HSBC Bank plc

Pillar 3 Disclosures at 31 December 2024

Registered number - 00014259

HSBC

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Tables

HSBC Bank plc has adopted the regulatory transitional arrangements in CRR II for IFRS 9 'Financial Instruments', including paragraph four of article 473a. These arrangements permit banks to add back to their capital bases a proportion of the impact that IFRS 9 has upon their loan loss allowances. A number of tables in this document report under this arrangement as follows:

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

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

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

Certain defined terms

This document comprises the 31 December 2024 Pillar 3 disclosures for HSBC Bank plc.

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

When used in the terms 'shareholders' equity' and 'total shareholders' equity', 'shareholders' means holders of HSBC Bank ordinary shares and those preference shares and capital securities issued by HSBC Bank classified as equity. The abbreviations '£m' and '£bn' represent millions and billions (thousands of millions) of GB pounds, respectively.

This document should be read in conjunction with the Annual Report and Accounts 2024, which has been published on our website at www.hsbc.com/investors.

Introduction

Pillar 3 disclosure and governance

Regulatory framework for disclosure

Our Pillar 3 Disclosures at 31 December 2024 comprise both quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with the Prudential Regulation Authority ('PRA') Rulebook Disclosure (Capital Requirements Regulation). They are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

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

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

We calculate the bank's capital for prudential regulatory purposes using the Basel III framework, as implemented in the UK. Any references to European Union ('EU') regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulation and/or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, and may be subsequently amended under UK law. We refer to the regulatory requirements of the Capital Requirements Regulation and Directive, the CRR II regulation and the PRA Rulebook as 'CRR II'.

Regulatory reporting processes and controls

We are advancing a comprehensive initiative aimed at strengthening our global regulatory reporting processes, and making them more sustainable. This multifaceted programme includes enhancing data, consistency and controls. This remains a key priority for both HSBC management and regulatory authorities.

While this programme continues, there may be further impacts on some of our regulatory ratios, such as the common equity tier 1 ('CET1') ratio, liquidity coverage ratio ('LCR') and net stable funding ratio ('NSFR'), as we implement recommended changes and continue to enhance our controls across the process.

Comparatives and references

To give insight into movements during 2024, we provide comparative figures, commentary on variances and flow tables for capital requirements. In all tables where the term 'capital requirements' is used, this represents the minimum total capital charge set at 8% of risk-weighted assets ('RWAs') by Article 92(1) of CRR II. Narratives are included to explain quantitative disclosures where necessary.

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

In alignment with the PRA Rulebook table requirements, we have shaded cells where no information is required to be disclosed.

Pillar 3 requirements may be met by inclusion in other disclosure media. Where we adopt this approach, references are provided to the relevant pages of the Annual Report and Accounts 2024 of HSBC Bank plc or to other documents.

The table below references where disclosures have been enhanced.

Page ref	Table Reference	Activity
7	Table 3 – UK CC1	Updated the classification between components of shareholders' equity.
12	Table 7a – MR2-B	Enhanced to present the RWA movements on a FX spot basis.
17	Table 12 – LIQ2	Enhanced to include early redemption of capital and weighted values for mortgages
22	Table 14 – CR1-A	Enhanced disclosures to align to CR1.
26	Table 19 – CQ4	Disclosure of our materiality threshold applied to this table.

Frequency and location

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

Material risks

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

Governance

The HSBC Bank plc Board of Directors ('Board') continues to oversee the governance, operation and oversight of HSBC Bank plc and its principal and material subsidiaries.

The HSBC Bank plc Pillar 3 disclosures at 31 December 2024 comply with the PRA Rulebook. They are approved by the Board and are governed by the bank's disclosure policy and internal controls framework as approved by the Audit Committee.

This Pillar 3 disclosure report was approved by the HSBC Bank plc Board on 18 February 2025 and signed on its behalf by HSBC Bank plc Chief Financial Officer.

Key metrics

The table below sets out the key regulatory metrics covering HSBC Bank plc's available capital (including buffer requirements and ratios), RWAs, Leverage ratio, LCR and NSFR. Unless stated otherwise, figures have been prepared on an IFRS 9 transitional basis, which ends from 1 January 2025. Capital figures and ratios are reported on a CRR II transitional basis for capital instruments, and the leverage ratio is calculated using the CRR II end point basis for capital. The calculation for LCR is the average of the preceding 12 months for each quarter and NSFR is the average of the preceding four quarters. LCR and NSFR amounts relate to HSBC Bank plc as a single entity and are not produced on a consolidated basis.

