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### Certain defined terms

Unless the context requires otherwise, 'HSBC Holdings' means HSBC Holdings plc and 'HSBC', the 'Group', 'we', 'us' and 'our' refer to HSBC Holdings together with its subsidiaries. Within this document the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'. When used in the terms 'shareholders' equity' and 'total shareholders' equity', 'shareholders' means holders of HSBC Holdings ordinary shares and those preference shares and capital securities issued by HSBC Holdings classified as equity. The abbreviations '\$m' and '\$bn' and '\$tn' represent millions, billions (thousands of millions) and trillions of US dollars, respectively.

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## Regulatory framework for disclosures

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

At a consolidated Group level, we calculate capital for prudential regulatory reporting purposes using the Basel III framework of the Basel Committee on Banking Supervision ('the Basel Committee') as implemented by the European Union ('EU') in the amended Capital Requirements Directive and Regulation ('CRD IV'), and in the PRA Rulebook for the UK banking industry. The regulators of Group banking entities outside the EU are at varying stages of implementation of the Basel III framework, so local regulation in 2017 may have been on the basis of the Basel I, II or III frameworks.

The Basel III framework is structured around three 'pillars': the Pillar 1 minimum capital requirements and Pillar 2 supervisory review process are complemented by Pillar 3 which concerns 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 Committee's framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy.

The PRA's final rules adopted national discretions in order to accelerate significantly the transition timetable to full 'end point' CRD IV compliance.

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## Pillar 3 disclosures

Our Pillar 3 disclosures at 30 June 2017 comprise all information required under Pillar 3, both quantitative and qualitative. They are made in accordance with Part 8 of the Capital Requirements Regulation within CRD IV and as recommended by the European Banking Authority ('EBA') guidelines on disclosure requirements issued in December 2016. Additionally, we continue to present a number of Basel Committee's templates where these do not overlap with the EBA guidelines. These disclosures are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

The Pillar 3 disclosures are governed by the Group's disclosure policy framework as approved by the Group Audit Committee ('GAC'). Pillar 3 requires all material risks to be disclosed, enabling a comprehensive view of a bank's risk profile.

Where disclosures have been enhanced, or are new, we do not generally restate or provide prior-year comparatives. The capital resources tables track the position from a CRD IV transitional to an end-point basis. Furthermore, specific rows and columns in the tables which are not considered to be relevant to HSBC's activities have been omitted.

Pillar 3 requirements may be met by inclusion in other disclosure media. Where we adopt this approach, references are provided to the relevant pages of the *Interim Report 2017* or to other locations.

We continue to engage constructively with the UK authorities and industry associations to improve the transparency and comparability of UK banks' Pillar 3 disclosures.

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## Regulatory developments

### Basel Committee

During the first half of 2017, the Basel Committee proposed further revisions to the regulatory capital framework. In particular, it published:

- a second consultation regarding the identification and management of step-in risk;
- the interim regulatory treatment and transitional requirements for International Financial Reporting Standard 9, Financial Instruments ('IFRS 9') provisions;
- the final Phase 2 Pillar 3 standards; and
- a consultation to revise the global systemically important banks ('G-SIB') assessment framework.

In addition, the Basel Committee confirmed that it has largely completed the technical work needed to revise the Basel III regulatory capital framework, including the approaches to credit risk, operational risk and the leverage ratio. The only outstanding area is the proposal to implement a capital floor for modelled risk-weighted assets ('RWAs'), where the final calibration and associated transitional provisions are expected. In all instances, the final standards will have to be transposed into the relevant local law before coming into effect.

### Financial Stability Board

In July 2017, the Financial Stability Board ('FSB') expanded its resolution reform policy framework with the publication of its 'Guiding Principles on the Internal Total Loss-absorbing Capacity of G-SIBs ('Internal TLAC')'. These guidelines supplement the FSB's TLAC standard published in November 2015. Again, this needs to be incorporated into the relevant local law before coming into effect.

### European Union

In the EU, elements of the Basel Committee's and FSB's reforms are being implemented through revisions to the CRD IV and the EU resolution framework. The key components include changes to the market risk and counterparty credit risk frameworks, a binding leverage ratio and the regulatory recognition of IFRS 9. It also includes details of the minimum requirements for TLAC, which in the EU is known as the 'Minimum Requirements for own funds and Eligible Liabilities' ('MREL'). These changes are expected to be finalised by 2019 and apply from 1 January 2021, with the exception of the rules on MREL and the transitional capital provisions for IFRS 9, which are expected to apply from 1 January 2019 and 1 January 2018, respectively.

In June, the EU reached agreement on the new securitisation capital rules. This is expected to be implemented on 1 January 2019 for new transactions and on 1 January 2020 for existing positions.

### Bank of England

In the UK, the Bank of England ('BoE') published its policy on setting MREL in November 2016. Elements of this policy remain outstanding, including the application of MREL within groups and the treatment of holdings of TLAC instruments. Meanwhile, in March 2017, HSBC received from the BoE its indicative MREL requirement applicable to HSBC Holdings plc and its European Resolution Group (comprised of HSBC Bank plc and its subsidiaries). This includes interim MREL requirements effective from 1 January 2019 and final requirements effective from 1 January 2022. The BoE also formally confirmed 'multiple-point-of-entry' as the preferred resolution strategy for HSBC. In May, the BoE published the quantum of MREL requirements for major UK banks.

## Pillar 3 Disclosures at 30 June 2017

In June 2017, the Financial Policy Committee ('FPC') raised the countercyclical buffer rate for UK exposures to 0.5%, to apply from 27 June 2018. It will consider in November whether a further increase to 1% should take effect from November 2018.

In June 2017, the BoE also consulted on the UK leverage ratio framework, proposing to exclude claims on central banks from the leverage exposure measure and, as a result, recalibrating the minimum leverage ratio for HSBC from 3% to 3.25% of tier 1 capital, to take effect during 2017.

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### Structure of the regulatory group

Subsidiaries engaged in insurance activities are excluded from the regulatory consolidation by excluding assets, liabilities and post-acquisition reserves, leaving the Group's investment

in these insurance subsidiaries to be recorded at cost and deducted from common equity tier 1 ('CET1') capital (subject to thresholds).

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

Participating interests in banking associates are proportionally consolidated for regulatory purposes by including our share of assets, liabilities, profit and loss, and risk-weighted assets ('RWAs') in accordance with the PRA's application of EU legislation. Non-participating significant investments along with non-financial associates are deducted from capital (subject to thresholds).

Table 1: Reconciliation of balance sheets – financial accounting to regulatory scope of consolidation

|   |                   | Accounting<br>balance<br>sheet | Deconsolidation<br>of insurance/<br>other entities | Consolidation<br>of banking<br>associates | Regulatory<br>balance<br>sheet |
|---|-------------------|--------------------------------|--|---|--------------------------------|
|   | Ref               | \$m                            | \$m  | \$m                                       | \$m                            |
| <b>Assets</b>   |                   |                                |  |   |                                |
| Cash and balances at central banks  |                   | 163,353                        | (43)   | 1,177                                     | 164,487                        |
| Items in the course of collection from other banks  |                   | 7,129                          | –  | 26  | 7,155                          |
| Hong Kong Government certificates of indebtedness   |                   | 31,943                         | –  | –   | 31,943                         |
| Trading assets  |                   | 320,037                        | (334)  | 2   | 319,705                        |
| Financial assets designated at fair value   |                   | 27,937                         | (27,239)   | –   | 698                            |
| Derivatives   |                   | 229,719                        | (143)  | 56  | 229,632                        |
| Loans and advances to banks   |                   | 86,633                         | (1,798)  | 1,390                                     | 86,225                         |
| Loans and advances to customers   |                   | 919,838                        | (3,303)  | 12,919                                    | 929,454                        |
| – of which: impairment allowances on IRB portfolios   | <i>h</i>          | (4,884)                        | –  | –   | (4,884)                        |
| Reverse repurchase agreements – non-trading   |                   | 196,834                        | 424  | 1,642                                     | 198,900                        |
| Financial investments   |                   | 385,378                        | (58,605)   | 2,959                                     | 329,732                        |
| Assets held for sale  |                   | 2,301                          | –  | –   | 2,301                          |
| – of which: impairment allowances on IRB portfolios   | <i>h</i>          | (115)                          | –  | –   | (115)                          |
| Capital invested in insurance and other entities  |                   | –                              | 2,406  | –   | 2,406                          |
| Prepayments, accrued income and other assets  |                   | 70,592                         | (3,491)  | 330                                       | 67,431                         |
| – of which: retirement benefit assets   | <i>i</i>          | 7,036                          | –  | –   | 7,036                          |
| Current tax assets  |                   | 1,054                          | (39)   | –   | 1,015                          |
| Interests in associates and joint ventures  |                   | 21,071                         | (350)  | (3,826)                                   | 16,895                         |
| – of which: positive goodwill on acquisition  | <i>e</i>          | 500                            | (14)   | –   | 486                            |
| Goodwill and intangible assets  | <i>e</i>          | 22,653                         | (6,888)  | –   | 15,765                         |
| Deferred tax assets   | <i>f</i>          | 5,971                          | 199  | 2   | 6,172                          |
| <b>Total assets at 30 Jun 2017</b>  |                   | <b>2,492,443</b>               | <b>(99,204)</b>                                    | <b>16,677</b>                             | <b>2,409,916</b>               |
| <b>Liabilities and equity</b>   |                   |                                |  |   |                                |
| Hong Kong currency notes in circulation   |                   | 31,943                         | –  | –   | 31,943                         |
| Deposits by banks   |                   | 64,230                         | (107)  | 559                                       | 64,682                         |
| Customer accounts   |                   | 1,311,958                      | (45)   | 15,100                                    | 1,327,013                      |
| Repurchase agreements – non-trading   |                   | 145,306                        | –  | –   | 145,306                        |
| Items in the course of transmission to other banks  |                   | 7,799                          | –  | –   | 7,799                          |
| Trading liabilities   |                   | 202,401                        | 819  | –   | 203,220                        |
| Financial liabilities designated at fair value  |                   | 93,163                         | (6,256)  | –   | 86,907                         |
| – of which:   |                   |                                |  |   |                                |
| included in tier 1  | <i>m</i>          | 437                            | –  | –   | 437                            |
| included in tier 2  | <i>n, q</i>       | 24,182                         | –  | –   | 24,182                         |
| Derivatives   |                   | 223,413                        | 3  | 55  | 223,471                        |
| Debt securities in issue  |                   | 63,289                         | (2,787)  | 324                                       | 60,826                         |
| Liabilities of disposal groups held for sale  |                   | 620                            | –  | –   | 620                            |
| Accruals, deferred income and other liabilities   |                   | 42,724                         | 1,207  | 499                                       | 44,430                         |
| Current tax liabilities   |                   | 1,186                          | (47)   | –   | 1,139                          |
| Liabilities under insurance contracts   |                   | 81,147                         | (81,147)   | –   | –                              |
| Provisions  |                   | 4,379                          | (18)   | 140                                       | 4,501                          |
| – of which: credit-related contingent liabilities and contractual commitments on IRB portfolios | <i>h</i>          | 217                            | –  | –   | 217                            |
| Deferred tax liabilities  |                   | 1,886                          | (1,070)  | –   | 816                            |
| Subordinated liabilities  |                   | 21,213                         | 1  | –   | 21,214                         |
| – of which:   |                   |                                |  |   |                                |
| included in tier 1  | <i>k, m</i>       | 1,800                          | –  | –   | 1,800                          |
| included in tier 2  | <i>n, o, q</i>    | 19,413                         | –  | –   | 19,413                         |
| <b>Total liabilities at 30 Jun 2017</b>   |                   | <b>2,296,657</b>               | <b>(89,447)</b>                                    | <b>16,677</b>                             | <b>2,223,887</b>               |
| Called up share capital   | <i>a</i>          | 10,188                         | –  | –   | 10,188                         |
| Share premium account   | <i>a, k</i>       | 12,069                         | –  | –   | 12,069                         |
| Other equity instruments  | <i>j, k</i>       | 20,830                         | –  | –   | 20,830                         |
| Other reserves  | <i>c, g</i>       | 4,472                          | 1,564  | –   | 6,036                          |
| Retained earnings   | <i>b, c</i>       | 140,837                        | (10,584)   | –   | 130,253                        |
| Total shareholders' equity  |                   | 188,396                        | (9,020)  | –   | 179,376                        |
| Non-controlling interests   | <i>d, l, m, p</i> | 7,390                          | (737)  | –   | 6,653                          |
| – of which: non-cumulative preference shares issued by subsidiaries included in tier 1 capital  | <i>m</i>          | 270                            | –  | –   | 270                            |
| <b>Total equity at 30 Jun 2017</b>  |                   | <b>195,786</b>                 | <b>(9,757)</b>                                     | <b>–</b>                                  | <b>186,029</b>                 |
| <b>Total liabilities and equity at 30 Jun 2017</b>  |                   | <b>2,492,443</b>               | <b>(99,204)</b>                                    | <b>16,677</b>                             | <b>2,409,916</b>               |

The references (a) – (q) identify balance sheet components that are used in the calculation of regulatory capital on page 7.

## Pillar 3 Disclosures at 30 June 2017

Table 1: Reconciliation of balance sheets – financial accounting to regulatory scope of consolidation (continued)

|   | Ref               | Accounting<br>balance sheet<br>\$m | Deconsolidation<br>of insurance/<br>other entities<br>\$m | Consolidation<br>of banking<br>associates<br>\$m | Regulatory<br>balance sheet<br>\$m |
|---|-------------------|------------------------------------|---|--|------------------------------------|
| <b>Assets</b>   |                   |                                    |   |  |                                    |
| Cash and balances at central banks  |                   | 128,009                            | (27)  | 1,197  | 129,179                            |
| Items in the course of collection from other banks  |                   | 5,003                              | –   | 26   | 5,029                              |
| Hong Kong Government certificates of indebtedness   |                   | 31,228                             | –   | –  | 31,228                             |
| Trading assets  |                   | 235,125                            | (198)   | 1  | 234,928                            |
| Financial assets designated at fair value   |                   | 24,756                             | (24,481)  | –  | 275                                |
| Derivatives   |                   | 290,872                            | (145)   | 77   | 290,804                            |
| Loans and advances to banks   |                   | 88,126                             | (1,845)   | 922  | 87,203                             |
| Loans and advances to customers   |                   | 861,504                            | (3,307)   | 12,897   | 871,094                            |
| – of which: impairment allowances on IRB portfolios   | <i>h</i>          | (5,096)                            | –   | –  | (5,096)                            |
| Reverse repurchase agreements – non-trading   |                   | 160,974                            | 344   | 1,444  | 162,762                            |
| Financial investments   |                   | 436,797                            | (54,904)  | 3,500  | 385,393                            |
| Assets held for sale  |                   | 4,389                              | (7)   | –  | 4,382                              |
| – of which:   |                   |                                    |   |  |                                    |
| goodwill and intangible assets  | <i>e</i>          | 1                                  | –   | –  | 1                                  |
| impairment allowances on IRB portfolios   | <i>h</i>          | (146)                              | –   | –  | (146)                              |
| Capital invested in insurance and other entities  |                   | –                                  | 2,214   | –  | 2,214                              |
| Prepayments, accrued income and other assets  |                   | 59,520                             | (3,066)   | 306  | 56,760                             |
| – of which: retirement benefit assets   | <i>i</i>          | 4,714                              | –   | –  | 4,714                              |
| Current tax assets  |                   | 1,145                              | (118)   | –  | 1,027                              |
| Interests in associates and joint ventures  |                   | 20,029                             | –   | (4,195)  | 15,834                             |
| – of which: positive goodwill on acquisition  | <i>e</i>          | 488                                | –   | (475)  | 13                                 |
| Goodwill and intangible assets  | <i>e</i>          | 21,346                             | (6,651)   | 481  | 15,176                             |
| Deferred tax assets   | <i>f</i>          | 6,163                              | 176   | 5  | 6,344                              |
| <b>Total assets at 31 Dec 2016</b>  |                   | <b>2,374,986</b>                   | <b>(92,015)</b>   | <b>16,661</b>                                    | <b>2,299,632</b>                   |
| <b>Liabilities and equity</b>   |                   |                                    |   |  |                                    |
| Hong Kong currency notes in circulation   |                   | 31,228                             | –   | –  | 31,228                             |
| Deposits by banks   |                   | 59,939                             | (50)  | 441  | 60,330                             |
| Customer accounts   |                   | 1,272,386                          | (44)  | 14,997   | 1,287,339                          |
| Repurchase agreements – non-trading   |                   | 88,958                             | –   | –  | 88,958                             |
| Items in course of transmission to other banks  |                   | 5,977                              | –   | –  | 5,977                              |
| Trading liabilities   |                   | 153,691                            | 643   | 1  | 154,335                            |
| Financial liabilities designated at fair value  |                   | 86,832                             | (6,012)   | –  | 80,820                             |
| – of which:   |                   |                                    |   |  |                                    |
| included in tier 1  | <i>m</i>          | 411                                | –   | –  | 411                                |
| included in tier 2  | <i>n, q</i>       | 23,172                             | –   | –  | 23,172                             |
| Derivatives   |                   | 279,819                            | 193   | 64   | 280,076                            |
| Debt securities in issue  |                   | 65,915                             | (3,547)   | 662  | 63,030                             |
| Liabilities of disposal groups held for sale  |                   | 2,790                              | –   | –  | 2,790                              |
| Accruals, deferred income and other liabilities   |                   | 41,501                             | 1,810   | 495  | 43,806                             |
| Current tax liabilities   |                   | 719                                | (26)  | –  | 693                                |
| Liabilities under insurance contracts   |                   | 75,273                             | (75,273)  | –  | –                                  |
| Provisions  |                   | 4,773                              | (18)  | –  | 4,755                              |
| – of which: credit-related contingent liabilities and contractual commitments on IRB portfolios | <i>h</i>          | 267                                | –   | –  | 267                                |
| Deferred tax liabilities  |                   | 1,623                              | (981)   | 1  | 643                                |
| Subordinated liabilities  |                   | 20,984                             | 1   | –  | 20,985                             |
| – of which:   |                   |                                    |   |  |                                    |
| included in tier 1  | <i>k, m</i>       | 1,754                              | –   | –  | 1,754                              |
| included in tier 2  | <i>n, o, q</i>    | 18,652                             | –   | –  | 18,652                             |
| <b>Total liabilities at 31 Dec 2016</b>   |                   | <b>2,192,408</b>                   | <b>(83,304)</b>   | <b>16,661</b>                                    | <b>2,125,765</b>                   |
| Called up share capital   | <i>a</i>          | 10,096                             | –   | –  | 10,096                             |
| Share premium account   | <i>a, k</i>       | 12,619                             | –   | –  | 12,619                             |
| Other equity instruments  | <i>j, k</i>       | 17,110                             | –   | –  | 17,110                             |
| Other reserves  | <i>c, g</i>       | (1,234)                            | 1,735   | –  | 501                                |
| Retained earnings   | <i>b, c</i>       | 136,795                            | (9,442)   | –  | 127,353                            |
| <b>Total shareholders' equity</b>   |                   | <b>175,386</b>                     | <b>(7,707)</b>  | <b>–</b>   | <b>167,679</b>                     |
| Non-controlling interests   | <i>d, l, m, p</i> | 7,192                              | (1,004)   | –  | 6,188                              |
| – of which: non-cumulative preference shares issued by subsidiaries included in tier 1 capital  | <i>m</i>          | 260                                | –   | –  | 260                                |
| <b>Total equity at 31 Dec 2016</b>  |                   | <b>182,578</b>                     | <b>(8,711)</b>  | <b>–</b>   | <b>173,867</b>                     |
| <b>Total liabilities and equity at 31 Dec 2016</b>  |                   | <b>2,374,986</b>                   | <b>(92,015)</b>   | <b>16,661</b>                                    | <b>2,299,632</b>                   |



## Pillar 3 Disclosures at 30 June 2017

Table 2: Own funds disclosure (continued)

| Ref <sup>*</sup> | Ref <sup>†</sup>   | At<br>30 Jun<br>2017<br>\$m | CRD IV<br>prescribed<br>residual<br>amount<br>\$m | Final<br>CRD IV<br>text<br>\$m |
|------------------|--|-----------------------------|---|--------------------------------|
| 48               | Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in CET1 or AT1) issued by subsidiaries and held by third parties                                       | 10,290                      | (10,223)  | 67                             |
| 49               | – of which: instruments issued by subsidiaries subject to phase out  | 10,236                      | (10,236)  | –                              |
| 51               | <b>Tier 2 capital before regulatory adjustments</b>  | <b>31,885</b>               | <b>(14,969)</b>                                   | <b>16,916</b>                  |
|                  | <b>Tier 2 capital: regulatory adjustments</b>  |                             |   |                                |
| 52               | Direct and indirect holdings of own T2 instruments   | (40)                        |   | (40)                           |
| 55               | Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)           | (447)                       | (50)  | (497)                          |
| 57               | <b>Total regulatory adjustments to tier 2 capital</b>  | <b>(487)</b>                | <b>(50)</b>                                       | <b>(537)</b>                   |
| 58               | <b>Tier 2 capital</b>  | <b>31,398</b>               | <b>(15,019)</b>                                   | <b>16,379</b>                  |
| 59               | <b>Total capital (TC = T1 + T2)</b>  | <b>183,892</b>              | <b>(23,507)</b>                                   | <b>160,385</b>                 |
| 60               | <b>Total risk-weighted assets</b>  | <b>876,118</b>              | <b>–</b>  | <b>876,118</b>                 |
|                  | <b>Capital ratios and buffers</b>  |                             |   |                                |
| 61               | Common equity tier 1   | 14.7%                       |   | 14.7%                          |
| 62               | Tier 1   | 17.4%                       |   | 16.4%                          |
| 63               | Total capital  | 21.0%                       |   | 18.3%                          |
| 64               | Institution specific buffer requirement  | 2.70%                       |   |                                |
| 65               | – capital conservation buffer requirement  | 1.25%                       |   |                                |
| 66               | – countercyclical buffer requirement   | 0.20%                       |   |                                |
| 67a              | – Global Systemically Important Institution ('G-SII') buffer   | 1.25%                       |   |                                |
| 68               | Common equity tier 1 available to meet buffers   | 8.6%                        |   |                                |
|                  | <b>Amounts below the threshold for deduction (before risk weighting)</b>   |                             |   |                                |
| 72               | Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)                   | 4,213                       |   |                                |
| 73               | Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 13,497                      |   |                                |
| 75               | Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)  | 5,765                       |   |                                |
|                  | <b>Applicable caps on the inclusion of provisions in tier 2</b>  |                             |   |                                |
| 77               | Cap on inclusion of credit risk adjustments in T2 under standardised approach  | 2,267                       |   |                                |
| 79               | Cap for inclusion of credit risk adjustments in T2 under IRB approach  | 3,015                       |   |                                |
|                  | <b>Capital instruments subject to phase out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)</b>   |                             |   |                                |
| 82               | Current cap on AT1 instruments subject to phase out arrangements   | 8,652                       |   |                                |
| 83               | Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)   | 1,526                       |   |                                |
| 84               | Current cap on T2 instruments subject to phase out arrangements  | 14,982                      |   |                                |
| 85               | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)  | 6,056                       |   |                                |

\* The references identify the lines prescribed in the European Banking Authority ('EBA') template. Lines represented in this table are those lines which are applicable and where there is a value.

