolving*	**—**	**—**	***5,830***	***5,830***
4.4	*Retail – Other SMEs*	**—**	**—**	***1,927***	***1,927***
4.5	*Retail – Other non-SMEs*	**—**	**—**	***4,399***	***4,399***
5	**Total at 30 Jun 2023**	**0.20**	**—**	**28,743**	**28,743**
FIRB					
3	Corporates	**—**	**—**	**41,089**	**41,089**
3.1	– *of which: Corporates – SMEs*[1]	**—**	**—**	***3,838***	***3,838***
3.3	*Corporates – Other*	**—**	**—**	***37,252***	***37,252***
4	**Total at 30 Jun 2023**	**—**	**—**	**41,089**	**41,089**
IRB					
	Specialised lending under the slotting approach at 30 Jun 2023[3]	**—**	**—**	**5,084**	**5,084**
AIRB					
1	Central governments and central banks	—	—	700	700
2	Institutions	—	—	323	323
3	Corporates	—	—	914	914
3.1	– *of which : Corporates – SMEs*	—	—	*1*	*1*
3.2	*Corporates – Specialised lending*	—	—	*494*	*494*
3.3	*Corporates – Other*	*27.40*	—	*419*	*419*
4	Retail	—	—	26,476	26,476
4.1	– *of which: Retail – Immovable property SMEs*	*1.10*	—	*4*	*4*
4.2	*Retail – Immovable property non-SMEs*	—	—	*14,778*	*14,778*
4.3	*Retail – Qualifying revolving*	—	—	*5,727*	*5,727*
4.4	*Retail – Other SMEs*	—	—	*1,949*	*1,949*
4.5	*Retail – Other non-SMEs*	—	—	*4,018*	*4,018*
5	Total at 31 Dec 2022	—	—	28,413	28,413
FIRB					
3	Corporates	—	—	41,269	41,269
3.1	– *of which: Corporates – SMEs*	—	—	*6,337*	*6,337*
3.3	*Corporates – Other*	—	—	34,932	34,933
4	Total at 31 Dec 2022	—	—	41,269	41,269
IRB					
	Specialised lending under the slotting approach at 31 Dec 2022[3]	—	—	5,469	5,469

1 *Reporting process improvements resulted in the re-classification of some exposures from Corporate SME to Corporate Other in June 23.*
2 *From 1 January 2023 Specialised lending exposures under the slotting approach are disclosed separately in the table. Prior period comparatives have been restated accordingly.*
3 *Specialised lending exposure under the slotting approach does not include Credit Risk Mitigation techniques.*

The table 21 sets out the specialised lending exposures by different regulatory slotting categories split by remaining maturity.

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

Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)		**On-balance sheet amount**	**Off-balance sheet amount**	**Risk weight**	**Exposure amount**	**RWAs**	**Expected loss**
Regulatory categories	**Remaining maturity**	**£m**	**£m**	**%**	**£m**	**£m**	**£m**
Category 1	Less than 2.5 years	**3,878**	**455**	**50**	**4,168**	**1,983**	**—**
	Equal to or more than 2.5 years	**1,059**	**402**	**70**	**1,337**	**933**	**5**
Category 2	Less than 2.5 years	**1,675**	**83**	**70**	**1,733**	**1,173**	**7**
	Equal to or more than 2.5 years	**611**	**139**	**90**	**701**	**647**	**6**
Category 3	Less than 2.5 years	**247**	**3**	**115**	**246**	**272**	**7**
	Equal to or more than 2.5 years	**38**	**—**	**115**	**38**	**43**	**1**
Category 4	Less than 2.5 years	**13**	**1**	**250**	**14**	**32**	**1**
	Equal to or more than 2.5 years	**1**	**—**	**250**	**1**	**1**	**—**
Category 5	Less than 2.5 years	**435**	**4**	**—**	**437**	**—**	**219**
	Equal to or more than 2.5 years	**44**	**—**	**—**	**38**	**—**	**19**
Total at 30 Jun 2023	Less than 2.5 years	**6,248**	**546**		**6,598**	**3,460**	**234**
	Equal to or more than 2.5 years	**1,753**	**541**		**2,115**	**1,624**	**31**
Category 1	Less than 2.5 years	4,035	639	50	4,436	2,218	—
	Equal to or more than 2.5 years	1,843	358	70	2,080	1,453	8
Category 2	Less than 2.5 years	1,359	130	70	1,447	1,013	6
	Equal to or more than 2.5 years	549	182	90	664	591	5
Category 3	Less than 2.5 years	118	—	115	118	135	3
	Equal to or more than 2.5 years	24	3	115	22	25	1
Category 4	Less than 2.5 years	7	—	250	7	16	1
	Equal to or more than 2.5 years	7	—	250	7	17	1
Category 5	Less than 2.5 years	264	—	—	265	—	132
	Equal to or more than 2.5 years	174	9	—	176	—	88
Total at 31 Dec 2022	Less than 2.5 years	5,783	770		6,273	3,383	142
	Equal to or more than 2.5 years	2,597	551		2,949	2,086	103

Counterparty credit risk

Counterparty credit risk ('CCR') is the risk that a counterparty may default before completing the satisfactory settlement of the transaction. It arises on derivatives, securities financing transactions and exposures to central counterparties ('CCP') in both the trading and non trading books. Limits for CCR exposures, including to central counterparties ('CCPs'), are assigned within the overall credit risk management process. The credit risk function assigns a limit against each counterparty to cover exposure which may arise as a result of a counterparty default. Banks are permitted to apply the following methods to determine exposure values for CCR:

- the Internal Model Method ('IMM');
- the Standardised Approach (SA-CCR) – for derivatives and long settlement transactions; and
- the simple/comprehensive approach to recognition of collateral with SFTs; and the Value at Risk models approach, again applicable for SFTs HSBC UK uses the standardised approach to determine CCR exposures. Under the SA-CCR approach, the EAD is calculated as the sum of Replacement Cost and Potential Future Exposures ('PFE') multiplied by an alpha factor of 1.4.