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

		At				
Ref*		**31 Dec 2024**	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
	Available capital (£m)					
1	Common equity tier 1 ('CET1') capital^	**21,896**	20,485	20,326	20,124	19,230
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**21,896**	20,485	20,326	20,124	19,230
2	Tier 1 capital^	**25,828**	24,427	24,268	24,066	23,124
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**25,828**	24,427	24,268	24,066	23,124
3	Total capital^	**41,306**	39,022	39,294	38,634	37,131
	Total capital as if IFRS 9 transitional arrangements had not been applied	**41,306**	39,022	39,294	38,634	37,131
	Risk-weighted assets ('RWAs') (£m)[1]					
4	Total RWAs^	**112,251**	110,037	113,191	113,430	107,449
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**112,251**	110,037	113,191	113,430	107,449
	Capital ratios (%)[1]					
5	CET1^	**19.5**	18.6	18.0	17.7	17.9
	CET1 as if IFRS 9 transitional arrangements had not been applied	**19.5**	18.6	18.0	17.7	17.9
6	Tier 1^	**23.0**	22.2	21.4	21.2	21.5
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**23.0**	22.2	21.4	21.2	21.5
7	Total capital^	**36.8**	35.5	34.7	34.1	34.6
	Total capital as if IFRS 9 transitional arrangements had not been applied	**36.8**	35.5	34.7	34.1	34.6
	Additional own funds requirements based on Supervisory Review and Evaluation Process ('SREP') as a percentage of RWAs (%)					
UK-7d	Total SREP own funds requirements	**8.0**	8.0	8.0	8.0	8.0
	Combined buffer requirement as a percentage of RWAs (%)					
8	Capital conservation buffer requirement	**2.5**	2.5	2.5	2.5	2.5
9	Institution specific countercyclical capital buffer	**1.1**	1.0	1.0	0.9	0.9
11	Combined buffer requirement	**3.6**	3.5	3.5	3.4	3.4
UK-11a	Overall capital requirements	**11.6**	11.5	11.5	11.4	11.4
12	CET1 available after meeting the total SREP own funds requirements	**15.0**	14.1	13.5	13.2	13.4
	Leverage ratio^					
13	Total exposure measure excluding claims on central banks (£m)	**468,557**	470,629	471,459	481,973	455,852
14	Leverage ratio excluding claims on central banks (%)	**5.5**	5.2	5.1	5.0	5.1
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)^					
14a	Fully loaded expected credit losses ('ECL') accounting model leverage ratio excluding claims on central banks (%)	**5.5**	5.2	5.1	5.0	5.1
14b	Leverage ratio including claims on central banks (%)	**4.3**	4.2	4.1	4.1	4.0
14c	Average leverage ratio excluding claims on central banks (%)	**5.1**	5.1	5.1	5.1	5.3
14d	Average leverage ratio including claims on central banks (%)	**4.1**	4.1	4.1	4.0	4.1
14e	Countercyclical leverage ratio buffer (%)	**0.4**	0.4	0.3	0.3	0.3
EU-14d	Leverage ratio buffer requirement (%)	**0.4**	0.4	0.3	0.3	0.3
EU-14e	Overall leverage ratio requirements (%)	**3.7**	3.7	3.6	3.6	3.6
	Liquidity coverage ratio ('LCR')					
15	Total high-quality liquid assets (£m)	**107,749**	105,182	104,346	104,159	105,524
UK-16a	Cash outflows – total weighted value (£m)	**116,388**	114,380	116,302	118,501	120,627
UK-16b	Cash inflows – total weighted value (£m)	**43,615**	42,641	44,601	47,370	49,517
16	Total net cash outflow (£m)	**72,773**	71,740	71,701	71,131	71,110
17	LCR ratio (%)	**148**	147	146	146	148
	Net stable funding ratio ('NSFR')					
18	Total available stable funding (£m)	**131,324**	125,508	122,723	118,287	116,303
19	Total required stable funding (£m)	**114,149**	111,065	108,120	104,619	100,094
20	NSFR ratio (%)	**115**	113	114	113	116

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

^ For 31 December 2024, the IFRS9 add-back to CET1 capital and the related tax have not been applied as they were immaterial.