† The references (a) – (q) identify balance sheet components on page 5 which are used in the calculation of regulatory capital.

## Leverage ratio

Our leverage ratio calculated in accordance with CRD IV was 5.7% at 30 June 2017, up from 5.4% at 31 December 2016. This was mainly due to increased capital.

In 2016, following recommendations from the Bank of England's Financial Policy Committee ('FPC'), a modification to exclude qualifying central bank balances from the leverage exposure measure was made.

In June 2017, the FPC recommended that the PRA increase the minimum requirement of the UK leverage ratio from 3% to 3.25%. This is intended to compensate for the reduction in the capital requirement resulting from the modification to the UK leverage exposure measure. This increase is expected to come into effect before the end of the year.

At 30 June 2017, our UK minimum leverage ratio requirement of 3% was supplemented by an additional leverage ratio buffer of 0.4% and a countercyclical leverage ratio buffer of 0.1%.

These additional buffers translate into capital values of \$10.4bn and \$3.2bn respectively. We comfortably exceeded these leverage requirements.

The risk of excessive leverage is managed as part of HSBC's global risk appetite framework and monitored using a leverage ratio metric within our risk appetite statement ('RAS'). The RAS articulates the aggregate level and types of risk that HSBC is willing to accept in its business activities in order to achieve its strategic business objectives. The RAS measures are monitored via the risk appetite profile report, which includes comparisons of actual performance against the risk appetite and tolerance thresholds assigned to each metric, to ensure that any excessive risk is highlighted, assessed and mitigated appropriately. The risk appetite profile report is presented monthly to the Risk Management Meeting of the Group Management Board ('RMM') and the Group Risk Committee ('GRC').

Table 3: Summary reconciliation of accounting assets and leverage ratio exposures

| Ref* |   | At             |                |
|------|---|----------------|----------------|
|      |   | 30 Jun 2017    | 31 Dec 2016    |
|      |   | \$bn           | \$bn           |
| 1    | Total assets as per published financial statements  | 2,492.4        | 2,375.0        |
|      | Adjustments for:  |                |                |
| 2    | - entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation | (82.5)         | (75.4)         |
| 4    | - derivative financial instruments  | (106.0)        | (158.6)        |
| 5    | - securities financing transactions ('SFTs')  | 12.5           | 10.1           |
| 6    | - off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)         | 239.9          | 223.1          |
| 7    | - other   | (23.3)         | (19.8)         |
| 8    | <b>Total leverage ratio exposure</b>  | <b>2,533.0</b> | <b>2,354.4</b> |

\* The references identify the lines prescribed in the EBA template. Lines represented in this table are those lines which are applicable and where there is a value.

Table 4: Leverage ratio common disclosure

| Ref*  |   | At                     |                 |
|-------|---|------------------------|-----------------|
|       |   | 30 Jun 2017            | 31 Dec 2016     |
|       |   | \$bn                   | \$bn            |
|       | <b>On-balance sheet exposures (excluding derivatives and SFTs)</b>  |                        |                 |
| 1     | On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)                       | 1,967.6                | 1,844.4         |
| 2     | (Asset amounts deducted in determining tier 1 capital)  | (33.8)                 | (34.4)          |
| 3     | <b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)</b>                                | <b>1,933.8</b>         | <b>1,810.0</b>  |
|       | <b>Derivative exposures</b>   |                        |                 |
| 4     | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)                | 29.3                   | 43.7            |
| 5     | Add-on amounts for potential future exposure ('PFE') associated with all derivatives transactions (mark-to-market method) | 120.5                  | 110.2           |
| 6     | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to IFRSs               | 5.1                    | 5.9             |
| 7     | (Deductions of receivables assets for cash variation margin provided in derivatives transactions)                         | (26.0)                 | (30.6)          |
| 8     | (Exempted central counterparty ('CCP') leg of client-cleared trade exposures)   | (12.8)                 | (4.1)           |
| 9     | Adjusted effective notional amount of written credit derivatives  | 167.5                  | 216.4           |
| 10    | (Adjusted effective notional offsets and add-on deductions for written credit derivatives)                                | (160.0)                | (209.3)         |
| 11    | <b>Total derivative exposures</b>   | <b>123.6</b>           | <b>132.2</b>    |
|       | <b>Securities financing transaction exposures</b>   |                        |                 |
| 12    | Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions                      | 317.8                  | 266.6           |
| 13    | (Netted amounts of cash payables and cash receivables of gross SFT assets)  | (94.5)                 | (87.9)          |
| 14    | Counterparty credit risk exposure for SFT assets  | 12.4                   | 10.4            |
| 16    | <b>Total securities financing transaction exposures</b>   | <b>235.7</b>           | <b>189.1</b>    |
|       | <b>Other off-balance sheet exposures</b>  |                        |                 |
| 17    | Off-balance sheet exposures at gross notional amount  | 781.4                  | 757.7           |
| 18    | (Adjustments for conversion to credit equivalent amounts)   | (541.5)                | (534.6)         |
| 19    | <b>Total off-balance sheet exposures</b>  | <b>239.9</b>           | <b>223.1</b>    |
|       | <b>Capital and total exposures</b>  |                        |                 |
| 20    | <b>Tier 1 capital</b>   | <b>144.0</b>           | <b>127.3</b>    |
| 21    | <b>Total leverage ratio exposure</b>  | <b>2,533.0</b>         | <b>2,354.4</b>  |
| 22    | <b>Leverage ratio (%)</b>   | <b>5.7</b>             | <b>5.4</b>      |
| EU-22 | Choice of transitional arrangements for the definition of the capital measure   | <b>Fully phased in</b> | Fully phased in |

\* The references identify the lines prescribed in the EBA template. Lines represented in this table are those which are applicable and where there is a value.

Table 5: Leverage ratio – Split of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

| Ref*  |  | At                     |                        |
|-------|--|------------------------|------------------------|
|       |  | 30 Jun<br>2017<br>\$bn | 31 Dec<br>2016<br>\$bn |
| EU-1  | Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)   | <b>1,967.6</b>         | 1,844.4                |
| EU-2  | – trading book exposures   | <b>296.3</b>           | 267.5                  |
| EU-3  | – banking book exposures   | <b>1,671.3</b>         | 1,576.9                |
|       | ‘banking book exposures’ comprises:  |                        |                        |
| EU-4  | covered bonds  | <b>1.4</b>             | 1.1                    |
| EU-5  | exposures treated as sovereigns  | <b>488.2</b>           | 504.4                  |
| EU-6  | exposures to regional governments, multilateral development banks (‘MDBs’), international organisations and public sector entities not treated as sovereigns | <b>8.3</b>             | 6.0                    |
| EU-7  | institutions   | <b>78.0</b>            | 67.6                   |
| EU-8  | secured by mortgages of immovable properties   | <b>266.4</b>           | 254.6                  |
| EU-9  | retail exposures   | <b>85.0</b>            | 84.6                   |
| EU-10 | corporate  | <b>555.1</b>           | 532.4                  |
| EU-11 | exposures in default   | <b>11.3</b>            | 12.4                   |
| EU-12 | other exposures (e.g. equity, securitisations and other non-credit obligation assets)  | <b>177.6</b>           | 113.8                  |

\* The references identify the lines prescribed in the EBA template. Lines represented in this table are those lines which are applicable and where there is a value.

## Capital buffers

The geographical breakdown and institution specific countercyclical capital buffer disclosure is published annually on the HSBC website, [www.hsbc.com](http://www.hsbc.com). Our G-SIB Indicators Disclosure is published annually on the HSBC website, [www.hsbc.com](http://www.hsbc.com).

## 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  | Approach adopted by HSBC  |
|--------------------------|--|---|
| 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 EAD and loss given default ('LGD') to standard supervisory parameters. Finally, the advanced IRB ('AIRB') approach allows banks to use their own internal assessment in both determining PD and quantifying EAD and LGD. | For consolidated Group reporting, we have adopted the advanced IRB approach for the majority of our business. Some portfolios remain on the standardised or foundation IRB approaches: <ul style="list-style-type: none"> <li>pending the issuance of local regulations or model approval;</li> <li>following supervisory prescription of a non-advanced approach; or</li> <li>under exemptions from IRB treatment.</li> </ul>                                    |
| Counterparty credit risk | Four approaches to calculating CCR and determining exposure values are defined by the Basel Committee: mark-to-market, original exposure, standardised and Internal Model Method ('IMM'). These exposure values are used to determine capital requirements under one of the credit risk approaches: standardised, foundation IRB or advanced IRB.  | We use the mark-to-market and IMM approaches for CCR. Details of the IMM permission we have received from the PRA can be found in the Financial Services Register on the PRA website. Our aim is to increase the proportion of positions on IMM over time.  |
| Equity                   | For the non-trading book, equity exposures can be assessed under standardised or IRB approaches.   | For Group reporting purposes, all non-trading book equity exposures are treated under the standardised approach.  |
| Securitisation           | Basel specifies two approaches for calculating credit risk requirements for securitisation positions in non-trading books: the standardised approach and the IRB approach, which incorporates the Ratings Based Method ('RBM'), the Internal Assessment Approach ('IAA') and the Supervisory Formula Method ('SFM'). Securitisation positions in the trading book are treated within the market risk framework, using the CRD IV standard rules.   | For the majority of the non-trading book securitisation positions we use the IRB approach, and within this principally the RBM, with lesser amounts on the IAA and the SFM. We also use the standardised approach for an immaterial amount of non-trading book positions. We follow the CRD IV standard rules for the securitisation positions in the trading book.   |
| 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 ('SVaR'), Incremental Risk Charge ('IRC') and Comprehensive Risk Measure.  | The market risk capital requirement is measured using internal market risk models, where approved by the PRA, or under the standard rules. Our internal market risk models comprise VaR, stressed VaR and IRC. Non-proprietary details of the scope of our IMA permission are available in the Financial Services Register on the PRA website. We are in compliance with the requirements set out in Articles 104 and 105 of the Capital Requirements Regulation. |
| Operational risk         | The Basel Committee allows firms to calculate their operational risk capital requirement under the basic indicator approach, the standardised approach or the advanced measurement approach.   | We currently use the standardised approach in determining our operational risk capital requirement. We have in place an operational risk model that is used for economic capital calculation purposes.  |

Table 6: Overview of RWAs

|   | At             |                |  |
|---|----------------|----------------|--|
|   | 30 Jun<br>2017 | 31 Mar<br>2017 | 30 Jun<br>2017                               |
|   | RWAs<br>\$bn   | RWAs<br>\$bn   | Capital <sup>1</sup><br>requirements<br>\$bn |
| <b>1 Credit risk (excluding counterparty credit risk)</b>                                 | <b>601.9</b>   | 592.8          | <b>48.2</b>                                  |
| 2 – standardised approach   | <b>130.2</b>   | 122.5          | <b>10.4</b>                                  |
| 3 – foundation IRB approach   | <b>26.9</b>    | 26.0           | <b>2.2</b>                                   |
| 4 – advanced IRB approach   | <b>444.8</b>   | 444.3          | <b>35.6</b>                                  |
| <b>6 Counterparty credit risk</b>   | <b>61.5</b>    | 61.2           | <b>4.9</b>                                   |
| 7 – mark-to-market  | <b>36.7</b>    | 36.3           | <b>2.9</b>                                   |
| 10 – internal model method  | <b>10.0</b>    | 9.9            | <b>0.8</b>                                   |
| 11 – risk exposure amount for contributions to the default fund of a central counterparty | <b>0.7</b>     | 0.7            | <b>0.1</b>                                   |
| 12 – credit valuation adjustment  | <b>14.1</b>    | 14.3           | <b>1.1</b>                                   |
| <b>13 Settlement risk</b>   | <b>0.3</b>     | 0.2            | <b>–</b>                                     |
| <b>14 Securitisation exposures in the non-trading book</b>                                | <b>22.7</b>    | 21.3           | <b>1.8</b>                                   |
| 15 – IRB ratings based method   | <b>19.7</b>    | 18.5           | <b>1.6</b>                                   |
| 16 – IRB supervisory formula method   | <b>0.2</b>     | 0.2            | <b>–</b>                                     |
| 17 – IRB internal assessment approach   | <b>1.6</b>     | 1.5            | <b>0.1</b>                                   |
| 18 – standardised approach  | <b>1.2</b>     | 1.1            | <b>0.1</b>                                   |
| <b>19 Market risk</b>   | <b>43.6</b>    | 38.9           | <b>3.5</b>                                   |
| 20 – standardised approach  | <b>3.8</b>     | 4.8            | <b>0.3</b>                                   |
| 21 – internal models approach   | <b>39.8</b>    | 34.1           | <b>3.2</b>                                   |
| <b>23 Operational risk</b>  | <b>98.0</b>    | 98.0           | <b>7.9</b>                                   |
| 25 – standardised approach  | <b>98.0</b>    | 98.0           | <b>7.9</b>                                   |
| <b>27 Amounts below the thresholds for deduction (subject to 250% risk weight)</b>        | <b>48.1</b>    | 45.5           | <b>3.8</b>                                   |
| <b>29 Total</b>   | <b>876.1</b>   | 857.9          | <b>70.1</b>                                  |

<sup>1</sup> 'Capital requirements' here and in all tables where the term is used, represents the Pillar 1 capital charge at 8% of RWAs.

### Credit Risk, including amounts below the thresholds for deduction

RWAs increased by \$11.8bn in the second quarter of the year, including an increase of \$10.6bn due to foreign currency translation differences. The increase of \$1.2bn (excluding foreign exchange translation) was mainly due to an increase in asset size of \$10.5bn driven by corporate lending growth in Asia and Europe, partly offset by reductions due to management initiatives to reduce RWAs.

### Counterparty credit risk

The \$0.3bn increase in RWAs is primarily due to an increase in asset size of \$1.7bn, partly offset by RWA initiatives of \$1.6bn.

### Securitisation in non-trading book

The \$1.4bn RWA increase in the second quarter of the year, arises predominantly from new securitisation positions.

### Market risk

RWAs increased by \$4.7bn, driven by a \$5.4bn increase in risk levels, partly offset by RWA initiatives of \$0.7bn.

Table 7: RWA flow statements of credit risk exposures under the IRB approach<sup>1, 2</sup>

|  | Three months to |                |                                 |
|--|-----------------|----------------|---------------------------------|
|  | 30 Jun<br>2017  | 31 Mar<br>2017 | 30 Jun<br>2017                  |
|  | RWAs<br>\$bn    | RWAs<br>\$bn   | Capital<br>requirements<br>\$bn |
| <b>1 RWAs at the beginning of the period</b> | <b>470.3</b>    | 468.5          | <b>37.6</b>                     |
| 2 Asset size                                 | <b>0.7</b>      | 2.0            | <b>0.1</b>                      |
| 3 Asset quality                              | <b>(4.1)</b>    | –              | <b>(0.3)</b>                    |
| 4 Model updates                              | <b>0.7</b>      | –              | <b>0.1</b>                      |
| 5 Methodology and policy                     | <b>(2.5)</b>    | 1.2            | <b>(0.2)</b>                    |
| 6 Acquisitions and disposals                 | <b>(1.5)</b>    | (5.7)          | <b>(0.1)</b>                    |
| 7 Foreign exchange movements                 | <b>8.1</b>      | 4.3            | <b>0.6</b>                      |
| <b>9 RWAs at the end of the period</b>       | <b>471.7</b>    | 470.3          | <b>37.8</b>                     |

<sup>1</sup> This table includes RWA initiatives of \$12.1bn allocated across the RWA flow layers to which they relate.

<sup>2</sup> Securitisation positions are not included in this table.

RWAs under the IRB approach increased by \$1.4bn in the second quarter of the year, including an increase of \$8.1bn due to foreign currency translation differences.

The \$6.7bn decrease in RWAs excluding foreign currency translation includes the following movements:

- \$4.1bn as a result of improvements in asset quality and lending growth in lower risk portfolios.
- \$2.5bn in methodology and policy movements mainly as a result of management initiatives.

Table 8: RWA flow statements of CCR exposures under the IMM<sup>1</sup>

|   |  | Three months to |        |              |
|---|--|-----------------|--------|--------------|
|   |  | 30 Jun          | 31 Mar | 30 Jun       |
|   |  | 2017            | 2017   | 2017         |
|   |  | RWAs            | RWAs   | Capital      |
|   |  | \$bn            | \$bn   | requirements |
|   |  |                 |        | \$bn         |
| 1 | <b>RWAs at the beginning of the period</b> | <b>14.3</b>     | 14.4   | <b>1.1</b>   |
| 2 | Asset size                                 | <b>0.7</b>      | (0.4)  | <b>0.1</b>   |
| 3 | Asset quality                              | <b>(0.2)</b>    | (0.2)  | –            |
| 4 | Model updates                              | –               | 1.0    | –            |
| 5 | Methodology and policy                     | <b>(0.7)</b>    | (0.5)  | <b>(0.1)</b> |
| 9 | <b>RWAs at the end of the period</b>       | <b>14.1</b>     | 14.3   | <b>1.1</b>   |

<sup>1</sup> This table includes RWA initiatives of \$0.9bn allocated across the RWA flow layers to which they relate.

The \$0.2bn decrease in counterparty credit risk RWAs under the IMM during the second quarter of the year is driven by RWA initiatives of \$0.9bn, partially offset by an increase in asset size of \$0.7bn.

Table 9: RWA flow statements of market risk exposures under the IMA<sup>1</sup>

|   |                            | VaR          | Stressed VaR | IRC         | Other      | Total RWAs <sup>1</sup> | Total capital requirements |
|---|----------------------------|--------------|--------------|-------------|------------|-------------------------|----------------------------|
|   |                            | \$bn         | \$bn         | \$bn        | \$bn       | \$bn                    | \$bn                       |
| 1 | <b>RWAs at 1 Apr 2017</b>  | <b>9.5</b>   | <b>12.3</b>  | <b>10.1</b> | <b>2.2</b> | <b>34.1</b>             | <b>2.7</b>                 |
| 2 | Movement in risk levels    | <b>0.4</b>   | <b>1.9</b>   | <b>1.7</b>  | <b>2.5</b> | <b>6.5</b>              | <b>0.5</b>                 |
| 3 | Model updates/changes      | <b>(1.6)</b> | <b>(0.2)</b> | –           | –          | <b>(1.8)</b>            | <b>(0.1)</b>               |
| 4 | Methodology and policy     | <b>0.5</b>   | <b>0.5</b>   | –           | –          | <b>1.0</b>              | <b>0.1</b>                 |
| 8 | <b>RWAs at 30 Jun 2017</b> | <b>8.8</b>   | <b>14.5</b>  | <b>11.8</b> | <b>4.7</b> | <b>39.8</b>             | <b>3.2</b>                 |
| 1 | RWAs at 1 Jan 2017         | 8.7          | 15.8         | 9.5         | 2.5        | 36.5                    | 2.9                        |
| 2 | Movement in risk levels    | 0.8          | (3.5)        | 0.6         | (0.3)      | (2.4)                   | (0.2)                      |
| 3 | Model updates/changes      | –            | –            | –           | –          | –                       | –                          |
| 4 | Methodology and policy     | –            | –            | –           | –          | –                       | –                          |
| 8 | RWAs at 31 Mar 2017        | 9.5          | 12.3         | 10.1        | 2.2        | 34.1                    | 2.7                        |

<sup>1</sup> This table includes RWA initiatives of \$0.7bn allocated across the RWA flow layers to which they relate.

The \$5.7bn increase in RWAs during the second quarter of the year is driven by movements in risk levels of \$6.5bn and a methodology update to VaR multipliers of \$1bn, partially offset by a \$1.8bn reduction as a result of model updates.

## Credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from direct lending, trade finance and leasing business, but also from other products, such as guarantees and credit derivatives and 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 *Capital and Risk Management Pillar 3 Disclosures 2016*.

### Credit quality of assets

We are a universal bank with a conservative approach to credit risk. This is reflected in our credit risk profile being diversified across a number of asset classes and geographies with a credit quality profile concentrated in the higher quality bands.

Table 10: Credit quality of assets

|   |                             | At                       |                         |                        |                    |                          |                         |                        |                    |
|---|-----------------------------|--------------------------|-------------------------|------------------------|--------------------|--------------------------|-------------------------|------------------------|--------------------|
|   |                             | 30 Jun 2017              |                         |                        |                    | 31 Dec 2016              |                         |                        |                    |
|   |                             | Gross carrying values of |                         |                        |                    | Gross carrying values of |                         |                        |                    |
|   |                             | Defaulted exposures      | Non-defaulted exposures | Allowances/impairments | Net values (a+b-c) | Defaulted exposures      | Non-defaulted exposures | Allowances/impairments | Net values (a+b-c) |
|   |                             | \$bn                     | \$bn                    | \$bn                   | \$bn               | \$bn                     | \$bn                    | \$bn                   | \$bn               |
| 1 | Loans                       | 16.6                     | 1,198.9                 | 8.0                    | 1,207.5            | 17.9                     | 1,067.8                 | 8.3                    | 1,077.4            |
| 2 | Debt securities             | –                        | 279.6                   | –                      | 279.6              | –                        | 377.4                   | –                      | 377.4              |
| 3 | Off-balance sheet exposures | 1.9                      | 743.8                   | 0.2                    | 745.5              | 1.5                      | 735.0                   | 0.3                    | 736.2              |
| 4 | <b>Total</b>                | <b>18.5</b>              | <b>2,222.3</b>          | <b>8.2</b>             | <b>2,232.6</b>     | <b>19.4</b>              | <b>2,180.2</b>          | <b>8.6</b>             | <b>2,191.0</b>     |

### Defaulted exposures

The accounting definition of impaired and the regulatory definition of default are generally aligned. For particular retail exposures regulatory default is identified at 180 days past due, while the exposures are identified as impaired at 90 days

past due. In the retail portfolio in the US, for accounting purposes, a renegotiation would normally trigger identification as 'impaired', whereas for regulatory purposes, default is identified mainly based on the 180 days past due criterion.