Table 22 analyses CCR exposures by approach for derivatives and securities financing transactions, excluding the CVA charge and exposures to CCP.

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

		Replacement cost	**Potential future exposure**	**Effective expected positive exposure**[1]	**Multiplier**	**EAD pre-CRM**	**EAD post-CRM**	**Exposure Value**	**RWAs**
		£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
1	SA-CCR (for derivatives)	**76**	**183**		**1.40**	**363**	**363**	**363**	**255**
4	Financial collateral comprehensive method (for SFTs)					**116**	**116**	**116**	**20**
6	**Total at 30 Jun 2023**	**76**	**183**	**—**	**1.40**	**479**	**479**	**479**	**275**
1	SA-CCR (for derivatives)	44	133	—	1.40	248	248	248	99
4	Financial collateral comprehensive method (for SFTs)	—	—	—	—	119	119	119	20
6	Total at 31 Dec 2022	44	133	—	1.40	367	367	367	118

1 *Effective expected positive exposure column is not relevant for HSBC UK, as the exposures are calculated under SA-CCR.*

Credit valuation adjustment

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

Table 23 sets out Exposure and RWAs related to CVA regulatory calculations with the break down by standardised and advances approaches.

Table 23: Credit valuation adjustment capital charge (CCR2)

		At 30 Jun 2023		At 31 Dec 2022	
		Exposure value £m	**RWAs £m**	Exposure value £m	RWAs £m
4	Transactions subject to the Standardised method	**236**	**69**	98	18
5	**Total transactions subject to own funds requirements for CVA risk**	**236**	**69**	98	18

Table 24 presents information on the risk weighting of CCR exposures under the standardised approach by regulatory portfolio. It excludes the failed settlements, default fund contributions and CVA charge.

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

	Risk weight	**0% £m**	**20% £m**	**50% £m**	**75% £m**	**100% £m**	**150% £m**	**Others £m**	**Total exposure value £m**
6	Institutions		**38**	**41**					**79**
7	Corporates					**154**			**154**
	Total at 30 Jun 2023		**38**	**41**		**154**	**—**		**233**
6	Institutions	—	52	21	—	—	—	—	73
	Total at 31 Dec 2022	—	52	21	—	—	—	—	73

Table 25 discloses detailed key parameters used for the calculation of capital requirements of counterparty credit risk exposure under the IRB approach split by portfolio and PD range.

Table 25: IRB – CCR exposures by portfolio and PD scale (CCR4)

PD scale	**Exposure value £m**	**Exposure weighted average PD %**	**Number of obligors**	**Exposure weighted average LGD %**	**Exposure weighted average maturity years**	**RWAs £m**	**Density of risk weighted exposure amounts density %**
AIRB – Institutions							
0.00 to <0.15	**149**	**0.06**	**33**	**45.0**	**0.8**	**24**	**16**
0.15 to <0.25	**1**	**0.22**	**2**	**45.0**	**5.0**	**1**	**98**
0.50 to <0.75	**—**	**0.63**	**1**	**45.0**	**1.0**	**—**	**62**
0.75 to <2.50	**—**	**0.87**	**1**	**45.0**	**1.0**	**—**	**83**
Sub-total	**150**	**0.06**	**37**	**45.0**	**0.8**	**25**	**17**
AIRB – Total at 30 Jun 2023	**150**	**0.06**	**37**	**45.0**	**0.8**	**25**	**17**
FIRB – Corporates							
0.00 to <0.15	**17**	**0.13**	**64**	**45.0**	**0.5**	**4**	**25**
0.15 to <0.25	**20**	**0.22**	**180**	**45.0**	**1.0**	**7**	**38**
0.25 to <0.50	**16**	**0.37**	**178**	**45.0**	**1.0**	**9**	**53**
0.50 to <0.75	**10**	**0.63**	**106**	**45.0**	**1.0**	**7**	**71**
0.75 to <2.50	**28**	**1.26**	**222**	**45.0**	**1.0**	**31**	**113**
2.50 to <10.00	**5**	**4.65**	**65**	**45.0**	**1.0**	**7**	**153**
10.00 to <100.00	**1**	**14.53**	**13**	**45.0**	**1.0**	**3**	**232**
100.00 (Default)	**1**	**100.00**	**16**	**45.0**	**1.0**	**—**	**—**
FIRB – Total at 30 Jun 2023	**98**	**2.42**	**844**	**45.0**	**0.9**	**68**	**70**
Total (all portfolios) at 30 Jun 2023	**248**	**1.00**	**882**	**45.0**	**0.8**	**94**	**38**

Table 25: IRB – CCR exposures by portfolio and PD scale (CCR4) (continued)