1 From November 2023, we reverted to the on-shored UK version of closely correlated currency list (CIR(EU) 2019/2091) from the previously applied EBA list (CIR(EU) 2021/249). Comparative data have been represented.

At 31 December 2024, our common equity tier 1 ('CET1') capital ratio increased to 19.5% from 17.9% at 31 December 2023. The key drivers of the increase in our CET1 ratio were:

- a 2.8 percentage point increase from a new capital issuance and capital generation through profits net of dividends;
- a (0.9) percentage point decrease driven by higher RWAs, mainly due to an increase in balance sheet exposures and foreign currency translation, Securities Financing Transactions and corporate lending. This was further supplemented by model updates; and
- a (0.3) percentage point decrease due to other movements including FX in own funds.

HSBC Bank plc is subject to the basic minimum capital requirements set out in Article 92 (1) of CRR II, namely that it maintains:

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

Rows 8 to 11 set out buffer requirements to which HSBC Bank plc is also subject (and which must be satisfied by CET1). The bank's overall capital requirement in Row UK-11a, 11.6%, is the sum of these buffer requirements and the minimum capital requirements calculated above (in Row UK-7d).

Throughout 2024, we complied with the PRA's regulatory capital adequacy requirements, including those relating to stress testing.

Regulatory developments

Basel 3.1

Near-final rules in relation to the market risk, credit valuation adjustments, counterparty risk and operational risk elements of the Basel 3.1 package were published by the PRA in December 2023. In September 2024, the PRA published its near final rules on the credit risk, output floor and reporting and disclosure elements of the Basel 3.1 standards. The key changes include:

- an adjustment to the calculation of the output floor to reflect the different treatment of accounting provisions under the standardised approach and the Internal Ratings Based ('IRB') approach;
- changes to the credit conversion factors applicable to off balance sheet exposures;
- the introduction of new firm-specific adjustments in Pillar 2A for small and medium sized enterprises ('SMEs') and infrastructure lending and simplifying the definition of SMEs; and
- changes to the real estate requirements, such as in relation to valuation and the removal of commercial real estate floor.

In October 2024, the PRA published a consultation on incorporating the remaining elements of the UK's Capital Requirements Regulation into its rulebook, which included further changes arising from Basel 3.1, such as in relation to the securitisation framework.

In September 2024, the PRA's proposed implementation date for the package was 1 January 2026, with a transitional period of four years; however, in January 2025, this was delayed until 1 January 2027 to allow time for greater clarity in the implementation plans of the US. The transitional period has also been reduced to three years, so that the date of full implementation remains 1 January 2030.

Counterparty risk management

In December 2024, the Basel Committee on Banking Supervision ('Basel') published final guidelines for counterparty risk ('CCR') management.

The guidelines set out key practices for CCR management which include the need to:

- conduct comprehensive due diligence;
- develop a comprehensive credit risk mitigation strategy;
- measure, control and limit CCR using a wide variety of complementary metrics, and
- build a strong CCR governance framework.

Large exposures

In October 2024, the PRA published proposals to implement the remaining elements of Basel's large exposures standards. These include changes relating to the use of credit risk mitigation techniques and limits on trading book exposures.

Environmental, social and governance ('ESG') risk

Globally, regulators and standard setters continue to publish multiple proposals and discussion papers on ESG topics. In recent years, this included multiple consultations on sustainability-related disclosure across jurisdictions including the UK, the EU, the US, Hong Kong and globally through the International Sustainability Standards Board ('ISSB') and Basel.

The work by Basel on climate related financial risks across all three pillars of regulation, supervision and disclosure is ongoing. The initial work concluded that climate risk drivers, including physical and transition risks can be captured in traditional financial risk categories such as credit, market, operational and liquidity risks. As part of its wider efforts to improve ESG risk coverage, Basel is expected to finalise its work on the proposed Pillar 3 disclosures framework for climate related financial risks in the first half of 2025 and has proposed an effective date of 1 January 2026.