Table 11: Changes in stock of defaulted loans and debt securities

|   |   | 6 months to<br>30 Jun<br>2017<br>\$bn | 12 months to<br>31 Dec<br>2016<br>\$bn |
|---|---|---------------------------------------|--|
| 1 | <b>Defaulted loans and debt securities at the beginning of the period</b>     | <b>17.9</b>                           | 22.7                                   |
| 2 | Loans and debt securities that have defaulted since the last reporting period | <b>3.2</b>                            | 8.6                                    |
| 3 | Returned to non-defaulted status  | <b>(1.2)</b>                          | (1.5)                                  |
| 4 | Amounts written off   | <b>(1.1)</b>                          | (2.8)                                  |
| 5 | Other changes   | <b>(0.1)</b>                          | (5.1)                                  |
| 7 | Repayments  | <b>(2.1)</b>                          | (4.0)                                  |
| 6 | <b>Defaulted loans and debt securities at the end of the period</b>           | <b>16.6</b>                           | 17.9                                   |

<sup>1</sup> Other changes include foreign exchange and assets held for sale in default.

### Risk mitigation

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

Our general policy is to promote the use of credit risk mitigation, justified by commercial prudence and capital efficiency. Specifically, detailed policies cover the acceptability, structuring and terms with regard to the availability of credit risk mitigation; for example, 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 12: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects

|                                  | 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  |           |
|                                  | \$bn                                       | \$bn                     | \$bn                       | \$bn                     | \$bn                 | %            |           |
| <b>Asset classes<sup>1</sup></b> |  |                          |                            |                          |                      |              |           |
| 1                                | Central governments or central banks       | 170.3                    | 0.9                        | 174.5                    | 0.8                  | 14.8         | 8         |
| 2                                | Regional governments or local authorities  | 2.6                      | 0.3                        | 2.6                      | –                    | 0.9          | 33        |
| 3                                | Public sector entities                     | 0.1                      | 0.1                        | 0.1                      | –                    | 0.1          | 100       |
| 4                                | Multilateral development banks             | 0.2                      | –                          | 0.2                      | –                    | –            | 7         |
| 5                                | International organisations                | 2.2                      | –                          | 2.2                      | –                    | –            | –         |
| 6                                | Institutions                               | 2.6                      | –                          | 2.4                      | –                    | 1.1          | 48        |
| 7                                | Corporates                                 | 90.7                     | 78.7                       | 74.9                     | 12.1                 | 81.6         | 94        |
| 8                                | Retail                                     | 23.0                     | 45.7                       | 21.7                     | 0.4                  | 16.3         | 74        |
| 9                                | Secured by mortgages on immovable property | 26.6                     | 1.0                        | 26.6                     | 0.2                  | 9.7          | 36        |
| 10                               | Exposures in default                       | 3.4                      | 0.3                        | 3.3                      | 0.1                  | 4.3          | 128       |
| 11                               | Higher-risk categories                     | 2.4                      | 1.8                        | 2.4                      | 1.7                  | 6.2          | 150       |
| 14                               | Collective investment undertakings         | 0.6                      | –                          | 0.6                      | –                    | 0.6          | 100       |
| 15                               | Equity                                     | 16.2                     | –                          | 16.2                     | –                    | 36.4         | 224       |
| 16                               | Other items                                | 13.0                     | –                          | 13.0                     | –                    | 6.3          | 49        |
| 17                               | <b>Total at 30 Jun 2017</b>                | <b>353.9</b>             | <b>128.8</b>               | <b>340.7</b>             | <b>15.3</b>          | <b>178.3</b> | <b>50</b> |
| 1                                | Central governments or central banks       | 161.9                    | 1.5                        | 166.2                    | 1.1                  | 14.7         | 9         |
| 2                                | Regional governments or local authorities  | 2.9                      | 0.3                        | 2.9                      | –                    | 0.9          | 32        |
| 3                                | Public sector entities                     | –                        | –                          | –                        | –                    | –            | –         |
| 4                                | Multilateral development banks             | 0.2                      | –                          | 0.2                      | –                    | –            | 5         |
| 5                                | International organisations                | 2.7                      | –                          | 2.7                      | –                    | –            | –         |
| 6                                | Institutions                               | 2.2                      | –                          | 2.1                      | –                    | 1.0          | 46        |
| 7                                | Corporates                                 | 80.2                     | 79.9                       | 66.3                     | 12.1                 | 75.0         | 96        |
| 8                                | Retail                                     | 22.7                     | 44.2                       | 21.6                     | 0.4                  | 16.3         | 74        |
| 9                                | Secured by mortgages on immovable property | 25.5                     | 0.8                        | 25.5                     | 0.2                  | 9.3          | 36        |
| 10                               | Exposures in default                       | 3.2                      | 0.4                        | 3.2                      | 0.1                  | 4.3          | 130       |
| 11                               | Higher-risk categories                     | 2.1                      | 1.4                        | 2.1                      | 1.3                  | 5.1          | 150       |
| 14                               | Collective investment undertakings         | 0.5                      | –                          | 0.5                      | –                    | 0.5          | 100       |
| 15                               | Equity                                     | 15.2                     | –                          | 15.2                     | –                    | 33.6         | 221       |
| 16                               | Other items                                | 9.5                      | –                          | 9.5                      | –                    | 4.7          | 50        |
| 17                               | Total at 31 Dec 2016                       | 328.8                    | 128.5                      | 318.0                    | 15.2                 | 165.4        | 50        |

<sup>1</sup> Securitisation positions are not included in this table.

## Pillar 3 Disclosures at 30 June 2017

Table 13: Standardised approach – exposures by asset classes and risk weights

| Risk weight ('RW')                           | 0%    | 2%   | 20%  | 35%  | 50%  | 70%  | 75%  | 100% | 150% | 250% | Deducted | Total credit exposure amount (post-CCF and post-CRM) | of which unrated |
|--|-------|------|------|------|------|------|------|------|------|------|----------|--|------------------|
|  | \$bn  | \$bn | \$bn | \$bn | \$bn | \$bn | \$bn | \$bn | \$bn | \$bn | \$bn     |  |                  |
| <b>Asset classes<sup>1</sup></b>             |       |      |      |      |      |      |      |      |      |      |          |  |                  |
| 1 Central governments or central banks       | 169.2 | –    | –    | –    | 0.1  | –    | –    | 0.2  | –    | 5.8  | –        | 175.3  | 5.8              |
| 2 Regional governments or local authorities  | –     | –    | 1.7  | –    | 0.7  | –    | –    | 0.2  | –    | –    | –        | 2.6  | 1.4              |
| 3 Public sector entities                     | –     | –    | –    | –    | –    | –    | –    | 0.1  | –    | –    | –        | 0.1  | –                |
| 4 Multilateral development banks             | 0.1   | –    | 0.1  | –    | –    | –    | –    | –    | –    | –    | –        | 0.2  | 0.2              |
| 5 International organisations                | 2.2   | –    | –    | –    | –    | –    | –    | –    | –    | –    | –        | 2.2  | –                |
| 6 Institutions                               | –     | 0.1  | 0.4  | –    | 1.6  | –    | –    | 0.3  | –    | –    | –        | 2.4  | 0.3              |
| 7 Corporates                                 | –     | –    | 3.7  | 0.2  | 4.0  | 0.1  | –    | 78.5 | 0.5  | –    | –        | 87.0   | 72.5             |
| 8 Retail                                     | –     | –    | –    | –    | –    | –    | 22.1 | –    | –    | –    | –        | 22.1   | 22.1             |
| 9 Secured by mortgages on immovable property | –     | –    | –    | 26.2 | –    | –    | –    | 0.6  | –    | –    | –        | 26.8   | 26.8             |
| 10 Exposures in default                      | –     | –    | –    | –    | –    | –    | –    | 1.4  | 2.0  | –    | –        | 3.4  | 3.4              |
| 11 Higher-risk categories                    | –     | –    | –    | –    | –    | –    | –    | –    | 4.1  | –    | –        | 4.1  | 4.1              |
| 14 Collective investment undertakings        | –     | –    | –    | –    | –    | –    | –    | 0.6  | –    | –    | –        | 0.6  | 0.6              |
| 15 Equity                                    | –     | –    | –    | –    | –    | –    | –    | 2.8  | –    | 13.4 | –        | 16.2   | 16.2             |
| 16 Other items                               | 1.0   | –    | 7.1  | –    | –    | –    | –    | 4.9  | –    | –    | –        | 13.0   | 13.0             |
| 17 Total at 30 Jun 2017                      | 172.5 | 0.1  | 13.0 | 26.4 | 6.4  | 0.1  | 22.1 | 89.6 | 6.6  | 19.2 | –        | 356.0  | 166.4            |
| 1 Central governments or central banks       | 160.4 | –    | 0.8  | –    | 0.3  | –    | –    | 0.2  | –    | 5.6  | –        | 167.3  | 5.7              |
| 2 Regional governments or local authorities  | 0.2   | –    | 1.8  | –    | 0.7  | –    | –    | 0.2  | –    | –    | –        | 2.9  | 0.3              |
| 3 Public sector entities                     | –     | –    | –    | –    | –    | –    | –    | –    | –    | –    | –        | –  | –                |
| 4 Multilateral development banks             | 0.1   | –    | 0.1  | –    | –    | –    | –    | –    | –    | –    | –        | 0.2  | 0.2              |
| 5 International organisations                | 2.7   | –    | –    | –    | –    | –    | –    | –    | –    | –    | –        | 2.7  | –                |
| 6 Institutions                               | –     | 0.1  | 0.8  | –    | 0.7  | –    | –    | 0.5  | –    | –    | –        | 2.1  | 0.3              |
| 7 Corporates                                 | –     | –    | 2.1  | 0.2  | 2.7  | 0.1  | –    | 72.6 | 0.7  | –    | –        | 78.4   | 67.9             |
| 8 Retail                                     | –     | –    | –    | –    | –    | –    | 22.0 | –    | –    | –    | –        | 22.0   | 22.0             |
| 9 Secured by mortgages on immovable property | –     | –    | –    | 25.2 | –    | –    | –    | 0.5  | –    | –    | –        | 25.7   | 25.7             |
| 10 Exposures in default                      | –     | –    | –    | –    | –    | –    | –    | 1.3  | 2.0  | –    | –        | 3.3  | 3.3              |
| 11 Higher-risk categories                    | –     | –    | –    | –    | –    | –    | –    | –    | 3.4  | –    | –        | 3.4  | 3.4              |
| 14 Collective investment undertakings        | –     | –    | –    | –    | –    | –    | –    | 0.5  | –    | –    | –        | 0.5  | 0.5              |
| 15 Equity                                    | –     | –    | –    | –    | –    | –    | –    | 2.9  | –    | 12.3 | –        | 15.2   | 15.2             |
| 16 Other items                               | 0.7   | –    | 5.1  | –    | –    | –    | –    | 3.7  | –    | –    | –        | 9.5  | 9.5              |
| 17 Total at 31 Dec 2016                      | 164.1 | 0.1  | 10.7 | 25.4 | 4.4  | 0.1  | 22.0 | 82.4 | 6.1  | 17.9 | –        | 333.2  | 154.0            |

<sup>1</sup> Securitisation positions are not included in this table.

Table 14: IRB – Credit risk exposures by portfolio and PD range<sup>1</sup>

| PD scale   | Original on-balance sheet gross exposure | Off-balance sheet exposures pre-CCF | Average CCF | EAD post-CRM and post-CCF | Average PD  | Number of obligors | Average LGD | Average maturity | RWAs         | RWA density | Expected loss | Value adjustments and provisions |
|--|--|-------------------------------------|-------------|---------------------------|-------------|--------------------|-------------|------------------|--------------|-------------|---------------|----------------------------------|
|  | \$bn                                     | \$bn                                | %           | \$bn                      | %           |                    | %           | years            | \$bn         | %           | \$bn          | \$bn                             |
| <b>AIRB – Central government and central banks</b>                             |  |                                     |             |                           |             |                    |             |                  |              |             |               |                                  |
| 0.00 to <0.15  | 304.1                                    | 2.6                                 | 51.8        | 305.5                     | 0.02        | 356                | 42.6        | 2.03             | 25.0         | 8           | –             |                                  |
| 0.15 to <0.25  | 2.4                                      | –                                   | 78.2        | 2.5                       | 0.22        | 12                 | 42.9        | 1.82             | 1.0          | 40          | –             |                                  |
| 0.25 to <0.50  | 2.4                                      | –                                   | 39.9        | 2.4                       | 0.37        | 16                 | 45.0        | 1.29             | 1.2          | 50          | –             |                                  |
| 0.50 to <0.75  | 0.6                                      | –                                   | 0.3         | 0.6                       | 0.63        | 8                  | 45.0        | 1.43             | 0.4          | 67          | –             |                                  |
| 0.75 to <2.50  | 3.9                                      | 0.1                                 | 27.7        | 3.8                       | 1.44        | 27                 | 45.0        | 1.32             | 3.5          | 92          | –             |                                  |
| 2.50 to <10.00   | 1.8                                      | –                                   | 40.9        | 1.8                       | 3.06        | 11                 | 45.0        | 1.02             | 2.2          | 122         | –             |                                  |
| 10.00 to <100.00   | –  | 0.2                                 | –           | –                         | 10.00       | 2                  | 50.0        | 1.00             | –            | –           | –             |                                  |
| 100.00 (Default)   | –  | –                                   | –           | –                         | –           | –                  | –           | –                | –            | –           | –             |                                  |
| <b>Sub-total</b>   | <b>315.2</b>                             | <b>2.9</b>                          | <b>49.7</b> | <b>316.6</b>              | <b>0.06</b> | <b>432</b>         | <b>42.7</b> | <b>2.01</b>      | <b>33.3</b>  | <b>11</b>   | <b>–</b>      | <b>–</b>                         |
| <b>AIRB – Institutions</b>   |  |                                     |             |                           |             |                    |             |                  |              |             |               |                                  |
| 0.00 to <0.15  | 71.8                                     | 9.7                                 | 46.4        | 76.3                      | 0.05        | 2,635              | 40.1        | 1.42             | 11.7         | 15          | –             |                                  |
| 0.15 to <0.25  | 3.5                                      | 1.4                                 | 47.2        | 4.2                       | 0.22        | 418                | 45.7        | 1.03             | 1.7          | 40          | –             |                                  |
| 0.25 to <0.50  | 3.0                                      | 0.3                                 | 28.8        | 3.1                       | 0.37        | 276                | 45.5        | 0.77             | 1.8          | 58          | –             |                                  |
| 0.50 to <0.75  | 1.2                                      | 0.4                                 | 39.8        | 1.4                       | 0.63        | 155                | 45.3        | 0.85             | 1.0          | 71          | –             |                                  |
| 0.75 to <2.50  | 1.5                                      | 0.8                                 | 65.0        | 2.0                       | 1.02        | 323                | 45.4        | 1.01             | 1.8          | 90          | –             |                                  |
| 2.50 to <10.00   | –  | –                                   | 65.8        | –                         | 4.80        | 48                 | 54.2        | 0.90             | 0.1          | –           | –             |                                  |
| 10.00 to <100.00   | 0.1                                      | 0.2                                 | 17.9        | 0.1                       | 17.40       | 45                 | 48.7        | 0.98             | 0.3          | 300         | –             |                                  |
| 100.00 (Default)   | –  | –                                   | –           | –                         | 100.00      | 2                  | 45.0        | 2.50             | –            | –           | –             |                                  |
| <b>Sub-total</b>   | <b>81.1</b>                              | <b>12.8</b>                         | <b>46.7</b> | <b>87.1</b>               | <b>0.13</b> | <b>3,902</b>       | <b>40.8</b> | <b>1.36</b>      | <b>18.4</b>  | <b>21</b>   | <b>–</b>      | <b>–</b>                         |
| <b>AIRB – Corporate – Specialised Lending (excluding Slotting)<sup>2</sup></b> |  |                                     |             |                           |             |                    |             |                  |              |             |               |                                  |
| 0.00 to <0.15  | 0.7                                      | 1.4                                 | 40.4        | 1.4                       | 0.11        | 393                | 25.8        | 2.71             | 0.3          | 21          | –             |                                  |
| 0.15 to <0.25  | 2.3                                      | 0.3                                 | 47.5        | 2.3                       | 0.22        | 569                | 30.9        | 3.54             | 0.9          | 39          | –             |                                  |
| 0.25 to <0.50  | 0.8                                      | 0.3                                 | 47.8        | 1.0                       | 0.37        | 312                | 31.7        | 3.87             | 0.5          | 50          | –             |                                  |
| 0.50 to <0.75  | 0.9                                      | 0.1                                 | 49.3        | 1.0                       | 0.63        | 271                | 22.2        | 4.08             | 0.5          | 50          | –             |                                  |
| 0.75 to <2.50  | 1.5                                      | 0.7                                 | 46.4        | 1.8                       | 1.33        | 461                | 30.2        | 3.09             | 1.3          | 72          | –             |                                  |
| 2.50 to <10.00   | 0.3                                      | –                                   | 33.6        | 0.3                       | 5.71        | 136                | 23.0        | 4.27             | 0.3          | 100         | –             |                                  |
| 10.00 to <100.00   | 0.6                                      | 0.2                                 | 44.7        | 0.6                       | 20.87       | 176                | 22.0        | 2.15             | 0.7          | 117         | –             |                                  |
| 100.00 (Default)   | 0.2                                      | 0.1                                 | 64.8        | 0.2                       | 100.00      | 108                | 42.1        | 3.20             | 0.3          | 150         | 0.1           |                                  |
| <b>Sub-total</b>   | <b>7.3</b>                               | <b>3.1</b>                          | <b>44.2</b> | <b>8.6</b>                | <b>4.88</b> | <b>2,426</b>       | <b>28.4</b> | <b>3.32</b>      | <b>4.8</b>   | <b>56</b>   | <b>0.1</b>    | <b>0.1</b>                       |
| <b>AIRB – Corporate – Other</b>  |  |                                     |             |                           |             |                    |             |                  |              |             |               |                                  |
| 0.00 to <0.15  | 95.4                                     | 144.9                               | 38.3        | 182.1                     | 0.08        | 9,941              | 39.0        | 2.24             | 40.6         | 22          | 0.1           |                                  |
| 0.15 to <0.25  | 43.1                                     | 57.2                                | 36.8        | 71.3                      | 0.22        | 9,339              | 39.6        | 2.00             | 27.8         | 39          | 0.1           |                                  |
| 0.25 to <0.50  | 46.3                                     | 48.5                                | 35.4        | 70.5                      | 0.37        | 10,100             | 39.2        | 2.06             | 35.1         | 50          | 0.1           |                                  |
| 0.50 to <0.75  | 39.8                                     | 38.0                                | 34.0        | 51.0                      | 0.63        | 9,253              | 38.2        | 1.97             | 31.1         | 61          | 0.1           |                                  |
| 0.75 to <2.50  | 134.0                                    | 95.1                                | 32.6        | 135.0                     | 1.36        | 42,719             | 37.1        | 1.96             | 106.5        | 79          | 0.7           |                                  |
| 2.50 to <10.00   | 33.1                                     | 26.7                                | 34.3        | 31.0                      | 4.28        | 11,536             | 38.7        | 1.95             | 36.4         | 117         | 0.5           |                                  |
| 10.00 to <100.00   | 4.7                                      | 3.6                                 | 40.4        | 4.8                       | 19.13       | 2,182              | 38.3        | 1.90             | 8.2          | 171         | 0.3           |                                  |
| 100.00 (Default)   | 5.3                                      | 1.1                                 | 43.0        | 5.8                       | 100.00      | 2,320              | 46.1        | 2.14             | 5.9          | 102         | 2.3           |                                  |
| <b>Sub-total</b>   | <b>401.7</b>                             | <b>415.1</b>                        | <b>36.1</b> | <b>551.5</b>              | <b>1.94</b> | <b>97,390</b>      | <b>38.6</b> | <b>2.07</b>      | <b>291.6</b> | <b>53</b>   | <b>4.2</b>    | <b>3.3</b>                       |
| <b>Wholesale AIRB – Total at 30 Jun 2017<sup>3</sup></b>                       |  |                                     |             |                           |             |                    |             |                  |              |             |               |                                  |
|  | 861.5                                    | 433.9                               | 36.5        | 1,020.0                   | 1.19        | 104,150            | 40.1        | 2.00             | 360.8        | 35          | 4.3           | 3.4                              |