PD scale	Exposure value £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	RWAs £m	Density of risk weighted exposure amounts density %
AIRB – Institutions							
0.00 to <0.15	147	0.07	22	45.0	0.69	25	17
0.15 to <0.25	1	0.22	1	45.0	5.00	1	99
0.50 to <0.75		0.63	1	45.0	1.00		62
0.75 to <2.50		0.87	1	45.0	1.00		73
Sub-total	148	0.07	25	45.0	0.72	26	18
FIRB – Corporates							
0.00 to <0.15	64	0.13	77	45.0	0.42	13	20
0.15 to <0.25	20	0.22	185	45.0	1.02	8	38
0.25 to <0.50	20	0.37	139	45.0	1.02	11	53
0.50 to <0.75	12	0.63	95	45.0	1.02	9	71
0.75 to <2.50	22	1.50	233	45.0	1.03	22	100
2.50 to <10.00	4	4.07	61	45.0	1.00	6	146
10.00 to <100.00	1	14.22	12	45.0	1.00	3	231
100.00 (Default)	2	100.00	19	45.0	1.00	—	—
FIRB – Total at 31 Dec 2022	146	1.99	821	45.0	0.76	72	49
Total (all portfolios) at 31 Dec 2022	294	1.03	846	45.0	0.74	98	33

Collateral arrangements

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

A valuation haircut policy reflects the fact that collateral may fail in value between the date the collateral was called and the date of liquidation or enforcement. A very high proportion of collateral held as variation margin under credit support annex ('CSA') agreements is composed of either cash or liquid government securities.

Further information on gross fair value exposure and the offset due to legally enforceable netting and collateral is set out on page 118 of the Annual Report and Accounts 2022.

Table 26 below analyses collateral used in derivatives and SFT transactions.

Table 26: Composition of collateral for CCR exposure (CCR5)

		Collateral used in derivative transactions				Collateral used in SFTs	
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
		Segregated	Unsegregated	Segregated	Unsegregated		
		£m	£m	£m	£m	£m	£m
1	Cash	**—**	**431**	**—**	**1,855**	**—**	**—**
2	Debt	**76**	**—**	**1,202**	**832**	**7,591**	**9,416**
5	**Total at 30 Jun 2023**	**76**	**431**	**1,202**	**2,687**	**7,591**	**9,416**
1	Cash	—	626	—	2,352	—	—
2	Debt	177	—	1,910	1,484	11,876	14,471
5	Total at 31 Dec 2022	177	626	1,910	3,836	11,876	14,471

Central counterparties

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

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

Table 27 below provides exposures and RWAs breakdown related to CCPs.

Table 27: Exposures to central counterparties (CCR8)

		At 30 Jun 2023		At 31 Dec 2022	
		Exposure value	RWAs	Exposure value	RWAs
		£m	£m	£m	£m
1	**Exposures to qualifying central counterparties ('QCCPs') (total)**		**86**		68
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	**1,985**	**40**	2,537	51
3	– OTC derivatives	**1,281**	**26**	1,396	28
5	– securities financing transactions	**704**	**14**	1,142	23
7	Segregated initial margin	**1,117**		1,726	
8	Non-segregated initial margin	**178**	**4**	306	6
9	Pre-funded default fund contributions		**43**	—	11

Wrong-way risk

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

There are two types of wrong-way risk:

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

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

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

Credit rating downgrade

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

Securitisation

Securitisation strategy

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

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

HSBC UK does not provide support to its originated or sponsored securitisation transactions as a policy other than through any interest it has retained in the securitised exposures.

Securitisation activity

Our roles in the securitisation process are as follows:

- originator: where we originate the assets being securitised, either directly or indirectly; and
- investor: where we invest in securitisation tranche directly or provide liquidity facilities to a securitisation.

HSBC UK as originator

We are originator of one securitisation programme outstanding as at 30 June 2023. We have used SPE (Neon Portfolio Distribution) to securitise customer loans and advances and other debt that we have originated to diversify our sources of funding for asset origination and for capital efficiency purposes.

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

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

HSBC UK maintain a unhedged holding of at least 5% in each reference obligation. This transactions is not categorised as simple transparent and standardised ('STS').

HSBC UK as investor

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

Monitoring of securitisation positions

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

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

Securitisation accounting treatment

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

Valuation of securitisation positions

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

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

Regulatory treatment

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

For all securitisation positions, we follow the hierarchy of RWA calculation approaches described in the securitisation framework. Our originated positions are all reported under the internal ratings-based approach ('SEC-IRBA').

Analysis of securitisation positions

Our involvement in securitisation activities during the year include:

- £1.5bn positions held as synthetic transactions (31 December 2022: £2.3bn). The reduction is primarily due to continuous amortization;
- no assets awaiting securitisation and no material realised losses on securitisation asset disposals, and no material unrealised losses on asset-backed disposals; and
- off-balance sheet exposure of £0.4bn (31 December 2022: £0.8bn), mainly related to contingent liquidity lines provided to securitisation vehicles. The exposures types are spread across multiple products.

Table 28 provides carrying amount of non-trading securitisation exposures, separately for trading and synthetic securitisations where the bank acts as originator, sponsor or investor.