## Pillar 3 Disclosures at 30 June 2017

Table 14: IRB – Credit risk exposures by portfolio and PD range (continued)<sup>1</sup>

| PD scale   | Original on-balance sheet gross exposure | Off-balance sheet exposures pre-CCF | Average CCF | EAD post-CRM and post-CCF | Average PD   | Number of obligors | Average LGD | Average maturity | RWAs        | RWA density | Expected loss | Value adjustments and provisions |
|--|--|-------------------------------------|-------------|---------------------------|--------------|--------------------|-------------|------------------|-------------|-------------|---------------|----------------------------------|
|  | \$bn                                     | \$bn                                | %           | \$bn                      | %            |                    | %           | years            | \$bn        | %           | \$bn          | \$bn                             |
| <b>AIRB – Secured by mortgages on immovable property SME</b>     |  |                                     |             |                           |              |                    |             |                  |             |             |               |                                  |
| 0.00 to <0.15  | 0.3                                      | 0.1                                 | 100.0       | 0.4                       | 0.07         | 1,243              | 10.6        | –                | –           | –           | –             | –                                |
| 0.15 to <0.25  | 0.1                                      | –                                   | 100.0       | 0.1                       | 0.17         | 166                | 16.7        | –                | –           | –           | –             | –                                |
| 0.25 to <0.50  | 0.2                                      | –                                   | 72.3        | 0.2                       | 0.32         | 966                | 16.0        | –                | –           | –           | –             | –                                |
| 0.50 to <0.75  | 0.1                                      | –                                   | 100.0       | 0.1                       | 0.62         | 521                | 26.0        | –                | –           | –           | –             | –                                |
| 0.75 to <2.50  | 0.3                                      | –                                   | 96.4        | 0.3                       | 1.61         | 1,705              | 27.6        | –                | 0.2         | 33          | –             | –                                |
| 2.50 to <10.00   | 0.4                                      | –                                   | 101.7       | 0.4                       | 5.15         | 1,952              | 24.2        | –                | 0.1         | 25          | –             | –                                |
| 10.00 to <100.00   | 0.1                                      | –                                   | 80.2        | 0.1                       | 16.65        | 367                | 26.6        | –                | –           | –           | –             | –                                |
| 100.00 (Default)   | –  | –                                   | 99.4        | –                         | 100.00       | 120                | 24.3        | –                | –           | –           | –             | –                                |
| <b>Sub-total</b>   | <b>1.5</b>                               | <b>0.1</b>                          | <b>98.4</b> | <b>1.6</b>                | <b>3.92</b>  | <b>7,040</b>       | <b>20.8</b> | <b>–</b>         | <b>0.3</b>  | <b>19</b>   | <b>–</b>      | <b>–</b>                         |
| <b>AIRB – Secured by mortgages on immovable property non-SME</b> |  |                                     |             |                           |              |                    |             |                  |             |             |               |                                  |
| 0.00 to <0.15  | 148.0                                    | 13.4                                | 92.5        | 163.8                     | 0.06         | 915,452            | 14.3        | –                | 8.8         | 5           | –             | –                                |
| 0.15 to <0.25  | 25.4                                     | 1.2                                 | 81.6        | 26.6                      | 0.21         | 105,077            | 16.3        | –                | 2.8         | 11          | –             | –                                |
| 0.25 to <0.50  | 22.9                                     | 2.5                                 | 44.2        | 24.1                      | 0.37         | 104,912            | 18.3        | –                | 4.0         | 17          | –             | –                                |
| 0.50 to <0.75  | 11.7                                     | 0.3                                 | 100.3       | 12.1                      | 0.61         | 52,845             | 15.8        | –                | 2.1         | 17          | –             | –                                |
| 0.75 to <2.50  | 22.3                                     | 1.2                                 | 63.3        | 23.1                      | 1.33         | 104,933            | 17.8        | –                | 6.8         | 29          | 0.1           | –                                |
| 2.50 to <10.00   | 6.1                                      | 0.2                                 | 93.7        | 6.3                       | 4.76         | 29,784             | 13.9        | –                | 3.0         | 48          | –             | –                                |
| 10.00 to <100.00   | 2.0                                      | 0.1                                 | 98.6        | 2.1                       | 25.85        | 22,083             | 22.4        | –                | 3.0         | 143         | 0.1           | –                                |
| 100.00 (Default)   | 3.2                                      | –                                   | 64.8        | 3.2                       | 100.00       | 27,716             | 33.7        | –                | 1.5         | 47          | 1.1           | –                                |
| <b>Sub-total</b>   | <b>241.6</b>                             | <b>18.9</b>                         | <b>83.8</b> | <b>261.3</b>              | <b>1.77</b>  | <b>1,362,802</b>   | <b>15.6</b> | <b>–</b>         | <b>32.0</b> | <b>12</b>   | <b>1.3</b>    | <b>0.4</b>                       |
| <b>AIRB – Qualifying revolving retail exposures</b>              |  |                                     |             |                           |              |                    |             |                  |             |             |               |                                  |
| 0.00 to <0.15  | 4.7                                      | 66.8                                | 47.2        | 36.2                      | 0.07         | 12,980,596         | 93.6        | –                | 1.6         | 4           | –             | –                                |
| 0.15 to <0.25  | 1.3                                      | 12.6                                | 43.8        | 6.7                       | 0.21         | 2,233,716          | 94.7        | –                | 0.7         | 10          | –             | –                                |
| 0.25 to <0.50  | 2.1                                      | 9.5                                 | 43.0        | 6.1                       | 0.37         | 1,808,489          | 93.4        | –                | 1.1         | 18          | –             | –                                |
| 0.50 to <0.75  | 1.9                                      | 4.0                                 | 49.9        | 3.8                       | 0.60         | 1,090,090          | 93.5        | –                | 1.0         | 26          | –             | –                                |
| 0.75 to <2.50  | 5.4                                      | 6.7                                 | 48.2        | 8.6                       | 1.39         | 2,120,633          | 91.5        | –                | 4.1         | 48          | 0.1           | –                                |
| 2.50 to <10.00   | 2.9                                      | 1.5                                 | 59.3        | 3.7                       | 4.81         | 756,679            | 90.0        | –                | 4.2         | 114         | 0.2           | –                                |
| 10.00 to <100.00   | 0.8                                      | 0.3                                 | 56.0        | 0.9                       | 29.47        | 271,805            | 91.8        | –                | 2.0         | 222         | 0.4           | –                                |
| 100.00 (Default)   | 0.1                                      | –                                   | 6.8         | 0.1                       | 100.00       | 31,687             | 82.7        | –                | 0.1         | 100         | –             | –                                |
| <b>Sub-total</b>   | <b>19.2</b>                              | <b>101.4</b>                        | <b>46.7</b> | <b>66.1</b>               | <b>1.12</b>  | <b>21,293,695</b>  | <b>93.2</b> | <b>–</b>         | <b>14.8</b> | <b>22</b>   | <b>0.7</b>    | <b>0.3</b>                       |
| <b>AIRB – Other SME</b>  |  |                                     |             |                           |              |                    |             |                  |             |             |               |                                  |
| 0.00 to <0.15  | 0.1                                      | 0.1                                 | 42.4        | 0.2                       | 0.09         | 91,261             | 56.5        | –                | –           | –           | –             | –                                |
| 0.15 to <0.25  | 0.2                                      | 0.2                                 | 50.3        | 0.2                       | 0.22         | 70,839             | 60.5        | –                | 0.1         | 50          | –             | –                                |
| 0.25 to <0.50  | 0.3                                      | 0.4                                 | 50.9        | 0.5                       | 0.38         | 131,336            | 62.3        | –                | 0.2         | 40          | –             | –                                |
| 0.50 to <0.75  | 0.4                                      | 0.6                                 | 69.0        | 0.9                       | 0.63         | 165,665            | 58.7        | –                | 0.3         | 33          | –             | –                                |
| 0.75 to <2.50  | 2.1                                      | 1.3                                 | 62.0        | 2.9                       | 1.58         | 404,217            | 58.7        | –                | 1.5         | 55          | –             | –                                |
| 2.50 to <10.00   | 2.5                                      | 0.7                                 | 78.8        | 3.1                       | 4.83         | 204,675            | 53.4        | –                | 2.0         | 65          | 0.1           | –                                |
| 10.00 to <100.00   | 0.5                                      | 0.2                                 | 51.5        | 0.6                       | 17.82        | 84,419             | 70.4        | –                | 0.7         | 117         | 0.1           | –                                |
| 100.00 (Default)   | 0.6                                      | 0.1                                 | 95.5        | 0.7                       | 100.00       | 19,812             | 39.1        | –                | –           | –           | 0.4           | –                                |
| <b>Sub-total</b>   | <b>6.7</b>                               | <b>3.6</b>                          | <b>63.9</b> | <b>9.1</b>                | <b>10.64</b> | <b>1,172,224</b>   | <b>56.4</b> | <b>–</b>         | <b>4.8</b>  | <b>53</b>   | <b>0.6</b>    | <b>0.3</b>                       |
| <b>AIRB – Other non-SME</b>                                      |  |                                     |             |                           |              |                    |             |                  |             |             |               |                                  |
| 0.00 to <0.15  | 9.0                                      | 6.4                                 | 33.8        | 11.7                      | 0.07         | 445,575            | 21.5        | –                | 0.7         | 6           | –             | –                                |
| 0.15 to <0.25  | 6.1                                      | 3.4                                 | 35.5        | 7.7                       | 0.21         | 358,094            | 29.0        | –                | 1.1         | 14          | –             | –                                |
| 0.25 to <0.50  | 5.7                                      | 2.4                                 | 28.6        | 6.6                       | 0.37         | 313,570            | 30.8        | –                | 1.4         | 21          | –             | –                                |
| 0.50 to <0.75  | 4.2                                      | 1.4                                 | 28.6        | 4.7                       | 0.60         | 173,653            | 27.1        | –                | 1.1         | 23          | –             | –                                |
| 0.75 to <2.50  | 9.0                                      | 0.8                                 | 26.9        | 9.4                       | 1.38         | 337,011            | 25.0        | –                | 3.0         | 33          | –             | –                                |
| 2.50 to <10.00   | 2.6                                      | 1.0                                 | 23.7        | 2.9                       | 4.32         | 192,322            | 35.1        | –                | 1.7         | 59          | –             | –                                |
| 10.00 to <100.00   | 0.5                                      | –                                   | 9.8         | 0.5                       | 24.30        | 75,477             | 47.1        | –                | 0.6         | 120         | 0.1           | –                                |
| 100.00 (Default)   | 0.3                                      | 0.1                                 | 5.0         | 0.3                       | 100.00       | 54,536             | 43.3        | –                | 0.1         | 33          | 0.2           | –                                |
| <b>Sub-total</b>   | <b>37.4</b>                              | <b>15.5</b>                         | <b>31.6</b> | <b>43.8</b>               | <b>1.85</b>  | <b>1,950,238</b>   | <b>27.0</b> | <b>–</b>         | <b>9.7</b>  | <b>22</b>   | <b>0.3</b>    | <b>0.2</b>                       |
| <b>Retail AIRB – Total at 30 Jun 2017</b>                        | <b>306.4</b>                             | <b>139.5</b>                        | <b>50.5</b> | <b>381.9</b>              | <b>1.89</b>  | <b>25,785,999</b>  | <b>31.3</b> | <b>–</b>         | <b>61.6</b> | <b>16</b>   | <b>2.9</b>    | <b>1.2</b>                       |

Table 14: IRB – Credit risk exposures by portfolio and PD range (continued)<sup>1</sup>

| PD scale   | Original on-balance sheet gross exposure | Off-balance sheet exposures pre-CCF | Average CCF | EAD post-CRM and post-CCF | Average PD  | Number of obligors | Average LGD | Average maturity | RWAs        | RWA density | Expected loss | Value adjustments and provisions |
|--|--|-------------------------------------|-------------|---------------------------|-------------|--------------------|-------------|------------------|-------------|-------------|---------------|----------------------------------|
|  | \$bn                                     | \$bn                                | %           | \$bn                      | %           |                    | %           | years            | \$bn        | %           | \$bn          | \$bn                             |
| <b>FIRB – Central government and central banks</b> |  |                                     |             |                           |             |                    |             |                  |             |             |               |                                  |
| 0.00 to <0.15                                      | –  | –                                   | –           | 0.1                       | 0.03        | 1                  | 45.0        | 5.00             | –           | –           | –             | –                                |
| 0.15 to <0.25                                      | –  | –                                   | –           | –                         | –           | –                  | –           | –                | –           | –           | –             | –                                |
| 0.25 to <0.50                                      | –  | –                                   | –           | –                         | –           | –                  | –           | –                | –           | –           | –             | –                                |
| 0.50 to <0.75                                      | –  | –                                   | –           | –                         | –           | –                  | –           | –                | –           | –           | –             | –                                |
| 0.75 to <2.50                                      | –  | –                                   | –           | –                         | –           | –                  | –           | –                | –           | –           | –             | –                                |
| 2.50 to <10.00                                     | –  | –                                   | –           | –                         | –           | –                  | –           | –                | –           | –           | –             | –                                |
| 10.00 to <100.00                                   | –  | –                                   | –           | –                         | –           | –                  | –           | –                | –           | –           | –             | –                                |
| 100.00 (Default)                                   | –  | –                                   | –           | –                         | –           | –                  | –           | –                | –           | –           | –             | –                                |
| <b>Sub-total</b>                                   | <b>–</b>                                 | <b>–</b>                            | <b>–</b>    | <b>0.1</b>                | <b>0.03</b> | <b>1</b>           | <b>45.0</b> | <b>5.00</b>      | <b>–</b>    | <b>–</b>    | <b>–</b>      | <b>–</b>                         |
| <b>FIRB – Institutions</b>                         |  |                                     |             |                           |             |                    |             |                  |             |             |               |                                  |
| 0.00 to <0.15                                      | –  | –                                   | 49.3        | 0.2                       | 0.08        | –                  | 45.0        | 1.95             | –           | –           | –             | –                                |
| 0.15 to <0.25                                      | 0.2                                      | –                                   | 75.1        | 0.1                       | 0.22        | –                  | 45.0        | 1.54             | 0.1         | 100         | –             | –                                |
| 0.25 to <0.50                                      | –  | –                                   | –           | –                         | –           | –                  | –           | –                | –           | –           | –             | –                                |
| 0.50 to <0.75                                      | –  | –                                   | –           | –                         | –           | –                  | –           | –                | –           | –           | –             | –                                |
| 0.75 to <2.50                                      | –  | –                                   | –           | –                         | –           | –                  | –           | –                | –           | –           | –             | –                                |
| 2.50 to <10.00                                     | –  | –                                   | –           | –                         | –           | –                  | –           | –                | –           | –           | –             | –                                |
| 10.00 to <100.00                                   | –  | –                                   | –           | –                         | –           | –                  | –           | –                | –           | –           | –             | –                                |
| 100.00 (Default)                                   | –  | –                                   | –           | –                         | –           | –                  | –           | –                | –           | –           | –             | –                                |
| <b>Sub-total</b>                                   | <b>0.2</b>                               | <b>–</b>                            | <b>50.6</b> | <b>0.3</b>                | <b>0.16</b> | <b>–</b>           | <b>45.0</b> | <b>1.73</b>      | <b>0.1</b>  | <b>33</b>   | <b>–</b>      | <b>–</b>                         |
| <b>FIRB – Corporate – Other</b>                    |  |                                     |             |                           |             |                    |             |                  |             |             |               |                                  |
| 0.00 to <0.15                                      | 8.8                                      | 13.4                                | 41.4        | 14.3                      | 0.08        | 1,148              | 44.9        | 2.29             | 3.7         | 26          | –             | –                                |
| 0.15 to <0.25                                      | 3.3                                      | 5.7                                 | 43.5        | 5.8                       | 0.22        | 1,272              | 44.5        | 2.10             | 2.6         | 45          | –             | –                                |
| 0.25 to <0.50                                      | 4.5                                      | 5.9                                 | 35.6        | 6.5                       | 0.37        | 1,391              | 44.2        | 1.85             | 3.6         | 55          | –             | –                                |
| 0.50 to <0.75                                      | 2.8                                      | 4.4                                 | 27.5        | 4.0                       | 0.63        | 1,024              | 42.9        | 2.06             | 2.8         | 70          | –             | –                                |
| 0.75 to <2.50                                      | 8.4                                      | 8.4                                 | 27.0        | 10.4                      | 1.34        | 3,196              | 43.1        | 1.69             | 9.3         | 89          | 0.1           | –                                |
| 2.50 to <10.00                                     | 2.6                                      | 1.8                                 | 29.7        | 3.0                       | 4.61        | 825                | 43.2        | 1.97             | 4.2         | 140         | 0.1           | –                                |
| 10.00 to <100.00                                   | 0.3                                      | 0.3                                 | 31.1        | 0.4                       | 18.69       | 182                | 42.4        | 1.17             | 0.6         | 150         | –             | –                                |
| 100.00 (Default)                                   | 0.5                                      | 0.1                                 | 23.3        | 0.6                       | 100.00      | 286                | 44.8        | 1.13             | –           | –           | 0.2           | –                                |
| <b>Sub-total</b>                                   | <b>31.2</b>                              | <b>40.0</b>                         | <b>35.6</b> | <b>45.0</b>               | <b>2.16</b> | <b>9,324</b>       | <b>44.0</b> | <b>2.00</b>      | <b>26.8</b> | <b>60</b>   | <b>0.4</b>    | <b>0.4</b>                       |
| <b>FIRB – Total at 30 Jun 2017</b>                 | <b>31.4</b>                              | <b>40.0</b>                         | <b>35.7</b> | <b>45.4</b>               | <b>2.15</b> | <b>9,325</b>       | <b>44.0</b> | <b>2.00</b>      | <b>26.9</b> | <b>59</b>   | <b>0.4</b>    | <b>0.4</b>                       |

<sup>1</sup> Securitisation positions are not included in this table.

<sup>2</sup> Slotting exposures are disclosed in Table 16: Specialised lending.

<sup>3</sup> The Wholesale AIRB Total includes Non-credit obligation assets ('NCOA') amounting to \$56.2bn of Original exposure and EAD, and \$12.7bn of RWAs.

## Pillar 3 Disclosures at 30 June 2017

Table 14: IRB – Credit risk exposures by portfolio and PD range (continued)<sup>1</sup>

| PD scale   | Original on-balance sheet gross exposure | Off-balance sheet exposures pre-CCF | Average CCF | EAD post-CRM and post-CCF | Average PD | Number of obligors | Average LGD | Average maturity | RWAs  | RWA density | Expected loss | Value adjustments and provisions |
|--|--|-------------------------------------|-------------|---------------------------|------------|--------------------|-------------|------------------|-------|-------------|---------------|----------------------------------|
|  | \$bn                                     | \$bn                                | %           | \$bn                      | %          |                    | %           | years            | \$bn  | %           | \$bn          | \$bn                             |
| <b>AIRB – Central government and central banks</b>                             |  |                                     |             |                           |            |                    |             |                  |       |             |               |                                  |
| 0.00 to <0.15  | 326.6                                    | 1.9                                 | 60.5        | 327.7                     | 0.02       | 417                | 42.9        | 2.05             | 26.0  | 8           | –             |                                  |
| 0.15 to <0.25  | 2.2                                      | –                                   | 27.5        | 2.3                       | 0.22       | 19                 | 43.9        | 1.48             | 0.8   | 37          | –             |                                  |
| 0.25 to <0.50  | 2.0                                      | –                                   | 42.3        | 2.0                       | 0.37       | 33                 | 43.5        | 1.36             | 0.9   | 49          | –             |                                  |
| 0.50 to <0.75  | 0.5                                      | –                                   | 50.1        | 0.5                       | 0.63       | 15                 | 45.0        | 1.49             | 0.4   | 69          | –             |                                  |
| 0.75 to <2.50  | 3.7                                      | 0.1                                 | 26.7        | 3.7                       | 1.35       | 35                 | 45.0        | 1.27             | 3.4   | 91          | –             |                                  |
| 2.50 to <10.00   | 3.2                                      | –                                   | 76.5        | 3.2                       | 3.49       | 20                 | 45.0        | 1.07             | 3.9   | 123         | 0.1           |                                  |
| 10.00 to <100.00   | –  | –                                   | 50.2        | –                         | 10.00      | 4                  | 47.0        | 0.55             | –     | 189         | –             |                                  |
| 100.00 (Default)   | –  | –                                   | –           | –                         | 100.00     | 11                 | 88.0        | 5.00             | –     | –           | –             |                                  |
| Sub-total  | 338.2                                    | 2.0                                 | 59.1        | 339.4                     | 0.07       | 554                | 43.0        | 2.02             | 35.4  | 10          | 0.1           |                                  |
| <b>AIRB – Institutions</b>   |  |                                     |             |                           |            |                    |             |                  |       |             |               |                                  |
| 0.00 to <0.15  | 62.5                                     | 16.3                                | 30.5        | 67.7                      | 0.05       | 2,772              | 40.2        | 1.34             | 10.2  | 15          | –             |                                  |
| 0.15 to <0.25  | 2.0                                      | 2.0                                 | 26.4        | 2.5                       | 0.22       | 384                | 44.7        | 0.72             | 0.9   | 37          | –             |                                  |
| 0.25 to <0.50  | 2.5                                      | 0.6                                 | 30.9        | 2.7                       | 0.37       | 278                | 44.9        | 0.69             | 1.5   | 54          | –             |                                  |
| 0.50 to <0.75  | 0.8                                      | 0.2                                 | 53.1        | 0.9                       | 0.63       | 175                | 44.7        | 1.15             | 0.7   | 73          | –             |                                  |
| 0.75 to <2.50  | 1.8                                      | 1.1                                 | 28.8        | 1.9                       | 1.11       | 270                | 42.2        | 0.98             | 1.6   | 83          | –             |                                  |
| 2.50 to <10.00   | –  | –                                   | 21.7        | –                         | 4.37       | 57                 | 41.7        | 0.37             | –     | 161         | –             |                                  |
| 10.00 to <100.00   | –  | 0.2                                 | 17.4        | –                         | 26.64      | 44                 | 53.2        | 1.53             | 0.1   | 307         | –             |                                  |
| 100.00 (Default)   | –  | –                                   | –           | –                         | 100.00     | 5                  | 45.0        | 2.54             | –     | 295         | –             |                                  |
| Sub-total  | 69.6                                     | 20.4                                | 30.1        | 75.7                      | 0.12       | 3,985              | 40.6        | 1.29             | 15    | 20          | –             |                                  |
| <b>AIRB – Corporate – Specialised Lending (excluding Slotting)<sup>2</sup></b> |  |                                     |             |                           |            |                    |             |                  |       |             |               |                                  |
| 0.00 to <0.15  | 0.9                                      | 0.4                                 | 62.7        | 1.2                       | 0.13       | 614                | 26.5        | 3.43             | 0.3   | 27          | –             |                                  |
| 0.15 to <0.25  | 0.9                                      | 0.3                                 | 45.5        | 1.0                       | 0.22       | 659                | 25.4        | 3.85             | 0.4   | 36          | –             |                                  |
| 0.25 to <0.50  | 0.4                                      | 0.1                                 | 58.4        | 0.4                       | 0.37       | 296                | 30.7        | 3.73             | 0.2   | 52          | –             |                                  |
| 0.50 to <0.75  | 0.4                                      | 0.1                                 | 31.0        | 0.4                       | 0.63       | 250                | 26.0        | 4.29             | 0.2   | 58          | –             |                                  |
| 0.75 to <2.50  | 0.7                                      | 0.5                                 | 34.5        | 0.9                       | 1.25       | 523                | 40.2        | 3.63             | 0.9   | 105         | –             |                                  |
| 2.50 to <10.00   | 0.1                                      | –                                   | 56.5        | 0.1                       | 3.57       | 91                 | 26.2        | 4.99             | 0.1   | 102         | –             |                                  |
| 10.00 to <100.00   | 0.1                                      | –                                   | 62.0        | 0.1                       | 18.58      | 114                | 27.2        | 1.56             | 0.2   | 134         | –             |                                  |
| 100.00 (Default)   | 0.1                                      | –                                   | 94.7        | 0.1                       | 100.00     | 159                | 53.3        | 3.22             | –     | 11          | 0.1           |                                  |
| Sub-total  | 3.6                                      | 1.4                                 | 47.7        | 4.2                       | 4.36       | 2,706              | 30.3        | 3.66             | 2.3   | 56          | 0.1           | 0.1                              |
| <b>AIRB – Corporate – Other</b>  |  |                                     |             |                           |            |                    |             |                  |       |             |               |                                  |
| 0.00 to <0.15  | 105.5                                    | 144.3                               | 37.9        | 186.0                     | 0.08       | 10,931             | 38.1        | 2.26             | 41.4  | 22          | 0.1           |                                  |
| 0.15 to <0.25  | 39.2                                     | 55.0                                | 38.8        | 67.0                      | 0.22       | 9,588              | 39.3        | 2.04             | 26.6  | 40          | 0.1           |                                  |
| 0.25 to <0.50  | 45.3                                     | 48.8                                | 36.4        | 69.6                      | 0.37       | 10,306             | 39.2        | 2.08             | 34.9  | 50          | 0.1           |                                  |
| 0.50 to <0.75  | 43.1                                     | 38.7                                | 33.4        | 55.0                      | 0.63       | 9,322              | 37.5        | 1.95             | 33.5  | 61          | 0.1           |                                  |
| 0.75 to <2.50  | 120.2                                    | 89.8                                | 31.9        | 123.5                     | 1.37       | 42,812             | 37.2        | 2.00             | 99.7  | 81          | 0.6           |                                  |
| 2.50 to <10.00   | 32.7                                     | 27.3                                | 34.4        | 31.9                      | 4.59       | 11,786             | 36.5        | 1.99             | 36.3  | 114         | 0.5           |                                  |
| 10.00 to <100.00   | 5.6                                      | 4.8                                 | 39.8        | 6.4                       | 19.65      | 2,459              | 36.5        | 2.05             | 11.1  | 174         | 0.5           |                                  |
| 100.00 (Default)   | 6.0                                      | 0.8                                 | 51.5        | 6.4                       | 100.00     | 2,583              | 41.9        | 2.24             | 6.0   | 93          | 2.5           |                                  |
| Sub-total  | 397.6                                    | 409.5                               | 36.2        | 545.8                     | 2.15       | 99,787             | 38.1        | 2.10             | 289.5 | 53          | 4.5           | 3.4                              |
| <b>Wholesale AIRB – Total at 31 Dec 2016<sup>3</sup></b>                       |  |                                     |             |                           |            |                    |             |                  |       |             |               |                                  |
|  | 860.9 <sup>4</sup>                       | 433.3                               | 36.0        | 1,017.0                   | 1.27       | 107,032            | 40.0        | 2.00             | 354.3 | 36          | 4.7           | 3.5                              |

Table 14: IRB – Credit risk exposures by portfolio and PD range (continued)<sup>1</sup>

| PD scale  | Original on-balance sheet gross exposure | Off-balance sheet exposures pre-CCF | Average CCF | EAD post-CRM and post-CCF | Average PD | Number of obligors | Average LGD | Average maturity | RWAs | RWA density | Expected loss | Value adjustments and provisions |
|---|--|-------------------------------------|-------------|---------------------------|------------|--------------------|-------------|------------------|------|-------------|---------------|----------------------------------|
|   | \$bn                                     | \$bn                                | %           | \$bn                      | %          |                    | %           | years            | \$bn | %           | \$bn          | \$bn                             |
| AIRB – Secured by mortgages on immovable property SME     |  |                                     |             |                           |            |                    |             |                  |      |             |               |                                  |
| 0.00 to <0.15   | 0.3                                      | –                                   | 100.0       | 0.4                       | 0.07       | 1,249              | 10.5        | –                | –    | 2           | –             | –                                |
| 0.15 to <0.25   | 0.1                                      | –                                   | 100.0       | 0.1                       | 0.17       | 200                | 17.9        | –                | –    | 7           | –             | –                                |
| 0.25 to <0.50   | 0.2                                      | –                                   | 37.7        | 0.1                       | 0.32       | 1,012              | 16.4        | –                | –    | 10          | –             | –                                |
| 0.50 to <0.75   | 0.1                                      | 0.1                                 | 100.0       | 0.1                       | 0.63       | 585                | 26.0        | –                | –    | 19          | –             | –                                |
| 0.75 to <2.50   | 0.3                                      | –                                   | 95.0        | 0.3                       | 1.63       | 1,792              | 28.9        | –                | 0.1  | 29          | –             | –                                |
| 2.50 to <10.00  | 0.4                                      | –                                   | 102.3       | 0.4                       | 5.26       | 1,928              | 24.4        | –                | 0.2  | 32          | –             | –                                |
| 10.00 to <100.00  | 0.1                                      | –                                   | 86.0        | 0.1                       | 17.47      | 414                | 26.5        | –                | –    | 50          | –             | –                                |
| 100.00 (Default)  | –  | –                                   | 97.8        | –                         | 100.00     | 138                | 26.2        | –                | –    | 48          | –             | –                                |
| Sub-total   | 1.5                                      | 0.1                                 | 97.7        | 1.5                       | 4.01       | 7,318              | 21.1        | –                | 0.3  | 21          | –             | –                                |
| AIRB – Secured by mortgages on immovable property non-SME |  |                                     |             |                           |            |                    |             |                  |      |             |               |                                  |
| 0.00 to <0.15   | 137.7                                    | 11.5                                | 92.3        | 151.4                     | 0.06       | 900,158            | 14.1        | –                | 8.0  | 5           | –             | –                                |
| 0.15 to <0.25   | 24.4                                     | 1.1                                 | 81.0        | 25.5                      | 0.21       | 106,945            | 16.5        | –                | 2.7  | 11          | –             | –                                |
| 0.25 to <0.50   | 22.0                                     | 2.3                                 | 43.8        | 23.1                      | 0.37       | 120,044            | 22.0        | –                | 4.6  | 20          | –             | –                                |
| 0.50 to <0.75   | 12.0                                     | 0.4                                 | 96.0        | 12.4                      | 0.61       | 56,427             | 15.9        | –                | 2.2  | 18          | –             | –                                |
| 0.75 to <2.50   | 23.1                                     | 1.1                                 | 61.8        | 23.9                      | 1.33       | 129,916            | 22.0        | –                | 8.8  | 37          | 0.1           | –                                |
| 2.50 to <10.00  | 6.4                                      | 0.2                                 | 93.6        | 6.6                       | 4.76       | 36,051             | 20.0        | –                | 4.7  | 71          | 0.1           | –                                |
| 10.00 to <100.00  | 2.2                                      | 0.1                                 | 98.3        | 2.3                       | 27.26      | 24,716             | 27.4        | –                | 3.9  | 171         | 0.2           | –                                |
| 100.00 (Default)  | 3.8                                      | –                                   | 78.5        | 3.8                       | 100.00     | 35,131             | 39.7        | –                | 1.6  | 42          | 1.5           | –                                |
| Sub-total   | 231.6                                    | 16.7                                | 82.9        | 249.0                     | 2.14       | 1,409,388          | 16.6        | –                | 36.5 | 15          | 1.9           | 0.5                              |
| AIRB – Qualifying revolving retail exposures              |  |                                     |             |                           |            |                    |             |                  |      |             |               |                                  |
| 0.00 to <0.15   | 4.9                                      | 62.5                                | 47.4        | 34.4                      | 0.07       | 11,894,411         | 93.7        | –                | 1.5  | 4           | –             | –                                |
| 0.15 to <0.25   | 1.3                                      | 12.0                                | 44.0        | 6.5                       | 0.21       | 1,824,704          | 95.0        | –                | 0.8  | 11          | –             | –                                |
| 0.25 to <0.50   | 2.1                                      | 9.0                                 | 42.9        | 5.9                       | 0.37       | 1,732,829          | 93.3        | –                | 1.0  | 17          | –             | –                                |
| 0.50 to <0.75   | 2.0                                      | 4.0                                 | 50.2        | 3.9                       | 0.60       | 1,069,619          | 93.4        | –                | 1.0  | 26          | –             | –                                |
| 0.75 to <2.50   | 5.5                                      | 6.6                                 | 47.3        | 8.6                       | 1.39       | 1,991,102          | 91.4        | –                | 4.0  | 48          | 0.1           | –                                |
| 2.50 to <10.00  | 2.9                                      | 1.4                                 | 57.8        | 3.7                       | 4.78       | 679,874            | 89.9        | –                | 4.2  | 112         | 0.2           | –                                |
| 10.00 to <100.00  | 0.8                                      | 0.3                                 | 55.7        | 0.9                       | 28.87      | 268,254            | 91.7        | –                | 2.1  | 219         | 0.3           | –                                |
| 100.00 (Default)  | 0.1                                      | –                                   | 6.3         | 0.1                       | 100.00     | 26,142             | 36.0        | –                | 0.1  | 148         | –             | –                                |
| Sub-total   | 19.6                                     | 95.8                                | 46.8        | 64.0                      | 1.14       | 19,486,935         | 93.1        | –                | 14.7 | 23          | 0.6           | 0.2                              |
| AIRB – Other SME  |  |                                     |             |                           |            |                    |             |                  |      |             |               |                                  |
| 0.00 to <0.15   | 0.1                                      | 0.1                                 | 67.4        | 0.2                       | 0.10       | 82,891             | 39.9        | –                | –    | 9           | –             | –                                |
| 0.15 to <0.25   | 0.2                                      | 0.2                                 | 53.4        | 0.3                       | 0.22       | 91,588             | 61.2        | –                | 0.1  | 22          | –             | –                                |
| 0.25 to <0.50   | 0.3                                      | 0.4                                 | 51.2        | 0.6                       | 0.38       | 141,288            | 63.1        | –                | 0.2  | 32          | –             | –                                |
| 0.50 to <0.75   | 0.4                                      | 0.5                                 | 66.5        | 0.8                       | 0.63       | 157,268            | 58.0        | –                | 0.3  | 38          | –             | –                                |
| 0.75 to <2.50   | 2.0                                      | 1.3                                 | 60.8        | 2.8                       | 1.58       | 427,912            | 58.8        | –                | 1.5  | 55          | –             | –                                |
| 2.50 to <10.00  | 2.3                                      | 0.8                                 | 69.9        | 2.8                       | 4.90       | 201,537            | 53.6        | –                | 1.8  | 64          | 0.1           | –                                |
| 10.00 to <100.00  | 0.5                                      | 0.1                                 | 70.1        | 0.6                       | 17.66      | 69,516             | 66.6        | –                | 0.6  | 106         | 0.1           | –                                |
| 100.00 (Default)  | 0.6                                      | 0.1                                 | 94.5        | 0.6                       | 100.00     | 21,873             | 39.5        | –                | –    | 3           | 0.3           | –                                |
| Sub-total   | 6.4                                      | 3.5                                 | 63.4        | 8.7                       | 10.84      | 1,193,873          | 56.1        | –                | 4.5  | 52          | 0.5           | 0.3                              |
| AIRB – Other non-SME                                      |  |                                     |             |                           |            |                    |             |                  |      |             |               |                                  |
| 0.00 to <0.15   | 9.5                                      | 6.1                                 | 34.4        | 11.9                      | 0.07       | 442,581            | 20.0        | –                | 0.5  | 5           | –             | –                                |
| 0.15 to <0.25   | 6.0                                      | 2.7                                 | 35.8        | 7.3                       | 0.20       | 393,748            | 31.2        | –                | 1.0  | 14          | –             | –                                |
| 0.25 to <0.50   | 5.4                                      | 2.9                                 | 29.6        | 6.3                       | 0.36       | 276,509            | 29.9        | –                | 1.2  | 19          | –             | –                                |
| 0.50 to <0.75   | 4.0                                      | 1.2                                 | 29.1        | 4.5                       | 0.60       | 176,642            | 29.3        | –                | 1.1  | 24          | –             | –                                |
| 0.75 to <2.50   | 8.7                                      | 0.6                                 | 31.7        | 9.1                       | 1.37       | 345,838            | 28.9        | –                | 3.2  | 35          | –             | –                                |
| 2.50 to <10.00  | 2.8                                      | 1.0                                 | 26.8        | 3.2                       | 4.31       | 188,614            | 39.5        | –                | 1.9  | 61          | 0.1           | –                                |
| 10.00 to <100.00  | 0.7                                      | –                                   | 17.1        | 0.8                       | 25.11      | 79,970             | 65.7        | –                | 1.1  | 138         | 0.1           | –                                |
| 100.00 (Default)  | 0.4                                      | –                                   | 52.1        | 0.5                       | 100.00     | 58,697             | 55.4        | –                | 0.1  | 13          | 0.3           | –                                |
| Sub-total   | 37.5                                     | 14.5                                | 32.6        | 43.6                      | 2.26       | 1,962,599          | 28.7        | –                | 10.1 | 23          | 0.5           | 0.3                              |
| Retail AIRB – Total at 31 Dec 2016                        |  |                                     |             |                           |            |                    |             |                  |      |             |               |                                  |
|   | 296.6                                    | 130.6                               | 50.3        | 366.8                     | 2.19       | 24,060,113         | 32.3        | –                | 66.1 | 18          | 3.5           | 1.3                              |

## Pillar 3 Disclosures at 30 June 2017

Table 14: IRB – Credit risk exposures by portfolio and PD range (continued)<sup>1</sup>

| PD scale   | Original on-balance sheet gross exposure<br>\$bn | Off-balance sheet exposures pre-CCF<br>\$bn | Average CCF<br>% | EAD post-CRM and post-CCF<br>\$bn | Average PD<br>% | Number of obligors | Average LGD<br>% | Average maturity<br>years | RWAs<br>\$bn | RWA density<br>% | Expected loss<br>\$bn | Value adjustments and provisions<br>\$bn |
|--|--|---|------------------|-----------------------------------|-----------------|--------------------|------------------|---------------------------|--------------|------------------|-----------------------|--|
| <b>FIRB – Central government and central banks</b> |  |   |                  |                                   |                 |                    |                  |                           |              |                  |                       |  |
| 0.00 to <0.15                                      | –  | –   | 75.0             | 0.1                               | 0.04            | 1                  | 45.0             | 5.00                      | –            | 32               | –                     | –  |
| 0.15 to <0.25                                      | –  | –   | –                | –                                 | –               | –                  | –                | –                         | –            | –                | –                     | –  |
| 0.25 to <0.50                                      | –  | –   | –                | –                                 | –               | –                  | –                | –                         | –            | –                | –                     | –  |
| 0.50 to <0.75                                      | –  | –   | –                | –                                 | –               | –                  | –                | –                         | –            | –                | –                     | –  |
| 0.75 to <2.50                                      | –  | –   | –                | –                                 | –               | –                  | –                | –                         | –            | –                | –                     | –  |
| 2.50 to <10.00                                     | –  | –   | –                | –                                 | –               | –                  | –                | –                         | –            | –                | –                     | –  |
| 10.00 to <100.00                                   | –  | –   | –                | –                                 | –               | –                  | –                | –                         | –            | –                | –                     | –  |
| 100.00 (Default)                                   | –  | –   | –                | –                                 | –               | –                  | –                | –                         | –            | –                | –                     | –  |
| Sub-total  | –  | –   | 75.0             | 0.1                               | 0.04            | 1                  | 45.0             | 5.00                      | –            | 32               | –                     | –  |
| <b>FIRB – Institutions</b>                         |  |   |                  |                                   |                 |                    |                  |                           |              |                  |                       |  |
| 0.00 to <0.15                                      | 0.1  | –   | 45.2             | 0.1                               | 0.06            | 2                  | 45.0             | 2.75                      | –            | 23               | –                     | –  |
| 0.15 to <0.25                                      | –  | –   | 20.7             | –                                 | 0.22            | –                  | 45.0             | 3.82                      | –            | 62               | –                     | –  |
| 0.25 to <0.50                                      | 0.1  | –   | 75.0             | 0.2                               | 0.37            | 1                  | 45.0             | 1.71                      | 0.1          | 55               | –                     | –  |
| 0.50 to <0.75                                      | –  | –   | –                | –                                 | –               | –                  | –                | –                         | –            | –                | –                     | –  |
| 0.75 to <2.50                                      | –  | –   | –                | –                                 | –               | –                  | –                | –                         | –            | –                | –                     | –  |
| 2.50 to <10.00                                     | –  | –   | –                | –                                 | –               | –                  | –                | –                         | –            | –                | –                     | –  |
| 10.00 to <100.00                                   | –  | –   | –                | –                                 | –               | –                  | –                | –                         | –            | –                | –                     | –  |
| 100.00 (Default)                                   | –  | –   | –                | –                                 | –               | –                  | –                | –                         | –            | –                | –                     | –  |
| Sub-total  | 0.2  | –   | 46.6             | 0.3                               | 0.26            | 3                  | 45.0             | 2.09                      | 0.1          | 43               | –                     | –  |
| <b>FIRB – Corporate – Other</b>                    |  |   |                  |                                   |                 |                    |                  |                           |              |                  |                       |  |
| 0.00 to <0.15                                      | 8.6  | 12.2  | 40.5             | 13.5                              | 0.09            | 1,316              | 44.6             | 2.45                      | 3.8          | 28               | –                     | –  |
| 0.15 to <0.25                                      | 3.1  | 5.7   | 39.2             | 5.3                               | 0.22            | 1,303              | 44.9             | 2.22                      | 2.4          | 46               | –                     | –  |
| 0.25 to <0.50                                      | 4.5  | 5.2   | 32.2             | 6.1                               | 0.37            | 1,549              | 42.8             | 1.96                      | 3.5          | 57               | –                     | –  |
| 0.50 to <0.75                                      | 3.3  | 5.2   | 30.9             | 4.9                               | 0.63            | 1,140              | 43.4             | 1.98                      | 3.6          | 72               | –                     | –  |
| 0.75 to <2.50                                      | 6.7  | 9.7   | 26.5             | 9.0                               | 1.35            | 2,817              | 43.1             | 1.67                      | 8.3          | 91               | 0.1                   | –  |
| 2.50 to <10.00                                     | 2.3  | 2.2   | 28.2             | 2.8                               | 4.65            | 1,312              | 42.9             | 1.90                      | 3.8          | 138              | 0.1                   | –  |
| 10.00 to <100.00                                   | 0.2  | 0.2   | 15.2             | 0.3                               | 15.99           | 180                | 41.4             | 0.90                      | 0.4          | 175              | –                     | –  |
| 100.00 (Default)                                   | 0.4  | 0.1   | 45.8             | 0.5                               | 100.00          | 414                | 44.9             | 1.43                      | –            | –                | 0.2                   | –  |
| Sub-total  | 29.1   | 40.5  | 33.9             | 42.4                              | 1.95            | 10,031             | 43.8             | 2.07                      | 25.8         | 61               | 0.4                   | 0.4                                      |
| <b>FIRB – Total at 31 Dec 2016</b>                 | <b>29.3</b>                                      | <b>40.5</b>                                 | <b>34.0</b>      | <b>42.8</b>                       | <b>1.94</b>     | <b>10,035</b>      | <b>43.8</b>      | <b>2.1</b>                | <b>25.9</b>  | <b>61</b>        | <b>0.4</b>            | <b>0.4</b>                               |

<sup>1</sup> Securitisation positions are not included in this table.

<sup>2</sup> Slotting exposures are disclosed in Table 16: Specialised lending.

<sup>3</sup> The Wholesale AIRB Total includes NCOA amounting to \$51.9bn of EAD, and \$12.1bn of RWAs.

<sup>4</sup> \$51.9bn of Original on-balance sheet gross exposure has been added to the Wholesale AIRB Total for 31 Dec 2016.

Table 15: IRB – Effect on RWA of credit derivatives used as CRM techniques

|    |  | At                                  |                     |                                     |                     |
|----|--|-------------------------------------|---------------------|-------------------------------------|---------------------|
|    |  | 30 Jun 2017                         |                     | 31 Dec 2016                         |                     |
|    |  | Pre-credit derivatives RWAs<br>\$bn | Actual RWAs<br>\$bn | Pre-credit derivatives RWAs<br>\$bn | Actual RWAs<br>\$bn |
| 1  | Exposures under FIRB                     | 0.5                                 | 0.5                 | 0.3                                 | 0.3                 |
| 6  | Corporates – other                       | 0.5                                 | 0.5                 | 0.3                                 | 0.3                 |
| 7  | Exposures under AIRB <sup>1</sup>        | 172.5                               | 171.4               | 159.7                               | 158.6               |
| 8  | Central governments and central banks    | 5.8                                 | 5.8                 | 5.9                                 | 5.9                 |
| 9  | Institutions                             | 4.7                                 | 4.7                 | 2.7                                 | 2.7                 |
| 11 | Corporates – specialised lending         | 18.3                                | 18.3                | 14.4                                | 14.4                |
| 12 | Corporates – other                       | 115.1                               | 114.0               | 105.2                               | 104.1               |
| 14 | Retail – Secured by real estate non-SMEs | 13.8                                | 13.8                | 18.4                                | 18.4                |
| 15 | Retail – Qualifying revolving            | 5.4                                 | 5.4                 | 4.4                                 | 4.4                 |
| 16 | Retail – Other SMEs                      | 4.0                                 | 4.0                 | 3.0                                 | 3.0                 |
| 17 | Retail – Other non-SMEs                  | 5.4                                 | 5.4                 | 5.7                                 | 5.7                 |
| 20 | <b>Total</b>                             | <b>173.0</b>                        | <b>171.9</b>        | <b>160.0</b>                        | <b>158.9</b>        |

<sup>1</sup> Securitisation positions are not included in this table.