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

		Bank acts as originator							Bank acts as sponsor				Bank acts as investor			
		Traditional				Synthetic			Traditional				Traditional			
		STS		Non-STS												
		Total	*of which: SRT*	Total	*of which: SRT*	Total	*of which: SRT*	Sub-total	STS	Non-STS	Syn-thetic	Sub-total	STS	Non-STS	Syn-thetic	Sub-total
		£m	*£m*	£m	*£m*	£m	*£m*	£m	£m	£m	£m	£m	£m	£m	£m	£m
2	Retail (total)	—	—	—	—	—	—	—	—	—	—	—	**117**	**736**	—	**853**
5	– other retail exposures	—	—	—	—	—	—	—	—	—	—	—	**117**	**736**	—	**853**
7	Wholesale (total)	—	—	—	—	**1,548**	***1,548***	**1,548**	—	—	—	—	—	**75**	—	**75**
8	– loans to corporates	—	—	—	—	**1,548**	***1,548***	**1,548**	—	—	—	—	—	—	—	—
10	– lease and receivables	—	—	—	—	—	—	—	—	—	—	—	—	**75**	—	**75**
1	**Total at 30 Jun 2023**	—	—	—	—	**3,081**	**1,548**	**1,548**		—	—	—	**117**	**811**	—	**928**
2	Retail (total)	—	—	—	—	—	—	—	—	—	—	—	5	775	—	780
3	– residential mortgage	—	—	—	—	—	—	—	—	—	—	—	5	—	—	5
5	– other retail exposures	—	—	—	—	—	—	—	—	—	—	—	—	775	—	775
7	Wholesale (total)	—	—	—	—	2,276	*2,276*	2,276	—	—	—	—	—	75	—	75
8	– loans to corporates	—	—	—	—	2,276	*2,276*	2,276	—	—	—	—	—	—	—	—
9	– lease and receivables	—	—	—	—	—	—	—	—	—	—	—	—	75	—	75
1	Total at 31 Dec 2022	—	—	—	—	2,276	*2,276*	*2,276*	—	—	—	—	5	850	—	855

Table 29 provides RWAs and exposures by type, risk-weight bands and regulatory approach for non-trading securitisation exposures where the bank acts as originator or sponsor.

Table 29: Securitisation exposures in the non-trading book and associated regulatory capital requirements – bank acting as originator or as sponsor (SEC3)

		Exposure values (by risk weight bands/deductions)					Exposure values (by regulatory approach)			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1,250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		£m	£m	£m	£m	£m	£m	£m	£m	£m
8	Synthetic transactions	**1,546**	—	—	**2**	—	**1,548**	—	—	—
9	Securitisation	**1,546**	—	—	**2**	—	**1,548**	—	—	—
11	– wholesale	**1,546**	—	—	**2**	—	**1,548**	—	—	—
1	**Total at 30 Jun 2023**	**1,546**	—	—	**2**	—	**1,548**	—	—	—
8	Synthetic securitisation	2,262	—	—	3	11	2,265	—	—	11
9	Securitisation	2,262	—	—	3	11	2,265	—	—	11
11	– wholesale	2,262	—	—	3	11	2,265	—	—	11
1	Total at 31 Dec 2022	2,262	—	—	3	11	2,265	—	—	11

Table 29: Securitisation exposures in the non-trading book and associated regulatory capital requirements – bank acting as originator or as sponsor (SEC3) (continued)

		RWAs (by regulatory approach)				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		£m	£m	£m	£m	£m	£m	£m	£m
8	Synthetic transactions	**252**	**—**	**—**	**—**	**20**	**—**	**—**	**—**
9	Securitisation	**252**	**—**	**—**	**—**	**20**	**—**	**—**	**—**
11	– wholesale	**252**	**—**	**—**	**—**	**20**	**—**	**—**	**—**
1	**Total at 30 Jun 2023**	**252**	**—**	**—**	**—**	**20**	**—**	**—**	**—**
8	Synthetic securitisation	367	—	—	142	29	—	—	11
9	Securitisation	367	—	—	142	29	—	—	11
11	– wholesale	367	—	—	142	29	—	—	11
1	Total at 31 Dec 2022	367	—	—	142	29	—	—	11

Table 30 shows RWAs and exposures by type, risk-weight bands and regulatory approach for non-trading securitisation exposures where the bank acts as investor.

Table 30: Securitisation exposures in the non-trading book and associated capital requirements – bank acting as investor (SEC4)

		Exposure values (by risk weight bands)					Exposure values (by regulatory approach)			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1,250% RW	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		£m	£m	£m	£m	£m	£m	£m	£m	£m
2	**Traditional securitisation**	**928**	**—**	**—**	**—**	**—**	**—**	**—**	**928**	**—**
3	Securitisation	**928**	**—**	**—**	**—**	**—**	**—**	**—**	**928**	**—**
4	– retail underlying	**853**	**—**	**—**	**—**	**—**	**—**	**—**	**853**	**—**
5	– *of which: STS*	**117**	**—**	**—**	**—**	**—**	**—**	**—**	**117**	**—**
6	– wholesale	**75**	**—**	**—**	**—**	**—**	**—**	**—**	**75**	**—**
1	**Total at 30 Jun 2023**	**928**							**928**	
2	Traditional securitisation	780	75	—	—	—	—	—	855	—
3	Securitisation	780	75	—	—	—	—	—	855	—
4	– retail underlying	780		—	—	—	—	—	780	—
5	– *of which: STS*	*5*							*5*	
6	– wholesale		75				—	—	75	—
1	Total at 31 Dec 2022	780	75	—	—	—	—	—	855	—

Table 30: Securitisation exposures in the non-trading book and associated capital requirements – bank acting as investor (SEC4) (continued)

		RWAs (by regulatory approach)				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		£m	£m	£m	£m	£m	£m	£m	£m
2	Traditional securitisation	**—**	**—**	**140**	**—**	**—**	**—**	**11**	**—**
3	Securitisation	**—**	**—**	**140**	**—**	**—**	**—**	**11**	**—**
4	– retail underlying	**—**	**—**	**129**	**—**	**—**	**—**	**10**	**—**
6	– wholesale	**—**	**—**	**11**	**—**	**—**	**—**	**1**	**—**
1	**Total at 30 Jun 2023**	**—**	**—**	**140**	**—**	**—**	**—**	**11**	**—**
2	Traditional securitisation	—	—	141	—	—	—	11	—
3	Securitisation	—	—	141	—	—	—	11	—
4	– retail underlying	—	—	125	—	—	—	10	—
6	– wholesale	—	—	16	—	—	—	1	—
1	Total at 31 Dec 2022	—	—	141	—	—	—	11	—

Table 31 sets out the outstanding nominal amount, exposures in default and specific credit risk adjustments by exposure type where the institution acts as originator or sponsor.

Table 31: Exposures securitised by the institution – Institution acts as originator or as sponsor (SEC5)

		Total outstanding nominal amount	*of which: exposures in default*	Total amount of specific credit risk adjustments made during the period
		£m	£m	£m
1	**Total exposures at 30 Jun 2023**	**2,500**	**—**	**14**
7	Wholesale (total)	**2,500**	**—**	**14**
8	– loans to corporates	**2,500**	**—**	**14**
1	Total exposures at 31 Dec 2022	2,498	—	10
7	Wholesale (total)	2,498	—	10
8	– loans to corporates	2,498	—	10

Market risk

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

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

Exposure to market risk on our non-trading portfolio comprises positions that primarily arise from the interest rate risk management of our retail and commercial banking assets and liabilities, financial investments measured at fair value through other comprehensive income, and debt instruments measured at amortised cost. These portfolios also include non-trading book foreign exchange exposures where risk may arise from the FX revaluation of assets and liabilities denominated in currencies other than the group's presentational currency.

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

Further explanation of the group's approach to managing market risk can be found from page 61 of the HSBC UK Bank plc Annual Report and Accounts 2022.

Table 32 below reflects the components of capital requirement for market risk under the standardised approach:

Table 32: Market risk under standardised approach (MR1)

		At 30 Jun 2023 RWAs	At 31 Dec 2022 RWAs
		£m	£m
	Outright products		
1	Interest rate risk (general and specific)	**61**	48
3	Foreign exchange risk	**121**	53
9	**Total**	**182**	102

Interest rate risk in the banking book

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

Risk management and governance

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

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

EVE and NII sensitivities are monitored against thresholds for HSBC UK. Treasury is subject to an independent oversight and challenge from Treasury Risk, Internal Audit and model governance. Calculations exclude pension, insurance and investments in subsidiaries.

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

At HSBC UK, stress testing also forms a key part of our risk management framework. HSBC UK runs various internal and regulatory stress tests during the year which helps us to identify key economic risks the entity is exposed to and how they impact on its financial and capital position in a severe economic shock. Identifying these risks allow the entity to actively assess and put in place effective risk management strategies to help mitigate before those risks occur. The results of the various stress tests also help to ensure that the bank has adequate capital and liquidity to withstand extreme hypothetical economic shocks as defined in the stress scenarios and thus to help determine our capital requirements under ICAAP.

Economic value of equity and net interest income sensitivity

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

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

Active management of IRRBB

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

Markets Treasury safeguards the bank by ensuring risk remains within appetite and seeks to generate sustainable returns through management of those risks within the risk appetite set by Treasury Risk. Markets Treasury manages a variety of risks including duration, spread, cross currency basis, inflation and convexity utilising products including liquid fixed income securities, interest rate swaps, cross currency swaps, and money markets loans and deposits. Treasury Risk measures and monitors against limits the Markets Treasury activities using metrics including present value of one basis point, credit spread of one basis point and VaR on a daily basis.

The large majority of Markets Treasury activity is on a non-market risk capitalised basis. The only Markets Treasury activity treated as market risk capitalised is the use of FX swaps to manage cash. All returns generated by Markets Treasury are transferred into global businesses.

Interest rate shock and stress scenarios applied

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

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

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

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

Key modelling assumptions

For EVE sensitivities, commercial margins and other spread components have been excluded from the interest cash flows calculation and all balance sheet items are discounted at the risk free rate. All equity instruments that have no coupon or call dates are excluded. Interest rate floors start at -1.0% for overnight yield curve tenors and increase 5bps per year to 0.0% at 20 year tenors. 100% of the negative values are netted with 50% of the positive values by currency as per regulatory guidelines.

For NII sensitivities we assume constant balance sheet, and we include commercial margin. All forecasted market rates are based on implied forward rates from the reporting date. Interest rate floors start at -1.0% for overnight yield curve tenors and increase 5bps per year to 0.0% at 20 year tenors. We apply pass on assumptions to managed rate products. Customer pricing includes flooring where there is contractual obligations and customer optionality including prepayment and early redemption risk is included where present.

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

Pillar 3 disclosure has different assumptions to Group IRRBB internal model assumptions. Those include, but not limited to treatment of NMD's, shocks, scenarios and flooring.

The average repricing maturity for non-maturity deposits ('NMDs') in Q2 2023 was 16 months. The longest repricing maturity for non-maturity deposits ('NMDs') in Q2 2023 was 120 months.

Quantitative information on IRRBB

As of 30 June 2023, the maximum decline in EVE is £1,174m from a parallel shock up which translates to 7.1% of tier 1 capital. The most adverse NII scenario over the next 12 months was the parallel shock down, this would result in a decrease of projected NII by £1,244m. The changes in sensitivities from 31 December 2022 have been driven by factors including model improvements, structural interest rate hedging and balance sheet evolution.

The table 33 discloses our changes in Interest rate risk in the banking book for economic value of equity and net interest income, calculated under the supervisory shock scenarios defined in the PRA Rulebook. 31 December 2022 disclosures are reported on a solo basis and 30 June 2023 are reported on a consolidated basis.