Table 16: Specialised lending<sup>1</sup>

| Regulatory categories       | Regulatory maturity             | On-balance sheet amount | Off-balance sheet amount | Risk weight | Exposure amount | RWAs        | Expected loss |
|-----------------------------|---------------------------------|-------------------------|--------------------------|-------------|-----------------|-------------|---------------|
|                             |                                 | \$bn                    | \$bn                     | %           | \$bn            | \$bn        | \$bn          |
| Category 1                  | Less than 2.5 years             | 11.8                    | 1.5                      | 50          | 12.8            | 6.4         | –             |
|                             | Equal to or more than 2.5 years | 12.1                    | 1.5                      | 70          | 13.0            | 9.0         | 0.2           |
| Category 2                  | Less than 2.5 years             | 3.5                     | 0.3                      | 70          | 3.6             | 2.5         | –             |
|                             | Equal to or more than 2.5 years | 2.6                     | 0.2                      | 90          | 2.7             | 2.4         | –             |
| Category 3                  | Less than 2.5 years             | 0.4                     | –                        | 115         | 0.4             | 0.5         | –             |
|                             | Equal to or more than 2.5 years | 0.8                     | –                        | 115         | 0.8             | 0.9         | –             |
| Category 4                  | Less than 2.5 years             | 0.1                     | –                        | 250         | 0.2             | 0.4         | –             |
|                             | Equal to or more than 2.5 years | 0.1                     | –                        | 250         | 0.1             | 0.3         | –             |
| Category 5                  | Less than 2.5 years             | 0.6                     | –                        | –           | 0.8             | –           | 0.4           |
|                             | Equal to or more than 2.5 years | 0.3                     | –                        | –           | 0.3             | –           | 0.1           |
| <b>Total at 30 Jun 2017</b> | Less than 2.5 years             | <b>16.4</b>             | <b>1.8</b>               |             | <b>17.8</b>     | <b>9.8</b>  | <b>0.4</b>    |
|                             | Equal to or more than 2.5 years | <b>15.9</b>             | <b>1.7</b>               |             | <b>16.9</b>     | <b>12.6</b> | <b>0.3</b>    |
| Category 1                  | Less than 2.5 years             | 9.1                     | 1.5                      | 50          | 9.9             | 5.0         | –             |
|                             | Equal to or more than 2.5 years | 12.6                    | 1.5                      | 70          | 13.7            | 9.5         | 0.1           |
| Category 2                  | Less than 2.5 years             | 2.9                     | 0.4                      | 70          | 3.1             | 2.1         | –             |
|                             | Equal to or more than 2.5 years | 2.8                     | 0.1                      | 90          | 2.8             | 2.5         | –             |
| Category 3                  | Less than 2.5 years             | 0.5                     | –                        | 115         | 0.5             | 0.6         | –             |
|                             | Equal to or more than 2.5 years | 0.9                     | –                        | 115         | 0.9             | 1.0         | –             |
| Category 4                  | Less than 2.5 years             | 0.3                     | –                        | 250         | 0.3             | 0.8         | –             |
|                             | Equal to or more than 2.5 years | 0.1                     | –                        | 250         | 0.1             | 0.3         | –             |
| Category 5                  | Less than 2.5 years             | 0.5                     | –                        | –           | 0.8             | –           | 0.5           |
|                             | Equal to or more than 2.5 years | 0.3                     | –                        | –           | 0.4             | –           | 0.2           |
| <b>Total at 31 Dec 2016</b> | Less than 2.5 years             | <b>13.3</b>             | <b>1.9</b>               |             | <b>14.6</b>     | <b>8.5</b>  | <b>0.5</b>    |
|                             | Equal to or more than 2.5 years | <b>16.7</b>             | <b>1.6</b>               |             | <b>17.9</b>     | <b>13.3</b> | <b>0.3</b>    |

<sup>1</sup> High volatility commercial real estate ('HVCRE') exposures are not included in the above table. The value of exposures under HVCRE was nil at 30 Jun 2017 (31 Dec 2016: \$0.6bn).

## Counterparty credit risk

CCR risk arises for derivatives and SFTs. It is calculated in both the trading and non-trading books, and is the risk that a counterparty may default before settlement of the transaction. CCR is generated primarily in our wholesale global businesses.

Four approaches may be used under CRD IV to calculate exposure values for CCR: mark-to-market, original exposure, standardised and IMM. Exposure values calculated under these approaches are used to determine RWAs. Across the Group, we use the mark-to-market and IMM approaches.

Table 17: Analysis of counterparty credit risk ('CCR') exposure by approach (excluding centrally cleared exposures)

|       | Footnote  | Replacement cost | Potential future exposure | EEPE        | Alpha used for computing regulatory EAD | EAD post-CRM | RWAs         |             |
|-------|---|------------------|---------------------------|-------------|---|--------------|--------------|-------------|
|       |   | \$bn             | \$bn                      | \$bn        | \$bn                                    | \$bn         | \$bn         |             |
| 1     | SA-CCR  | 1                | 20.8                      | 46.3        | –                                       | –            | 67.1         | 27.4        |
| 2     | Internal Model Method                             |                  | –                         | –           | 17.0                                    | 1.4          | 23.8         | 10.0        |
| 4     | Comprehensive Approach for credit risk mitigation |                  | –                         | –           | –                                       | –            | 47.3         | 8.9         |
| 6     | <b>Total at 30 Jun 2017</b>                       |                  | <b>20.8</b>               | <b>46.3</b> | <b>17.0</b>                             | <b>1.4</b>   | <b>138.2</b> | <b>46.3</b> |
| <hr/> |   |                  |                           |             |   |              |              |             |
| 1     | SA-CCR  | 1                | 27.5                      | 43.5        | –                                       | –            | 71.0         | 28.0        |
| 2     | Internal Model Method                             |                  | –                         | –           | 19.9                                    | 1.4          | 27.9         | 10.9        |
| 4     | Comprehensive Approach for credit risk mitigation |                  | –                         | –           | –                                       | –            | 38.3         | 7.3         |
| 6     | <b>Total at 31 Dec 2016</b>                       |                  | <b>27.5</b>               | <b>43.5</b> | <b>19.9</b>                             | <b>1.4</b>   | <b>137.2</b> | <b>46.2</b> |

1 Prior to the implementation of SA-CCR, exposures reported here will be those under the mark-to-market method.

Table 18: Credit valuation adjustment ('CVA') capital charge

|   | At  |              |                      |              |             |
|---|---|--------------|----------------------|--------------|-------------|
|   | 30 Jun 2017   |              | 31 Dec 2016          |              |             |
|   | EAD post-CRM<br>\$bn  | RWAs<br>\$bn | EAD post-CRM<br>\$bn | RWAs<br>\$bn |             |
| 1 | Total portfolios subject to the Advanced CVA capital charge   | 10.3         | 4.1                  | 12.8         | 3.5         |
| 2 | – VaR component (including the 3 × multiplier)                | –            | 0.7                  | –            | 0.8         |
| 3 | – stressed VaR component (including the 3 × multiplier)       | –            | 3.4                  | –            | 2.7         |
| 4 | All portfolios subject to the Standardised CVA capital charge | 39.6         | 10.0                 | 41.6         | 10.9        |
| 5 | <b>Total subject to the CVA capital charge</b>                | <b>49.9</b>  | <b>14.1</b>          | <b>54.4</b>  | <b>14.4</b> |

Table 19: Standardised approach – CCR exposures by regulatory portfolio and risk weights

| Risk weight                           | 0%         | 10%      | 20%      | 50%        | 75%      | 100%       | 150%     | Others   | Total credit exposure | Of which unrated |
|---------------------------------------|------------|----------|----------|------------|----------|------------|----------|----------|-----------------------|------------------|
| Central governments and central banks | 6.7        | –        | –        | –          | –        | –          | –        | –        | 6.7                   | 5.6              |
| Institutions                          | –          | –        | –        | 0.1        | –        | –          | –        | –        | 0.1                   | 0.1              |
| Corporates                            | –          | –        | –        | 0.1        | –        | 2.3        | –        | –        | 2.4                   | 2.0              |
| <b>Total at 30 Jun 2017</b>           | <b>6.7</b> | <b>–</b> | <b>–</b> | <b>0.2</b> | <b>–</b> | <b>2.3</b> | <b>–</b> | <b>–</b> | <b>9.2</b>            | <b>7.7</b>       |
| <hr/>                                 |            |          |          |            |          |            |          |          |                       |                  |
| Central governments and central banks | 7.3        | –        | –        | –          | –        | –          | –        | –        | 7.3                   | 4.3              |
| Institutions                          | –          | –        | –        | 0.2        | –        | –          | –        | –        | 0.2                   | 0.2              |
| Corporates                            | –          | –        | –        | 0.1        | –        | 2.5        | –        | –        | 2.6                   | 2.3              |
| <b>Total at 31 Dec 2016</b>           | <b>7.3</b> | <b>–</b> | <b>–</b> | <b>0.3</b> | <b>–</b> | <b>2.5</b> | <b>–</b> | <b>–</b> | <b>10.1</b>           | <b>6.8</b>       |

Table 20: IRB – CCR exposures by portfolio and PD scale

| PD scale   | EAD post-CRM<br>\$bn | Average PD<br>% | Number of obligors | Average LGD<br>% | Average maturity<br>years | RWAs<br>\$bn | RWA density<br>% |
|--|----------------------|-----------------|--------------------|------------------|---------------------------|--------------|------------------|
| <b>AIRB – Central Government and Central Banks</b> |                      |                 |                    |                  |                           |              |                  |
| 0.00 to <0.15                                      | 11.1                 | 0.04            | 99                 | 45.0             | 1.17                      | 0.9          | 8                |
| 0.15 to <0.25                                      | 0.1                  | 0.22            | 10                 | 45.0             | 4.23                      | 0.1          | 66               |
| 0.25 to <0.50                                      | 0.1                  | 0.37            | 5                  | 45.0             | 0.22                      | 0.1          | 38               |
| 0.50 to <0.75                                      | –                    | 0.63            | 5                  | 45.0             | 1.01                      | –            | 64               |
| 0.75 to <2.50                                      | 0.3                  | 1.76            | 5                  | 45.0             | 1.12                      | 0.3          | 98               |
| 2.50 to <10.00                                     | 0.3                  | 3.05            | 1                  | 45.0             | 0.36                      | 0.3          | –                |
| 10.00 to <100.00                                   | –                    | –               | –                  | –                | –                         | –            | –                |
| 100.00 (Default)                                   | –                    | –               | –                  | –                | –                         | –            | –                |
| <b>Sub-total</b>                                   | <b>11.9</b>          | <b>0.16</b>     | <b>125</b>         | <b>45.0</b>      | <b>1.17</b>               | <b>1.7</b>   | <b>14</b>        |
| <b>AIRB – Institutions</b>                         |                      |                 |                    |                  |                           |              |                  |
| 0.00 to <0.15                                      | 52.4                 | 0.06            | 3,405              | 40.1             | 1.09                      | 11.1         | 21               |
| 0.15 to <0.25                                      | 6.2                  | 0.22            | 299                | 46.4             | 1.44                      | 3.1          | 50               |
| 0.25 to <0.50                                      | 2.1                  | 0.37            | 134                | 45.0             | 1.14                      | 1.2          | 58               |
| 0.50 to <0.75                                      | 0.3                  | 0.63            | 84                 | 45.0             | 2.77                      | 0.3          | 100              |
| 0.75 to <2.50                                      | 0.6                  | 1.23            | 121                | 45.1             | 1.83                      | 0.7          | 113              |
| 2.50 to <10.00                                     | 0.1                  | 4.82            | 28                 | 36.4             | 0.86                      | 0.1          | 158              |
| 10.00 to <100.00                                   | 0.1                  | 22.98           | 23                 | 33.0             | 1.79                      | 0.2          | 284              |
| 100.00 (Default)                                   | –                    | –               | –                  | –                | –                         | –            | –                |
| <b>Sub-total</b>                                   | <b>61.8</b>          | <b>0.14</b>     | <b>4,094</b>       | <b>45.2</b>      | <b>1.31</b>               | <b>16.7</b>  | <b>27</b>        |
| <b>AIRB – Corporates</b>                           |                      |                 |                    |                  |                           |              |                  |
| 0.00 to <0.15                                      | 30.8                 | 0.08            | 5,696              | 44.6             | 1.87                      | 7.5          | 24               |
| 0.15 to <0.25                                      | 6.3                  | 0.22            | 1,845              | 45.6             | 1.75                      | 3.1          | 49               |
| 0.25 to <0.50                                      | 3.7                  | 0.37            | 1,116              | 46.4             | 2.18                      | 2.5          | 67               |
| 0.50 to <0.75                                      | 3.0                  | 0.63            | 970                | 43.0             | 1.54                      | 2.4          | 81               |
| 0.75 to <2.50                                      | 6.1                  | 1.31            | 2,737              | 46.0             | 1.36                      | 6.5          | 107              |
| 2.50 to <10.00                                     | 0.8                  | 4.09            | 644                | 47.5             | 1.63                      | 1.3          | 161              |
| 10.00 to <100.00                                   | 0.1                  | 25.10           | 103                | 47.1             | 1.83                      | 0.2          | 244              |
| 100.00 (Default)                                   | 0.1                  | 100.00          | 30                 | 45.0             | 4.28                      | –            | –                |
| <b>Sub-total</b>                                   | <b>50.9</b>          | <b>0.56</b>     | <b>13,141</b>      | <b>45.2</b>      | <b>1.81</b>               | <b>23.5</b>  | <b>46</b>        |
| <b>Total at 30 Jun 2017</b>                        | <b>124.6</b>         | <b>0.32</b>     | <b>17,360</b>      | <b>45.1</b>      | <b>1.50</b>               | <b>41.9</b>  | <b>34</b>        |
| <b>FIRB – Corporates</b>                           |                      |                 |                    |                  |                           |              |                  |
| 0.00 to <0.15                                      | 2.6                  | 0.08            | 552                | 38.9             | 1.78                      | 0.7          | 27               |
| 0.15 to <0.25                                      | 0.3                  | 0.22            | 155                | 45.0             | 2.02                      | 0.1          | 46               |
| 0.25 to <0.50                                      | 0.2                  | 0.37            | 172                | 45.0             | 1.74                      | 0.1          | 57               |
| 0.50 to <0.75                                      | 0.1                  | 0.63            | 101                | 45.0             | 1.67                      | 0.1          | 77               |
| 0.75 to <2.50                                      | 0.5                  | 1.42            | 327                | 45.0             | 1.96                      | 0.5          | 107              |
| 2.50 to <10.00                                     | 0.1                  | 3.77            | 81                 | 45.0             | 1.79                      | 0.1          | 136              |
| 10.00 to <100.00                                   | –                    | 16.16           | 11                 | 45.0             | 1.06                      | –            | 193              |
| 100.00 (Default)                                   | –                    | 100.00          | 7                  | 45.0             | 1.11                      | –            | –                |
| <b>Total at 30 Jun 2017</b>                        | <b>3.8</b>           | <b>0.43</b>     | <b>1,406</b>       | <b>45.0</b>      | <b>2.08</b>               | <b>1.6</b>   | <b>43</b>        |
| <b>Total (all portfolios) at 30 Jun 2017</b>       | <b>128.4</b>         | <b>0.32</b>     | <b>18,766</b>      | <b>45.1</b>      | <b>1.52</b>               | <b>43.5</b>  | <b>34</b>        |

## Pillar 3 Disclosures at 30 June 2017

Table 20: IRB – CCR exposures by portfolio and PD scale (continued)

| PD scale   | EAD<br>post-CRM<br>\$bn | Average<br>PD<br>% | Number of<br>obligors | Average<br>LGD<br>% | Average<br>maturity<br>years | RWAs<br>\$bn | RWA<br>density<br>% |
|--|-------------------------|--------------------|-----------------------|---------------------|------------------------------|--------------|---------------------|
| <b>AIRB – Central Government and Central Banks</b> |                         |                    |                       |                     |                              |              |                     |
| 0.00 to <0.15                                      | 11.7                    | 0.04               | 104                   | 45.3                | 1.00                         | 1.1          | 8                   |
| 0.15 to <0.25                                      | 0.2                     | 0.22               | 4                     | 45.0                | 1.00                         | 0.1          | 32                  |
| 0.25 to <0.50                                      | –                       | 0.37               | 5                     | 45.0                | 0.20                         | –            | 38                  |
| 0.50 to <0.75                                      | –                       | 0.63               | 5                     | 45.0                | 0.20                         | –            | 55                  |
| 0.75 to <2.50                                      | –                       | 1.34               | 12                    | 41.2                | 2.80                         | –            | 111                 |
| 2.50 to <10.00                                     | 0.4                     | 4.20               | 3                     | 45.0                | 0.90                         | 0.5          | –                   |
| 10.00 to <100.00                                   | –                       | –                  | –                     | –                   | –                            | –            | –                   |
| 100.00 (Default)                                   | –                       | –                  | –                     | –                   | –                            | –            | –                   |
| Sub-total  | 12.3                    | 0.19               | 133                   | 45.3                | 1.00                         | 1.7          | 13                  |
| <b>AIRB – Institutions</b>                         |                         |                    |                       |                     |                              |              |                     |
| 0.00 to <0.15                                      | 48.5                    | 0.06               | 3,473                 | 45.2                | 1.30                         | 10.8         | 22                  |
| 0.15 to <0.25                                      | 5.9                     | 0.22               | 295                   | 46.9                | 1.60                         | 3.0          | 51                  |
| 0.25 to <0.50                                      | 1.6                     | 0.37               | 133                   | 45.0                | 1.40                         | 0.9          | 61                  |
| 0.50 to <0.75                                      | 0.7                     | 0.63               | 69                    | 45.0                | 0.60                         | 0.5          | 70                  |
| 0.75 to <2.50                                      | 0.6                     | 1.07               | 144                   | 45.1                | 1.50                         | 0.6          | 104                 |
| 2.50 to <10.00                                     | 0.1                     | 4.64               | 31                    | 45.0                | 2.30                         | 0.1          | 186                 |
| 10.00 to <100.00                                   | 0.1                     | 28.13              | 17                    | 53.4                | 2.10                         | 0.2          | 329                 |
| 100.00 (Default)                                   | –                       | –                  | –                     | –                   | –                            | –            | –                   |
| Sub-total  | 57.5                    | 0.14               | 4,162                 | 45.3                | 1.40                         | 16.1         | 28                  |
| <b>AIRB – Corporates</b>                           |                         |                    |                       |                     |                              |              |                     |
| 0.00 to <0.15                                      | 30.9                    | 0.07               | 5,839                 | 41.6                | 1.90                         | 7.5          | 24                  |
| 0.15 to <0.25                                      | 7.3                     | 0.22               | 1,870                 | 46.3                | 1.90                         | 3.7          | 51                  |
| 0.25 to <0.50                                      | 3.4                     | 0.37               | 1,131                 | 47.1                | 1.70                         | 2.1          | 62                  |
| 0.50 to <0.75                                      | 3.3                     | 0.63               | 968                   | 43.3                | 1.40                         | 2.6          | 79                  |
| 0.75 to <2.50                                      | 5.7                     | 1.35               | 3,112                 | 46.3                | 1.40                         | 6.1          | 107                 |
| 2.50 to <10.00                                     | 0.7                     | 4.24               | 693                   | 47.6                | 1.70                         | 1.2          | 171                 |
| 10.00 to <100.00                                   | 0.1                     | 24.67              | 121                   | 49.9                | 2.00                         | 0.3          | 300                 |
| 100.00 (Default)                                   | 0.1                     | 100.00             | 46                    | 45.4                | 4.20                         | –            | –                   |
| Sub-total  | 51.5                    | 0.66               | 13,780                | 43.8                | 1.80                         | 23.5         | 46                  |
| Total at 31 Dec 2016                               | 121.3                   | 0.34               | 18,075                | 44.5                | 1.50                         | 41.3         | 34                  |
| <b>FIRB – Corporates</b>                           |                         |                    |                       |                     |                              |              |                     |
| 0.00 to <0.15                                      | 4.2                     | 0.06               | 553                   | 45.0                | 1.90                         | 0.9          | 23                  |
| 0.15 to <0.25                                      | 0.3                     | 0.22               | 137                   | 45.0                | 2.20                         | 0.1          | 48                  |
| 0.25 to <0.50                                      | 0.3                     | 0.37               | 160                   | 45.0                | 1.70                         | 0.2          | 58                  |
| 0.50 to <0.75                                      | 0.4                     | 0.63               | 96                    | 45.0                | 1.70                         | 0.3          | 73                  |
| 0.75 to <2.50                                      | 0.3                     | 1.35               | 496                   | 45.0                | 2.20                         | 0.3          | 108                 |
| 2.50 to <10.00                                     | –                       | 4.61               | 79                    | 45.0                | 2.00                         | 0.1          | 151                 |
| 10.00 to <100.00                                   | –                       | 13.52              | 10                    | 45.0                | 1.00                         | –            | 218                 |
| 100.00 (Default)                                   | –                       | 100.00             | 7                     | 45.0                | 1.20                         | –            | –                   |
| Total at 31 Dec 2016                               | 5.5                     | 0.20               | 1,538                 | 45.0                | 1.91                         | 1.9          | 35                  |
| Total (all portfolios) at 31 Dec 2016              | 126.8                   | 0.33               | 19,613                | 44.5                | 1.52                         | 43.2         | 34                  |

Table 21: Composition of collateral for CCR exposure

|   | 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 |                                   |                                 |              |
|   | \$bn                                       | \$bn         | \$bn                            | \$bn         | \$bn                              | \$bn                            |              |
| 1 | Cash – domestic currency                   | –            | 5.5                             | 1.6          | 3.6                               | 49.0                            | 83.4         |
| 2 | Cash – other currencies                    | –            | 38.7                            | 4.2          | 33.3                              | 219.8                           | 280.1        |
| 3 | Domestic sovereign debt                    | –            | 4.7                             | –            | 5.7                               | 69.1                            | 53.2         |
| 4 | Other sovereign debt                       | –            | 5.2                             | –            | 8.3                               | 227.0                           | 191.1        |
| 5 | Government agency debt                     | –            | 0.3                             | –            | 0.3                               | 10.5                            | 10.8         |
| 6 | Corporate bonds                            | –            | 0.5                             | –            | –                                 | 35.9                            | 16.7         |
| 7 | Equity securities                          | –            | 0.2                             | –            | –                                 | 52.8                            | 42.0         |
| 8 | Other collateral                           | –            | –                               | –            | 0.2                               | 1.0                             | 0.3          |
| 9 | <b>Total at 30 Jun 2017</b>                | –            | <b>55.1</b>                     | <b>5.8</b>   | <b>51.4</b>                       | <b>665.1</b>                    | <b>677.6</b> |
| 1 | Cash – domestic currency                   | –            | 5.2                             | 2.0          | 3.0                               | 42.9                            | 73.1         |
| 2 | Cash – other currencies                    | –            | 38.9                            | 4.7          | 32.4                              | 148.7                           | 227.5        |
| 3 | Domestic sovereign debt                    | –            | 4.2                             | –            | 7.1                               | 64.5                            | 49.1         |
| 4 | Other sovereign debt                       | –            | 8.9                             | –            | 9.4                               | 186.7                           | 131.9        |
| 5 | Government agency debt                     | –            | 0.3                             | –            | 0.2                               | 7.8                             | 2.3          |
| 6 | Corporate bonds                            | –            | 0.4                             | –            | –                                 | 23.7                            | 11.1         |
| 7 | Equity securities                          | –            | –                               | –            | –                                 | 39.5                            | 34.4         |
| 8 | Other collateral                           | –            | 0.1                             | –            | 0.2                               | 2.0                             | 7.6          |
| 9 | Total at 31 Dec 2016                       | –            | 58.0                            | 6.7          | 52.3                              | 515.8                           | 537.0        |