Table 33: UK IRRBB1 – Quantitative information on IRRBB

		ΔEVE		ΔNII		Tier 1 capital	
		30 Jun 2023	31 Dec 2022	**30 Jun 2023**	31 Dec 2022	**30 Jun 2023**	31 Dec 2022
		£m	£m	**£m**	£m	**£m**	£m
10	Parallel shock up	**(1,174)**	(458)	**934**	1,697		
20	Parallel shock down	**696**	294	**(1,244)**	(2,414)		
30	Steepener shock	**(356)**	(280)				
40	Flattener shock	**65**	103				
50	Short rates shock up	**(295)**	4				
60	Short rates shock down	**149**	(19)				
70	Maximum	**(1,174)**	(458)	**(1,244)**	(2,414)		
80	Tier 1 capital					**16,633**	14,771

Countercyclical capital buffer

The table 34 below discloses the geographical distribution of credit exposures relevant to the calculation of the countercyclical capital 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 0.1%, or that are material in nature are disclosed below.

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

	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures		Own funds requirements						
	SA	IRB	Sum of long/ short positions for SA	Internal models	Total Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk weighted exposure amounts	Own funds requirements weights	CCyB rate
Country	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**	**%**
Australia	—	310	—	—	—	310	7	—	—	7	89	0.11	1.00
Bulgaria	—	4	—	—	—	4	—	—	—	—	1	0.00	1.50
Croatia	—	—	—	—	—	—	—	—	—	—	—	0.00	0.50
Czech Republic	—	8	—	—	—	8	—	—	—	—	3	0.00	2.50
Denmark	78	18	—	—	—	96	7	—	—	7	82	0.10	2.50
Estonia	—	1	—	—	—	1	—	—	—	—	—	0.00	1.00
France	—	94	—	—	—	94	1	—	—	1	17	0.02	0.50
Germany	—	82	—	—	—	83	2	—	—	2	27	0.03	0.75
Guernsey	438	81	—	—	—	519	37	—	—	37	461	0.55	0.00
Hong Kong	—	1,388	—	—	—	1,388	24	—	—	24	294	0.35	1.00
Iceland	—	—	—	—	—	—	—	—	—	—	—	0.00	2.00
Ireland	141	319	—	—	—	461	19	—	—	19	236	0.28	0.50
Jersey	800	409	—	—	—	1,210	86	—	—	86	1,080	1.28	0.00
Luxembourg	2,095	449	—	—	—	2,543	187	—	—	187	2,343	2.78	0.50
Netherlands	74	771	—	—	—	845	29	—	—	29	362	0.43	1.00
Norway	20	5	—	—	—	25	2	—	—	2	21	0.02	2.50
Romania	—	11	—	—	—	11	—	—	—	—	4	0.00	0.50
Slovakia	—	12	—	—	—	12	—	—	—	—	6	0.01	1.00
Spain	96	39	—	—	—	135	8	—	—	8	103	0.12	0.00
Sweden	322	10	—	—	—	332	26	—	—	26	323	0.38	2.00
Switzerland	2	365	—	—	—	367	9	—	—	9	118	0.14	0.00
United Arab Emirates	6	648	—	—	—	654	9	—	—	9	111	0.13	0.00
United Kingdom	5,879	239,061	—	—	2,475	247,415	6,110	—	31	6,142	76,772	90.97	1.00
Other countries	410	4,222	—	—	—	4,631	155	—	—	155	1,942	2.30	0.00
Total 30 Jun 2022	**10,361**	**248,309**	**—**	**—**	**2,475**	**261,145**	**6,720**	**—**	**31**	**6,752**	**84,395**	**100.00**	

Table 35 the total RWA calculated in accordance with Article 92(3) of CRR II and provides an overview of institution-specific countercyclical capital exposure and buffer requirement.

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

	At 30 Jun 2023
Total Risk Exposure Amount (£m)	99,098
Institution specific countercyclical capital buffer rate (%)	0.95
Institution specific countercyclical capital buffer requirement (£m)	937

Liquidity risk

Management of liquidity and funding risk

We aim to ensure that management has oversight of our liquidity and funding risks by maintaining comprehensive policies, metrics and controls.

Liquidity coverage ratio

The LCR aims to ensure that a bank has sufficient unencumbered high-quality liquid assets ('HQLA') to meet its liquidity needs in a 30-calendar day liquidity stress scenario. For the calculation of the LCR, we follow Article 451a of CRR II.

HSBC UK's liquid asset buffer mainly comprised of central bank reserves and Level 1 securities.

HSBC UK's average LCR for the 12 months was 213% as at 30 June 2023 and 226% as at 31 December 2022, well above minimum regulatory requirements. The reduction in average LCR is mainly on account of mortgage growth of c.£2bn and deposit reduction of c. £5bn.

Net stable funding ratio

We use NSFR or other appropriate metric as a basis for ensuring operating entities raise sufficient stable funding to support their business activities. The NSFR is defined as the ratio between the amount of available stable funding and the amount of required funding. From 01 January 2022, we have started managing funding risk based on the PRA's NSFR rules.

HSBC UK's average NSFR over the four quarters to 30 June 2023 was 162% and 164% at 31 December 2022, well above the minimum regulatory requirements. The reduction in average NSFR is mainly on account of mortgage growth of c.£2bn and deposit reduction of c. £5bn.