Table 22: Exposures to central counterparties

|    | At  |              |                      |              |     |
|----|---|--------------|----------------------|--------------|-----|
|    | 30 Jun 2017   |              | 31 Dec 2016          |              |     |
|    | EAD post-CRM<br>\$bn  | RWAs<br>\$bn | EAD post-CRM<br>\$bn | RWAs<br>\$bn |     |
| 1  | <b>Exposures to QCCPs (total)</b>   | <b>39.2</b>  | <b>1.3</b>           | 34.0         | 1.2 |
| 2  | Exposures for trades at QCCPs (excluding initial margin and default fund contributions)     | 26.0         | 0.5                  | 20.7         | 0.4 |
| 3  | – OTC derivatives   | 13.7         | 0.3                  | 10.4         | 0.2 |
| 4  | – exchange-traded derivatives   | 10.5         | 0.2                  | 7.2          | 0.1 |
| 5  | – securities financing transactions   | 1.8          | –                    | 3.1          | 0.1 |
| 6  | – netting sets where cross-product netting has been approved                                | –            | –                    | –            | –   |
| 7  | Segregated initial margin   | 5.8          | –                    | 6.7          | –   |
| 8  | Non-segregated initial margin   | 7.4          | 0.1                  | 6.6          | 0.1 |
| 9  | Pre-funded default fund contributions   | –            | 0.7                  | –            | 0.7 |
| 11 | <b>Exposures to non-QCCPs (total)</b>   | –            | –                    | 0.3          | 0.4 |
| 12 | Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions) | –            | –                    | 0.3          | 0.4 |
| 13 | – OTC derivatives   | –            | –                    | 0.3          | 0.4 |
| 14 | – exchange-traded derivatives   | –            | –                    | –            | –   |
| 15 | – securities financing transactions   | –            | –                    | –            | –   |
| 16 | – netting sets where cross-product netting has been approved                                | –            | –                    | –            | –   |

Table 23: Credit derivatives exposures

|  | Footnote | At                        |                         |                           |                         |
|--|----------|---------------------------|-------------------------|---------------------------|-------------------------|
|  |          | 30 Jun 2017               |                         | 31 Dec 2016               |                         |
|  |          | Protection bought<br>\$bn | Protection sold<br>\$bn | Protection bought<br>\$bn | Protection sold<br>\$bn |
| Credit derivative products used for own credit portfolio – notionals |          | 5.6                       | 2.7                     | 4.6                       | 1.9                     |
| – index credit default swaps   |          | 5.6                       | 2.7                     | 4.6                       | 1.9                     |
| – total return swaps   |          | –                         | –                       | –                         | –                       |
| Credit derivative products used for intermediation – notionals       | 1        | 178.5                     | 167.4                   | 226.9                     | 214.4                   |
| – index credit default swaps   |          | 171.6                     | 154.9                   | 214.6                     | 207.4                   |
| – total return swaps   |          | 6.9                       | 12.5                    | 12.3                      | 7.0                     |
| <b>Total credit derivative notionals</b>                             |          | <b>184.1</b>              | <b>170.1</b>            | <b>231.5</b>              | <b>216.3</b>            |
| <b>Fair values</b>   |          |                           |                         |                           |                         |
| Positive fair value (asset)  |          | 1.4                       | 2.6                     | 2.3                       | 2.9                     |
| Negative fair value (liability)                                      |          | (2.7)                     | (1.7)                   | (3.1)                     | (2.7)                   |

1 This is where we act as an intermediary for our clients, enabling them to take a position in the underlying securities. This does not increase risk for HSBC.

## Securitisation

HSBC acts as originator, sponsor, liquidity provider and derivative counterparty to our own originated and sponsored securitisations, as well as those of third parties. 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. We do not provide support to any of our originated or sponsored securitisations, and it is not our policy to do so.

We have senior exposures to three securities investment conduits ('SICs'): Mazarin Funding Limited, Barion Funding Limited and Malachite Funding Limited. We also hold all of the commercial paper issued by Solitaire Funding Limited. These are considered legacy businesses, and exposures are being repaid as the securities they hold amortise.

Table 24: Securitisation exposures in the non-trading book

|                             | Footnote | Bank acts as originator |            |            | Bank acts as sponsor |           |             | Bank acts as investor |           |            |
|-----------------------------|----------|-------------------------|------------|------------|----------------------|-----------|-------------|-----------------------|-----------|------------|
|                             |          | Tradition               | Synthetic  | Sub-total  | Tradition            | Synthetic | Sub-total   | Tradition             | Synthetic | Sub-total  |
|                             |          | \$bn                    | \$bn       | \$bn       | \$bn                 | \$bn      | \$bn        | \$bn                  | \$bn      | \$bn       |
| 1 <b>Retail (total)</b>     |          | 1.2                     | –          | 1.2        | 17.2                 | –         | 17.2        | 5.9                   | –         | 5.9        |
| 2 – residential mortgage    |          | –                       | –          | –          | –                    | –         | –           | 3.2                   | –         | 3.2        |
| 3 – credit card             |          | –                       | –          | –          | –                    | –         | –           | 0.6                   | –         | 0.6        |
| 4 – other retail exposures  |          | –                       | –          | –          | 17.2                 | –         | 17.2        | 2.1                   | –         | 2.1        |
| 5 – re-securitisation       |          | 1.2                     | –          | 1.2        | –                    | –         | –           | –                     | –         | –          |
| 6 <b>Wholesale (total)</b>  |          | –                       | 4.7        | 4.7        | 5.3                  | –         | 5.3         | 2.7                   | –         | 2.7        |
| 7 – loans to corporates     |          | –                       | 4.7        | 4.7        | 0.1                  | –         | 0.1         | –                     | –         | –          |
| 8 – commercial mortgage     |          | –                       | –          | –          | –                    | –         | –           | 1.8                   | –         | 1.8        |
| 9 – lease and receivables   |          | –                       | –          | –          | 0.8                  | –         | 0.8         | 0.4                   | –         | 0.4        |
| 10 – other wholesale        |          | –                       | –          | –          | –                    | –         | –           | 0.4                   | –         | 0.4        |
| 11 – re-securitisation      |          | –                       | –          | –          | 4.4                  | –         | 4.4         | 0.1                   | –         | 0.1        |
| <b>Total at 30 Jun 2017</b> |          | <b>1.2</b>              | <b>4.7</b> | <b>5.9</b> | <b>22.5</b>          | <b>–</b>  | <b>22.5</b> | <b>8.6</b>            | <b>–</b>  | <b>8.6</b> |
| 1 Retail (total)            |          | 1.3                     | –          | 1.3        | 17.3                 | –         | 17.3        | 2.7                   | –         | 2.7        |
| 2 – residential mortgage    |          | –                       | –          | –          | 0.1                  | –         | 0.1         | 2.3                   | –         | 2.3        |
| 3 – credit card             |          | –                       | –          | –          | –                    | –         | –           | –                     | –         | –          |
| 4 – other retail exposures  |          | –                       | –          | –          | 17.2                 | –         | 17.2        | 0.4                   | –         | 0.4        |
| 5 – re-securitisation       | 1        | 1.3                     | –          | 1.3        | –                    | –         | –           | –                     | –         | –          |
| 6 Wholesale (total)         |          | –                       | 4.7        | 4.7        | 5.4                  | –         | 5.4         | 3.8                   | –         | 3.8        |
| 7 – loans to corporates     |          | –                       | 4.7        | 4.7        | –                    | –         | –           | –                     | –         | –          |
| 8 – commercial mortgage     |          | –                       | –          | –          | –                    | –         | –           | 2.9                   | –         | 2.9        |
| 9 – lease and receivables   |          | –                       | –          | –          | –                    | –         | –           | –                     | –         | –          |
| 10 – other wholesale        |          | –                       | –          | –          | –                    | –         | –           | 0.8                   | –         | 0.8        |
| 11 – re-securitisation      |          | –                       | –          | –          | 5.4                  | –         | 5.4         | 0.1                   | –         | 0.1        |
| <b>Total at 31 Dec 2016</b> |          | <b>1.3</b>              | <b>4.7</b> | <b>6.0</b> | <b>22.7</b>          | <b>–</b>  | <b>22.7</b> | <b>6.5</b>            | <b>–</b>  | <b>6.5</b> |

1 In the comparative period, \$1.2bn of traditional re-securitisation exposure originated by the Group has been reallocated from wholesale to retail.

Table 25: Securitisation exposures in the trading book

|                            | At                                 |           |           |                                    |           |           |
|----------------------------|------------------------------------|-----------|-----------|------------------------------------|-----------|-----------|
|                            | 30 Jun 2017                        |           |           | 31 Dec 2016                        |           |           |
|                            | Bank acts as investor <sup>1</sup> |           |           | Bank acts as investor <sup>1</sup> |           |           |
|                            | Traditional                        | Synthetic | Sub-total | Traditional                        | Synthetic | Sub-total |
| \$bn                       | \$bn                               | \$bn      | \$bn      | \$bn                               | \$bn      |           |
| 1 <b>Retail (total)</b>    | 1.6                                | –         | 1.6       | 1.5                                | –         | 1.5       |
| 2 – residential mortgage   | 0.8                                | –         | 0.8       | 0.6                                | –         | 0.6       |
| 3 – credit card            | 0.2                                | –         | 0.2       | –                                  | –         | –         |
| 4 – other retail exposures | 0.6                                | –         | 0.6       | 0.9                                | –         | 0.9       |
| 5 – re-securitisation      | –                                  | –         | –         | –                                  | –         | –         |
| 6 <b>Wholesale (total)</b> | 0.9                                | –         | 0.9       | 1.0                                | –         | 1.0       |
| 7 – loans to corporates    | –                                  | –         | –         | 0.1                                | –         | 0.1       |
| 8 – commercial mortgage    | 0.7                                | –         | 0.7       | 0.7                                | –         | 0.7       |
| 9 – lease and receivables  | –                                  | –         | –         | –                                  | –         | –         |
| 10 – other wholesale       | 0.2                                | –         | 0.2       | 0.1                                | –         | 0.1       |
| 11 – re-securitisation     | –                                  | –         | –         | 0.1                                | –         | 0.1       |

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

Table 26: Securitisation exposures in the non-trading book and associated regulatory capital requirements – bank acting as originator or as sponsor

|                                     | 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 | 1,250% RW | IRB RBA (including IAA)                  | IRB SFA | SA   | 1,250% |
|                                     | \$bn                                   | \$bn           | \$bn            | \$bn               | \$bn      | \$bn                                     | \$bn    | \$bn | \$bn   |
| 2 <b>Traditional securitisation</b> | 17.5                                   | 1.6            | 0.2             | 0.2                | 4.2       | 19.4                                     | –       | 0.1  | 4.2    |
| 3 Securitisation                    | 17.5                                   | 0.4            | 0.1             | 0.1                | –         | 18.0                                     | –       | 0.1  | –      |
| 4 – retail underlying               | 16.7                                   | 0.4            | –               | 0.1                | –         | 17.2                                     | –       | –    | –      |
| 5 – wholesale                       | 0.8                                    | –              | 0.1             | –                  | –         | 0.8                                      | –       | 0.1  | –      |
| 6 Re-securitisation                 | –                                      | 1.2            | 0.1             | 0.1                | 4.2       | 1.4                                      | –       | –    | 4.2    |
| 7 – senior                          | –                                      | –              | –               | –                  | –         | –  | –       | –    | –      |
| 8 – non-senior                      | –                                      | 1.2            | 0.1             | 0.1                | 4.2       | 1.4                                      | –       | –    | 4.2    |
| 9 <b>Synthetic securitisation</b>   | 4.3                                    | –              | 0.4             | –                  | –         | 4.7                                      | –       | –    | –      |
| 10 Securitisation                   | 4.3                                    | –              | 0.4             | –                  | –         | 4.7                                      | –       | –    | –      |
| 11 – retail underlying              | –                                      | –              | –               | –                  | –         | –  | –       | –    | –      |
| 12 – wholesale                      | 4.3                                    | –              | 0.4             | –                  | –         | 4.7                                      | –       | –    | –      |
| 13 Re-securitisation                | –                                      | –              | –               | –                  | –         | –  | –       | –    | –      |
| 14 – senior                         | –                                      | –              | –               | –                  | –         | –  | –       | –    | –      |
| 15 – non-senior                     | –                                      | –              | –               | –                  | –         | –  | –       | –    | –      |
| 1 <b>Total at 30 Jun 2017</b>       | 21.8                                   | 1.6            | 0.6             | 0.2                | 4.2       | 24.1                                     | –       | 0.1  | 4.2    |
| 2 Traditional securitisation        | 16.7                                   | 2.0            | 0.2             | 0.2                | 4.9       | 18.9                                     | –       | 0.2  | 4.9    |
| 3 Securitisation                    | 16.7                                   | 0.4            | 0.1             | 0.1                | –         | 17.2                                     | –       | 0.2  | –      |
| 4 – retail underlying               | 16.7                                   | 0.4            | 0.1             | 0.1                | –         | 17.2                                     | –       | 0.2  | –      |
| 5 – wholesale                       | –                                      | –              | –               | –                  | –         | –  | –       | –    | –      |
| 6 Re-securitisation                 | –                                      | 1.6            | 0.1             | 0.1                | 4.9       | 1.7                                      | –       | –    | 4.9    |
| 7 – senior                          | –                                      | –              | –               | –                  | –         | –  | –       | –    | –      |
| 8 – non-senior                      | –                                      | 1.6            | 0.1             | 0.1                | 4.9       | 1.7                                      | –       | –    | 4.9    |
| 9 Synthetic securitisation          | 4.3                                    | –              | 0.4             | –                  | –         | 4.7                                      | –       | –    | –      |
| 10 Securitisation                   | 4.3                                    | –              | 0.4             | –                  | –         | 4.7                                      | –       | –    | –      |
| 11 – retail underlying              | –                                      | –              | –               | –                  | –         | –  | –       | –    | –      |
| 12 – wholesale                      | 4.3                                    | –              | 0.4             | –                  | –         | 4.7                                      | –       | –    | –      |
| 13 Re-securitisation                | –                                      | –              | –               | –                  | –         | –  | –       | –    | –      |
| 14 – senior                         | –                                      | –              | –               | –                  | –         | –  | –       | –    | –      |
| 15 – non-senior                     | –                                      | –              | –               | –                  | –         | –  | –       | –    | –      |
| 1 <b>Total at 31 Dec 2016</b>       | 21.0                                   | 2.0            | 0.6             | 0.2                | 4.9       | 23.6                                     | –       | 0.2  | 4.9    |

Table 26: Securitisation exposures in the non-trading book and associated regulatory capital requirements – bank acting as originator or as sponsor (continued)

|                                     | RWAs (by regulatory approach) |         |            |             | Capital charge after cap      |         |      |            |
|-------------------------------------|-------------------------------|---------|------------|-------------|-------------------------------|---------|------|------------|
|                                     | IRB RBA<br>(including<br>IAA) | IRB SFA | SA         | 1,250%      | IRB RBA<br>(including<br>IAA) | IRB SFA | SA   | 1,250%     |
|                                     | \$bn                          | \$bn    | \$bn       | \$bn        | \$bn                          | \$bn    | \$bn | \$bn       |
| 2 <b>Traditional securitisation</b> | <b>3.2</b>                    | –       | <b>0.1</b> | <b>51.7</b> | <b>0.3</b>                    | –       | –    | <b>1.2</b> |
| 3 Securitisation                    | 2.2                           | –       | 0.1        | –           | 0.2                           | –       | –    | –          |
| 4 – retail underlying               | 2.1                           | –       | –          | –           | 0.2                           | –       | –    | –          |
| 5 – wholesale                       | 0.1                           | –       | 0.1        | –           | –                             | –       | –    | –          |
| 6 Re-securitisation                 | 1.0                           | –       | –          | 51.7        | 0.1                           | –       | –    | 1.2        |
| 7 – senior                          | –                             | –       | –          | –           | –                             | –       | –    | –          |
| 8 – non-senior                      | 1.0                           | –       | –          | 51.7        | 0.1                           | –       | –    | 1.2        |
| 9 <b>Synthetic securitisation</b>   | <b>0.8</b>                    | –       | –          | <b>0.3</b>  | <b>0.1</b>                    | –       | –    | –          |
| 10 Securitisation                   | 0.8                           | –       | –          | 0.3         | 0.1                           | –       | –    | –          |
| 11 – retail underlying              | –                             | –       | –          | –           | –                             | –       | –    | –          |
| 12 – wholesale                      | 0.8                           | –       | –          | 0.3         | 0.1                           | –       | –    | –          |
| 13 Re-securitisation                | –                             | –       | –          | –           | –                             | –       | –    | –          |
| 14 – senior                         | –                             | –       | –          | –           | –                             | –       | –    | –          |
| 15 – non-senior                     | –                             | –       | –          | –           | –                             | –       | –    | –          |
| 1 <b>Total at 30 Jun 2017</b>       | <b>4.0</b>                    | –       | <b>0.1</b> | <b>52.0</b> | <b>0.4</b>                    | –       | –    | <b>1.2</b> |
| 2 Traditional securitisation        | 2.6                           | –       | 0.2        | 58.8        | 0.2                           | –       | –    | 1.2        |
| 3 Securitisation                    | 1.6                           | –       | 0.2        | –           | 0.1                           | –       | –    | –          |
| 4 – retail underlying               | 1.6                           | –       | 0.2        | –           | 0.1                           | –       | –    | –          |
| 5 – wholesale                       | –                             | –       | –          | –           | –                             | –       | –    | –          |
| 6 Re-securitisation                 | 1.0                           | –       | –          | 58.8        | 0.1                           | –       | –    | 1.2        |
| 7 – senior                          | –                             | –       | –          | –           | –                             | –       | –    | –          |
| 8 – non-senior                      | 1.0                           | –       | –          | 58.8        | 0.1                           | –       | –    | 1.2        |
| 9 Synthetic securitisation          | 0.9                           | –       | –          | 0.4         | 0.1                           | –       | –    | –          |
| 10 Securitisation                   | 0.9                           | –       | –          | 0.4         | 0.1                           | –       | –    | –          |
| 11 – retail underlying              | –                             | –       | –          | –           | –                             | –       | –    | –          |
| 12 – wholesale                      | 0.9                           | –       | –          | 0.4         | 0.1                           | –       | –    | –          |
| 13 Re-securitisation                | –                             | –       | –          | –           | –                             | –       | –    | –          |
| 14 – senior                         | –                             | –       | –          | –           | –                             | –       | –    | –          |
| 15 – non-senior                     | –                             | –       | –          | –           | –                             | –       | –    | –          |
| 1 Total at 31 Dec 2016              | 3.5                           | –       | 0.2        | 59.2        | 0.3                           | –       | –    | 1.2        |

Table 27: Securitisation exposures in the non-trading book and associated capital requirements – bank acting as investor

|    | 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 | 1,250% RW | IRB RBA (including IAA)                  | IRB SFA    | SA   | 1,250%     |            |
|    | \$bn                                   | \$bn           | \$bn            | \$bn               | \$bn      | \$bn                                     | \$bn       | \$bn | \$bn       |            |
| 2  | <b>Traditional securitisation</b>      | <b>6.6</b>     | <b>0.4</b>      | <b>1.5</b>         | –         | <b>0.1</b>                               | <b>7.3</b> | –    | <b>1.2</b> | <b>0.1</b> |
| 3  | Securitisation                         | 6.6            | 0.4             | 1.5                | –         | 0.1                                      | 7.3        | –    | 1.2        | 0.1        |
| 4  | – retail underlying                    | 4.4            | 0.4             | 1.1                | –         | 0.1                                      | 4.7        | –    | 1.2        | 0.1        |
| 5  | – wholesale                            | 2.2            | –               | 0.4                | –         | –  | 2.6        | –    | –          | –          |
| 6  | Re-securitisation                      | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 7  | – senior                               | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 8  | – non-senior                           | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 9  | <b>Synthetic securitisation</b>        | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 10 | Securitisation                         | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 11 | – retail underlying                    | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 12 | – wholesale                            | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 13 | Re-securitisation                      | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 14 | – senior                               | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 15 | – non-senior                           | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 1  | <b>Total at 30 Jun 2017</b>            | <b>6.6</b>     | <b>0.4</b>      | <b>1.5</b>         | –         | <b>0.1</b>                               | <b>7.3</b> | –    | <b>1.2</b> | <b>0.1</b> |
| 2  | Traditional securitisation             | 4.9            | 0.3             | 1.2                | –         | 0.1                                      | 5.6        | –    | 0.8        | 0.1        |
| 3  | Securitisation                         | 4.9            | 0.2             | 1.1                | –         | 0.1                                      | 5.4        | –    | 0.8        | 0.1        |
| 4  | – retail underlying                    | 2.5            | 0.1             | –                  | –         | 0.1                                      | 2.4        | –    | 0.1        | 0.1        |
| 5  | – wholesale                            | 2.4            | 0.1             | 1.1                | –         | –  | 3.0        | –    | 0.7        | –          |
| 6  | Re-securitisation                      | –              | 0.1             | 0.1                | –         | –  | 0.2        | –    | –          | –          |
| 7  | – senior                               | –              | –               | 0.1                | –         | –  | 0.1        | –    | –          | –          |
| 8  | – non-senior                           | –              | 0.1             | –                  | –         | –  | 0.1        | –    | –          | –          |
| 9  | Synthetic securitisation               | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 10 | Securitisation                         | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 11 | – retail underlying                    | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 12 | – wholesale                            | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 13 | Re-securitisation                      | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 14 | – senior                               | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 15 | – non-senior                           | –              | –               | –                  | –         | –  | –          | –    | –          | –          |
| 1  | Total at 31 Dec 2016                   | 4.9            | 0.3             | 1.2                | –         | 0.1                                      | 5.6        | –    | 0.8        | 0.1        |