Currency mismatch in the LCR

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

More details on the concentration of funding and liquidity sources may be found on page 31 of the *Interim Report June 2023* and page 53 of the *Annual Report and Accounts 2022.*

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

The HSBC UK Bank Domestic Liquidity Sub-group comprises: The HSBC UK Bank Domestic Liquidity Sub-group comprises: HSBC UK Bank plc, Marks and Spencer Financial Services plc, HSBC Trust Company (UK) Limited, HSBC Private Bank (UK) Limited and HSBC Innovation Bank Limited (HSBC Innovation Bank Limited is included from 31 March 2023 reporting).

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Table 36 below sets out the granular split of cash outflows and cash inflows, as well as it's available high quality liquid assets on both an unweighted and weighted basis, that are used to derive the liquidity coverage ratio.

Table 36: UK LIQ1 – Quantitative information of LCR

	Quarter ended							
	30 Jun 2023		31 Mar 2023		31 Dec 2022		30 Sep 2022	
	Total unweighted value	**Total weighted value**	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
	£m	**£m**	£m	£m	£m	£m	£m	£m
Number of data points used in the calculation of averages		**12**		12		12		
High quality liquid assets								
Total high quality liquid assets ('HQLA')		**102,757**	—	107,018	—	110,722		114,008
Cash outflows								
Retail deposits and small business funding	**202,307**	**16,675**	204,713	16,800	205,647	16,718	204,995	16,462
– *of which:*								
stable deposits	***126,378***	***6,319***	*127,527*	*6,377*	*128,482*	*6,424*	*129,049*	*6,452*
less stable deposits	***75,929***	***10,356***	*77,186*	*10,423*	*77,165*	*10,294*	*75,946*	*10,010*
Unsecured wholesale funding	**74,905**	**29,005**	75,164	28,975	75,367	29,084	75,390	29,263
– operational deposits (all counterparties) and deposits in networks of cooperative banks	**22,667**	**5,302**	22,532	5,274	22,250	5,217	21,673	5,088
– non-operational deposits (all counterparties)	**52,087**	**23,552**	52,498	23,567	52,972	23,722	53,559	24,017
– unsecured debt	**151**	**151**	134	134	145	145	158	158
Secured wholesale funding	**—**	**—**	—	—				
Additional requirements	**23,860**	**3,374**	22,766	3,105	22,405	2,998	22,281	2,992
– outflows related to derivative exposures and other collateral requirements	**691**	**691**	652	651	578	578	528	519
– credit and liquidity facilities	**23,169**	**2,683**	22,114	2,454	21,827	2,420	21,753	2,473
Other contractual funding obligations	**745**	**522**	728	502	698	471	647	407
Other contingent funding obligations	**54,472**	**4,054**	54,543	4,250	55,429	4,468	56,708	4,586
Total cash outflows	**—**	**53,629**	—	53,632		53,739		53,710
Cash inflows								
Secured lending transactions (including reverse repos)	**4,459**	**56**	4,231	49	3,266	49	2,079	33
Inflows from fully performing exposures	**3,683**	**2,987**	3,425	2,687	3,261	2,514	3,176	2,458
Other cash inflows	**10,845**	**2,350**	10,803	2,273	10,593	2,230	10,250	2,147
Total cash inflows	**18,987**	**5,393**	18,459	5,009	17,120	4,793	15,505	4,638
Inflows Subject to 75% Cap	**18,987**	**5,393**	18,459	5,009	17,120	4,793	15,505	4,638
Liquidity Buffer		**102,757**	—	107,018		110,722		114,008
Total net cash outflows		**48,236**	—	48,623		48,946		49,072
Liquidity coverage ratio (%)		**213.0**		220.1		226.2		232.3

Table 37 below shows the components of the net stable funding ratio for unweighted values by residual maturity and the resultant weighted amounts.

Table 37: UK LIQ2 – Net Stable Funding Ratio

		30 June 2023				
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
		£m	£m	£m	£m	£m
Available stable funding ('ASF') Items						
1	Capital items and instruments	**22,197**	**—**	**—**	**3,077**	**25,274**
2	– Own funds	**22,197**	**—**	**—**	**3,077**	**25,274**
4	Retail deposits	**—**	**202,212**	**—**	**—**	**188,308**
5	– Stable deposits	**—**	**126,347**	**—**	**—**	**120,030**
6	– Less stable deposits	**—**	**75,865**	**—**	**—**	**68,278**
7	Wholesale funding:	**—**	**86,959**	**1,545**	**18,653**	**55,942**
8	– Operational deposits	**—**	**22,873**	**—**	**—**	**11,436**
9	– Other wholesale funding	**—**	**64,087**	**1,545**	**18,653**	**44,505**
10	Interdependent liabilities	**—**	**0**	**0**	**0**	**0**
11	Other liabilities:	**—**	**4,729**	**—**	**—**	**—**
13	– All other liabilities and capital instruments not included in the above categories		**4,729**			
14	**Total available stable funding ('ASF') at 30 Jun 2023**					**269,524**
Required stable funding ('RSF') Items						
15	**Total high-quality liquid assets ('HQLA')**	**110,968**				**308**
17	Performing loans and securities:		**31,563**	**11,460**	**169,452**	**141,464**
18	– Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		**6,389**	**2,227**	**—**	**1,124**
19	– Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		**160**	**—**	**—**	**8**
20	– Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		**16,809**	**5,520**	**49,130**	**52,101**
21	– *of which: With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		***598***	***547***	***4,117***	***3,249***
22	– Performing residential mortgages		**3,014**	**2,748**	**118,789**	**85,421**
23	– *of which: With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		***2,990***	***2,732***	***117,691***	***84,467***
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		**5,190**	**965**	**1,533**	**2,810**
25	Interdependent assets		**0**	**0**	**0**	**0**
26	Other assets:		**4,399**	**—**	**12,823**	**16,607**
28	– Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		**77**			**66**
29	– NSFR derivative assets		**236**			**236**
30	– NSFR derivative liabilities before deduction of variation margin posted		**384**			**19**
31	– All other assets not included in the above categories		**3,702**	**—**	**12,823**	**16,286**
32	Off-balance sheet items		**16,971**	**2,655.00**	**59,113.00**	**8,515**
33	**Total RSF at 30 Jun 2023**					**166,895**
34	Net Stable Funding Ratio (%)					**161.5**