**Pillar 3 Disclosures at 30 June 2017**

Table 27: Securitisation exposures in the non-trading book and associated capital requirements – bank acting as investor (continued)

|                                     | RWAs (by regulatory approach) |         |            |            | Capital charge after cap      |         |            |            |
|-------------------------------------|-------------------------------|---------|------------|------------|-------------------------------|---------|------------|------------|
|                                     | IRB RBA<br>(including<br>IAA) | IRB SFA | SA         | 1,250%     | IRB RBA<br>(including<br>IAA) | IRB SFA | SA         | 1,250%     |
|                                     | \$bn                          | \$bn    | \$bn       | \$bn       | \$bn                          | \$bn    | \$bn       | \$bn       |
| <b>2 Traditional securitisation</b> | <b>1.2</b>                    | –       | <b>1.1</b> | <b>1.0</b> | <b>0.1</b>                    | –       | <b>0.1</b> | <b>0.1</b> |
| 3 Securitisation                    | 1.2                           | –       | 1.1        | 0.8        | 0.1                           | –       | 0.1        | 0.1        |
| 4 – retail underlying               | 0.5                           | –       | 1.1        | 0.8        | –                             | –       | 0.1        | 0.1        |
| 5 – wholesale                       | 0.7                           | –       | –          | –          | 0.1                           | –       | –          | –          |
| 6 Re-securitisation                 | –                             | –       | –          | 0.2        | –                             | –       | –          | –          |
| 7 – senior                          | –                             | –       | –          | 0.1        | –                             | –       | –          | –          |
| 8 – non-senior                      | –                             | –       | –          | 0.1        | –                             | –       | –          | –          |
| <b>9 Synthetic securitisation</b>   | –                             | –       | –          | –          | –                             | –       | –          | –          |
| 10 Securitisation                   | –                             | –       | –          | –          | –                             | –       | –          | –          |
| 11 – retail underlying              | –                             | –       | –          | –          | –                             | –       | –          | –          |
| 12 – wholesale                      | –                             | –       | –          | –          | –                             | –       | –          | –          |
| 13 Re-securitisation                | –                             | –       | –          | –          | –                             | –       | –          | –          |
| 14 – senior                         | –                             | –       | –          | –          | –                             | –       | –          | –          |
| 15 – non-senior                     | –                             | –       | –          | –          | –                             | –       | –          | –          |
| <b>1 Total at 30 Jun 2017</b>       | <b>1.2</b>                    | –       | <b>1.1</b> | <b>1.0</b> | <b>0.1</b>                    | –       | <b>0.1</b> | <b>0.1</b> |
| 2 Traditional securitisation        | 1.2                           | –       | 0.7        | 1.3        | 0.1                           | –       | 0.1        | 0.1        |
| 3 Securitisation                    | 1.1                           | –       | 0.7        | 1.1        | 0.1                           | –       | 0.1        | 0.1        |
| 4 – retail underlying               | 0.3                           | –       | –          | 1.0        | –                             | –       | –          | 0.1        |
| 5 – wholesale                       | 0.8                           | –       | 0.7        | 0.1        | 0.1                           | –       | 0.1        | –          |
| 6 Re-securitisation                 | 0.1                           | –       | –          | 0.2        | –                             | –       | –          | –          |
| 7 – senior                          | –                             | –       | –          | –          | –                             | –       | –          | –          |
| 8 – non-senior                      | 0.1                           | –       | –          | 0.2        | –                             | –       | –          | –          |
| 9 Synthetic securitisation          | –                             | –       | –          | –          | –                             | –       | –          | –          |
| 10 Securitisation                   | –                             | –       | –          | –          | –                             | –       | –          | –          |
| 11 – retail underlying              | –                             | –       | –          | –          | –                             | –       | –          | –          |
| 12 – wholesale                      | –                             | –       | –          | –          | –                             | –       | –          | –          |
| 13 Re-securitisation                | –                             | –       | –          | –          | –                             | –       | –          | –          |
| 14 – senior                         | –                             | –       | –          | –          | –                             | –       | –          | –          |
| 15 – non-senior                     | –                             | –       | –          | –          | –                             | –       | –          | –          |
| 1 Total at 31 Dec 2016              | 1.2                           | –       | 0.7        | 1.3        | 0.1                           | –       | 0.1        | 0.1        |

## Market risk

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

Exposure to market risk is separated into two portfolios:

- trading portfolios comprise positions arising from market-making; and

- non-trading portfolios comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities, financial investments designated as available-for-sale ('AFS') and held to maturity, and exposures arising from our insurance operations.

There were no material changes to the policies and practices for the management of market risk. A summary of our current policies and practices for the management of market risk is set out in 'Market risk management' on page 56 of the Capital and Risk Management Pillar 3 Disclosures 2016.

Table 28: Market risk under standardised approach

|   | At           |              |                              |
|---|--------------|--------------|------------------------------|
|   | 30 Jun 2017  | 31 Dec 2016  | 30 Jun 2017                  |
|   | RWAs<br>\$bn | RWAs<br>\$bn | Capital requirements<br>\$bn |
| <b>Outright products</b>                      | <b>2.1</b>   | <b>3.5</b>   | <b>0.2</b>                   |
| 1 – interest rate risk (general and specific) | 1.9          | 1.5          | 0.2                          |
| 2 – equity risk (general and specific)        | 0.1          | 1.7          | –                            |
| 3 – foreign exchange risk                     | 0.1          | 0.3          | –                            |
| 8 Securitisation                              | 1.7          | 1.5          | 0.1                          |
| 9 <b>Total</b>                                | <b>3.8</b>   | <b>5.0</b>   | <b>0.3</b>                   |

Table 29: Market risk under IMA

|   | At 30 Jun 2017 |                      |
|---|----------------|----------------------|
|   | RWAs           | Capital requirements |
|   | \$bn           | \$bn                 |
| 1 <b>VaR (higher of values a and b)</b>                     | <b>8.8</b>     | <b>0.7</b>           |
| (a) Previous day's VaR                                      |                | 0.3                  |
| (b) Average daily VaR                                       |                | 0.7                  |
| 2 <b>Stressed VaR (higher of values a and b)</b>            | <b>14.5</b>    | <b>1.2</b>           |
| (a) Latest SVaR   |                | 0.5                  |
| (b) Average SVaR  |                | 1.2                  |
| 3 <b>Incremental risk charge (higher of values a and b)</b> | <b>11.8</b>    | <b>0.9</b>           |
| (a) Most recent IRC value                                   |                | 0.9                  |
| (b) Average IRC value                                       |                | 0.9                  |
| 5 <b>Other</b>  | <b>4.7</b>     | <b>0.4</b>           |
| 6 <b>Total</b>  | <b>39.8</b>    | <b>3.2</b>           |

## Pillar 3 Disclosures at 30 June 2017

Table 30: IMA values for trading portfolios

|  |               | At          |             |
|--|---------------|-------------|-------------|
|  |               | 30 Jun 2017 | 31 Dec 2016 |
|  |               | \$m         | \$m         |
| <b>VaR (10 day 99%)</b>                |               |             |             |
| 1                                      | Maximum value | 319.0       | 327.1       |
| 2                                      | Average value | 208.4       | 229.6       |
| 3                                      | Minimum value | 180.4       | 186.4       |
| 4                                      | Period end    | 201.1       | 215.7       |
| <b>Stressed VaR (10 day 99%)</b>       |               |             |             |
| 5                                      | Maximum value | 385.2       | 454.0       |
| 6                                      | Average value | 324.3       | 389.9       |
| 7                                      | Minimum value | 198.2       | 269.7       |
| 8                                      | Period end    | 309.4       | 269.7       |
| <b>Incremental risk charge (99.9%)</b> |               |             |             |
| 9                                      | Maximum value | 1,033.3     | 1,100.7     |
| 10                                     | Average value | 938.5       | 787.0       |
| 11                                     | Minimum value | 673.4       | 697.3       |
| 12                                     | Period end    | 908.4       | 705.6       |

The period end trading VaR, before the effect of portfolio diversification, was higher reflecting larger exposures. The effects of portfolio diversification reduced the overall trading

VaR. For the other two market risk capital models, Stressed VaR and Incremental risk charge, there were no material changes in portfolio profiles or concentrations and the fluctuations were within normal expectations.

Chart: Comparison of VaR estimates with gains/losses

VaR back-testing exceptions against actual profit and loss

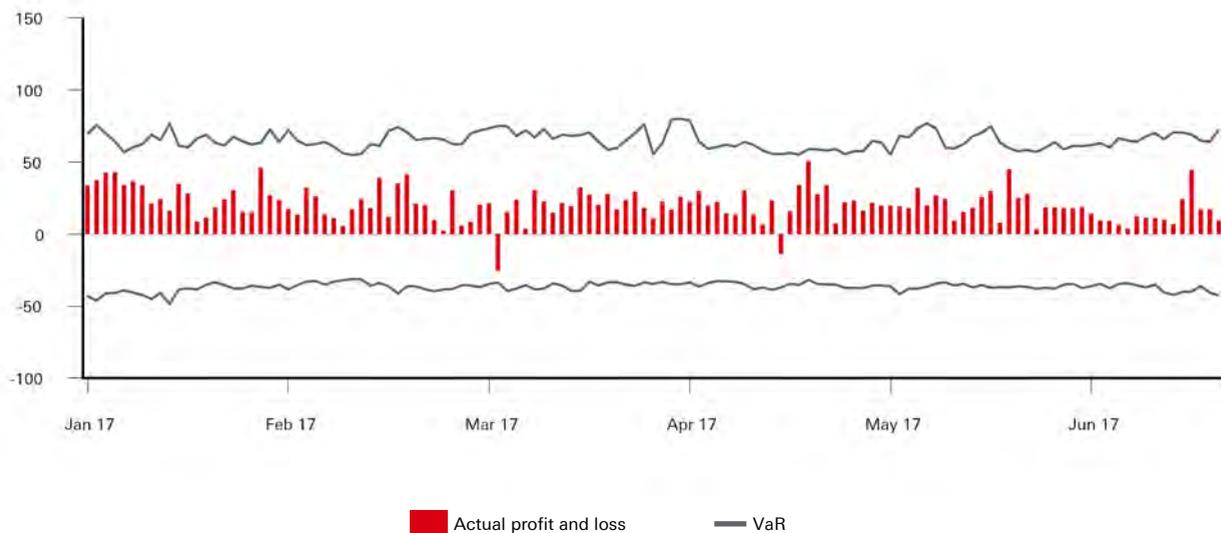
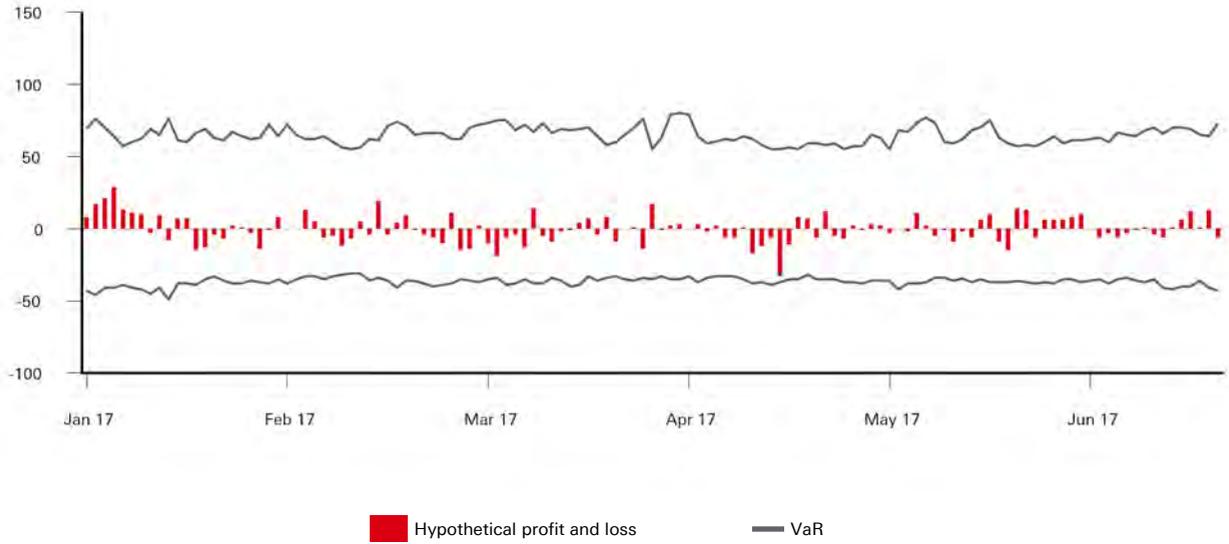


Chart: Comparison of VaR estimates with gains/losses (continued)

*VaR back-testing exceptions against hypothetical profit and loss*



There were no back-testing exceptions against both actual and hypothetical profit and loss for the Group in 1H17. The profit and loss series for both hypothetical and actual back-testing excludes fair value adjustments.

## Other information

### Abbreviations

The following abbreviated terms are used throughout this document.

#### Currencies

|                     |   |
|---------------------|---|
| \$                  | United States dollar                          |
| <b>A</b>            |   |
| ABCP                | Asset-backed commercial paper                 |
| ABS <sup>1</sup>    | Asset-backed security                         |
| AFS <sup>1</sup>    | Available-for-sale                            |
| AIRB                | Advanced IRB                                  |
| ALCM                | Asset, Liability and Capital Management       |
| ALCO                | Asset and Liability Management Committee      |
| AT1 capital         | Additional tier 1 capital                     |
| AVA                 | Additional value adjustment                   |
| <b>B</b>            |   |
| BCBS                | Basel Committee on Banking Supervision        |
| BoCom               | Bank of Communications Co., Limited           |
| BoE                 | Bank of England                               |
| BSM                 | Balance Sheet Management                      |
| <b>C</b>            |   |
| CCB <sup>1</sup>    | Capital conservation buffer                   |
| CCF <sup>1</sup>    | Credit conversion factor                      |
| CCP                 | Central counterparty                          |
| CCR <sup>1</sup>    | Counterparty credit risk                      |
| CCyB <sup>1</sup>   | Countercyclical capital buffer                |
| CDS <sup>1</sup>    | Credit default swap                           |
| CET1 <sup>1</sup>   | Common equity tier 1                          |
| CIU                 | Collective investment undertakings            |
| CML <sup>1</sup>    | Consumer and Mortgage Lending (US)            |
| CRA <sup>1</sup>    | Credit risk adjustment                        |
| CRD IV <sup>1</sup> | Capital Requirements Regulation and Directive |
| CRE <sup>1</sup>    | Commercial real estate                        |
| CRM                 | Credit risk mitigation/mitigant               |
| CRR <sup>1</sup>    | Customer risk rating                          |
| CSA <sup>1</sup>    | Credit Support Annex                          |
| CVA                 | Credit valuation adjustment                   |
| CVC                 | Conduct and Values Committee                  |
| <b>E</b>            |   |
| EAD <sup>1</sup>    | Exposure at default                           |
| EBA                 | European Banking Authority                    |
| EC                  | European Commission                           |
| ECA                 | Export Credit Agency                          |
| ECAI <sup>1</sup>   | External Credit Assessment Institution        |
| EEA                 | European Economic Area                        |
| EL <sup>1</sup>     | Expected loss                                 |
| EU                  | European Union                                |
| EVE <sup>1</sup>    | Economic value of equity                      |
| <b>F</b>            |   |
| FFVA                | Funding Fair Value Adjustment                 |
| FIRB                | Foundation IRB                                |
| Fitch               | Fitch Ratings                                 |
| FPC <sup>1</sup>    | Financial Policy Committee (UK)               |
| FSB                 | Financial Stability Board                     |
| FSVC                | Financial System Vulnerabilities Committee    |
| <b>G</b>            |   |
| GAC                 | Group Audit Committee                         |
| GB&M                | Global Banking and Markets, a global business |
| GMB                 | Group Management Board                        |
| GPB                 | Global Private Banking, a global business     |

|                         |   |
|-------------------------|---|
| GRC                     | Group Risk Committee  |
| Group                   | HSBC Holdings together with its subsidiary undertakings                       |
| G-SIB <sup>1</sup>      | Global systemically important bank  |
| G-SII                   | Global systemically important institution                                     |
| <b>H</b>                |   |
| HKMA                    | Hong Kong Monetary Authority  |
| Hong Kong               | The Hong Kong Special Administrative Region of the People's Republic of China |
| HSBC                    | HSBC Holdings together with its subsidiary undertakings                       |
| HVCRE                   | High volatility commercial real estate  |
| <b>I</b>                |   |
| IAA <sup>1</sup>        | Internal Assessment Approach  |
| ICAAP <sup>1</sup>      | Internal Capital Adequacy Assessment Process                                  |
| ICG                     | Individual capital guidance   |
| IFRSs                   | International Financial Reporting Standards                                   |
| ILAA                    | Individual Liquidity Adequacy Assessment                                      |
| ILR                     | Inherent Liquidity Risk   |
| IMA                     | Internal Models Approach  |
| IMM <sup>1</sup>        | Internal Model Method   |
| IRB <sup>1</sup> /RBA   | Internal ratings based approach   |
| IRC <sup>1</sup>        | Incremental risk charge   |
| <b>L</b>                |   |
| LCR                     | Liquidity Coverage Ratio  |
| LFRF                    | Liquidity and Funding Risk Framework  |
| LGD <sup>1</sup>        | Loss given default  |
| Libor                   | London interbank offered rate   |
| <b>M</b>                |   |
| MDB <sup>1</sup>        | Multilateral Development Bank   |
| MENA                    | Middle East and North Africa  |
| MOC                     | Model Oversight Committee   |
| Moody's                 | Moody's Investor Service  |
| MREL                    | Minimum requirements for own funds and eligible liabilities                   |
| <b>N</b>                |   |
| NCOA                    | Non-credit obligation asset   |
| NSFR                    | Net Stable Funding Ratio  |
| <b>O</b>                |   |
| ORMF                    | Operational risk management framework   |
| OTC <sup>1</sup>        | Over-the-counter  |
| <b>P</b>                |   |
| PD <sup>1</sup>         | Probability of default  |
| PFE <sup>1</sup>        | Potential future exposure   |
| PIT <sup>1</sup>        | Point-in-time   |
| PRA <sup>1</sup>        | Prudential Regulation Authority (UK)  |
| PVA <sup>1</sup>        | Prudent valuation adjustment  |
| <b>Q</b>                |   |
| QCCP                    | Qualifying Central Counterparty   |
| <b>R</b>                |   |
| RAS                     | Risk appetite statement   |
| RBM <sup>1</sup>        | Ratings Based Method  |
| RBWM                    | Retail Banking and Wealth Management, a global business                       |
| Retail IRB <sup>1</sup> | Retail internal ratings based approach  |
| RMM                     | Risk Management Meeting of the GMB  |

|                     |  |
|---------------------|--|
| RNIV                | Risks not in VaR                                   |
| RW                  | Risk weights                                       |
| RWA <sup>1</sup>    | Risk-weighted asset                                |
| <b>S</b>            |  |
| SA/STD <sup>1</sup> | Standardised approach                              |
| SA-CCR              | Standardised approach for counterparty credit risk |
| S&P                 | Standard and Poor's rating agency                  |
| SFM <sup>1</sup>    | Supervisory Formula Method                         |
| SFT <sup>1</sup>    | Securities Financing Transactions                  |
| SIC                 | Securities Investment Conduit                      |
| SME                 | Small- and medium-sized enterprise                 |
| SPE <sup>1</sup>    | Special Purpose Entity                             |
| SRB <sup>1</sup>    | Systemic Risk Buffer                               |
| SSFA/SFA            | Simplified supervisory formula approach            |
| SVaR                | Stressed value at risk                             |
| <b>T</b>            |  |
| TLAC <sup>1</sup>   | Total Loss Absorbing Capacity                      |
| TTC <sup>1</sup>    | Through-the-cycle                                  |
| T1 capital          | Tier 1 capital                                     |
| T2 capital          | Tier 2 capital                                     |
| <b>U</b>            |  |
| UK                  | United Kingdom                                     |
| <b>V</b>            |  |
| VaR <sup>1</sup>    | Value at risk                                      |

<sup>1</sup> Full definition included in the Glossary published on HSBC website [www.hsbc.com/investor-relations/group-results-and-reporting](http://www.hsbc.com/investor-relations/group-results-and-reporting)

## Cautionary statement regarding forward-looking statements

The Capital and Risk Management Pillar 3 Disclosures at 30 June 2017 contains certain forward-looking statements with respect to HSBC's financial condition, results of operations, capital position and business.

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- changes in general economic conditions in the markets in which we operate, such as continuing or deepening recessions and fluctuations in employment beyond those factored into consensus forecasts; changes in foreign exchange rates and interest rates; volatility in equity markets; lack of liquidity in wholesale funding markets; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; and consumer perception as to the continuing availability of credit and price competition in the market segments we serve;
- changes in government policy and regulation, including the monetary, interest rate and other policies of central banks and other regulatory authorities; initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; imposition of levies or taxes designed to change business mix and risk appetite; the practices, pricing or responsibilities of financial institutions serving their consumer markets; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; changes in bankruptcy legislation in the principal markets in which we operate and the consequences thereof; general changes in government policy that may significantly influence investor decisions; extraordinary government actions as a result of current market turmoil; other unfavourable political or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for our products and services; the costs, effects and outcomes of product regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where we operate including increased competition from non-bank financial services companies, including securities firms; and
- factors specific to HSBC, including discretionary RWA growth and our success in adequately identifying the risks we face, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques). Effective risk management depends on, among other things, our ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; and our success in addressing operational, legal and regulatory, and litigation challenges, notably compliance with the DPA.

## Contacts

Enquiries relating to HSBC's strategy or operations may be directed to:

Group Head of Investor Relations  
HSBC Holdings plc  
8 Canada Square  
London E14 5HQ  
United Kingdom

Telephone: +44 (0) 20 7991 6590  
Email: [investorrelations@hsbc.com](mailto:investorrelations@hsbc.com)

Head of Investor Relations, Asia-Pacific  
The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road Central  
Hong Kong

Telephone: +852 2822 4908  
Email: [investorrelations@hsbc.com.hk](mailto:investorrelations@hsbc.com.hk)