Table 37: UK LIQ2 – Net Stable Funding Ratio (continued)

		31 December 2022				
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
		£m	£m	£m	£m	£m
Available stable funding ('ASF') Items						
1	Capital items and instruments	22,192			3,075	25,267
2	– Own funds	22,192			3,075	25,267
4	Retail deposits		206,425			192,207
5	– Stable deposits		128,479			122,055
6	– Less stable deposits		77,946			70,151
7	Wholesale funding:		86,821	962	19,321	56,328
8	– Operational deposits		22,514			11,257
9	– Other wholesale funding		64,307	962	19,321	45,071
10	Interdependent liabilities					
11	Other liabilities:		4,700			
13	– All other liabilities and capital instruments not included in the above categories		4,700			
14	Total available stable funding ('ASF') at 31 Dec 2022					273,802
Required stable funding ('RSF') Items						
15	Total high-quality liquid assets ('HQLA')	117,351				288
UK-15a	Assets encumbered for more than 12m in cover pool					
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:		32,084	11,761	165,866	138,852
18	– Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		7,890	3,170		1,596
19	– Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		87			4
20	– Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		17,865	5,680	48,271	51,810
21	– *of which: With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*780*	*577*	*4,966*	*3,906*
22	– Performing residential mortgages		2,834	2,778	116,385	83,520
23	– *of which: With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*2,819*	*2,769*	*115,932*	*83,123*
24	– Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		3,408	133	1,210	1,922
25	Interdependent assets					
26	Other assets:		4,355		13,167	16,881
27	– Physical traded commodities					
28	– Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		96			82
29	– NSFR derivative assets		217			217
30	– NSFR derivative liabilities before deduction of variation margin posted		328			16
31	– All other assets not included in the above categories		3,714		13,167	16,566
32	Off-balance sheet items				76,911	10,530
33	Total RSF at 31 Dec 2022					166,551
34	Net Stable Funding Ratio (%)					164.4

Appendix III

Summary of disclosures withheld

CRD IV reference	Description	Rationale
453(j)	UK CR7 – IRB approach – Effect on the Risk Weighted Exposure amounts of credit derivatives used as CRM techniques	HSBC UK does not have any exposures secured by credit derivatives

Other information

Abbreviations

The following abbreviated terms are used throughout this document.

Currencies	
£	GB Pound
A	
AIRB	Advanced IRB
ALCO	Asset and Liability Management Committee
AT1 capital	Additional tier 1 capital
B	
Basel	Basel Committee on Banking Supervision
C	
CCF[1]	Credit conversion factor
CCP	Central counterparty
CCR[1]	Counterparty credit risk
CCyB[1]	Countercyclical capital buffer
CET1[1]	Common equity tier 1
CRD IV[1]	Capital Requirements Regulation and Directive
CRM	Credit risk mitigation/mitigant
CRR II	Capital Requirements Regulation
CVA	Credit valuation adjustment
E	
EAD[1]	Exposure at default
EBA	European Banking Authority
ECL	Expected credit loss
ESG	Environmental, Social and Governance
EU	European Union
EVE	Economic Value of Equity
F	
FIRB	Foundation IRB
G	
G-SIB[1]	Global systemically important bank
G-SII	Global systemically important institution
H	
HMT	Her Majesty's Treasury
HQLA	High-quality liquid assets
I	
IAA[1]	Internal assessment approach
ICAAP[1]	Internal capital adequacy assessment process
IFRSs	International Financial Reporting Standards
ILAAP	Individual liquidity adequacy assessment
IMA	Internal models approach
IMM[1]	Internal model method
IRB[1]/RBA	Internal ratings-based approach
IRC[1]	Incremental risk charge
IRRBB	Interest Rate Risk in the Banking Book
ISSB	International Sustainability Standards Board
L	
LCR	Liquidity coverage ratio
LGD[1]	Loss given default
N	
NCOA	Non-credit obligation asset
NII	Net Interest Income
NPL	Non-performing loan
NSFR	Net stable funding ratio
O	
O-SII	Other Systemically Important Institutions
OTC[1]	Over-the-counter
P	
PD[1]	Probability of default
PFE	Potential future exposures
PRA[1]	Prudential Regulation Authority (UK)
Q	
QCCPs	Qualifying central counterparties
R	
RAS	Risk appetite statement
RWA[1]	Risk-weighted asset
S	
SA/STD[1]	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
SFT[1]	Securities financing transactions
SME	Small and medium-sized enterprise
SPE[1]	Special purpose entity
SREP	Supervisory Review and Evaluation Process
SRT	Significant Risk Transfer
STS	Simple, Transparent and Standardised
SVB UK	Silicon Valley Bank UK Limited
T	
T1 capital	Tier 1 capital
T2 capital	Tier 2 capital
U	
UK	United Kingdom
V	
VaR1	Value at risk

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

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