Linkage to the Annual Report and Accounts 2024

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

Structure of the regulatory group

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

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

The table below presents the reconciliation between the HSBC Bank plc financial balance sheet and the regulatory scope of consolidation. The regulatory balance sheet value cannot be directly reconciled to other tables within the regulatory scope of consolidation as it is not a measure of RWAs, but rather, it is derived from an accounting measure. It discloses an analysis of the regulatory reporting balance sheet by risk type.

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

	Ref †	Accounting balance sheet £m	Deconsolidation of insurance/ other entities £m	Consolidation of banking associates £m	Equity accounting of Insurance Subsidiaries £m	Regulatory balance sheet £m
Assets						
Cash and balances at central banks		119,184	—	29	—	119,213
Trading assets		116,042	—	—	—	116,042
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss		9,417	(4,466)	660	—	5,611
Derivatives		198,172	—	—	—	198,172
Loans and advances to banks		14,521	—	—	—	14,521
Loans and advances to customers		82,666	(375)	—	—	82,291
– of which: expected credit losses on IRB portfolios	h	(526)	—	—	—	(526)
Reverse repurchase agreements – non-trading		53,612	41	—	—	53,653
Financial investments		52,216	126	—	—	52,342
– of which: lending eligible as Tier 2 to Group FSEs outside the regulatory scope of consolidation	q	—	347	—	—	347
Assets held for sale		21,606	(19,309)	—	—	2,297
– of which: expected credit losses on IRB portfolios	h	(3)	—	—	—	(3)
Capital invested in insurance and other entities		—	588	—	528	1,116
Prepayments, accrued income and other assets		56,950	(175)	46	—	56,821
– of which: retirement benefit assets	j	74	—	—	—	74
Current tax assets		1,043	(5)	—	—	1,038
Interests in associates and joint ventures		703	—	(687)	—	16
Goodwill and intangible assets	e	303	—	—	—	303
Deferred tax assets	f	895	(46)	2	—	851
Total assets at 31 Dec 2024		**727,330**	**(23,621)**	**50**	**528**	**704,287**
Liabilities and equity						
Liabilities						
Deposits by banks		26,515	—	—	—	26,515
Customer accounts		242,303	142	—	—	242,445
Repurchase agreements – non-trading		40,384	—	—	—	40,384
Trading liabilities		42,633	—	—	—	42,633
Financial liabilities designated at fair value		37,443	(683)	—	—	36,760
– of which: included in tier 2	n, i	745	—	—	—	745
Derivatives		197,082	10	—	—	197,092
– of which: debit valuation adjustment	k	(9)	—	—	—	(9)
Debt securities in issue		19,461	(532)	—	—	18,929
Liabilities of disposal groups held for sale		23,110	(18,669)	—	—	4,441
Accruals, deferred income and other liabilities		50,484	74	50	—	50,608
Current tax liabilities		250	(4)	—	—	246
Liabilities under insurance contracts		3,424	(3,424)	—	—	—
Provisions		275	(1)	—	—	274
– of which: credit-related contingent liabilities and contractual commitments on IRB portfolios	h	72	—	—	—	72
Deferred tax liabilities		5	—	—	—	5
Subordinated liabilities		16,908	—	—	—	16,908
– of which: included in tier 2	n, o, p	16,325	—	—	—	16,325
Total liabilities at 31 Dec 2024		**700,277**	**(23,087)**	**50**	**—**	**677,240**
Equity						
Called up share capital	a	797	—	—	—	797
Share premium account	a	3,582	—	—	—	3,582
Other equity instruments	l	3,921	—	—	—	3,921
Retained earnings	b, c, i	25,040	(589)	—	—	24,451
Other reserves	b, c, g	(6,445)	62	—	528	(5,855)
Total shareholders' equity		**26,895**	**(527)**	**—**	**528**	**26,896**
Non-controlling interests	d, m	158	(7)	—	—	151
Total equity at 31 Dec 2024		**27,053**	**(534)**	**—**	**528**	**27,047**
Total liabilities and equity at 31 Dec 2024		**727,330**	**(23,621)**	**50**	**528**	**704,287**

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

Treasury Risk management

Treasury risk is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements. This includes the risk of adverse impact on earnings or capital due to structural and transactional foreign exchange exposures, as well as changes in market interest rates, together with pension risk and insurance risk.

The Chief Risk Officer is the accountable risk steward for all treasury risks. The Chief Financial Officer is the risk owner for all treasury risks, with the exception of pension risk which is co-owned with the regional heads of Performance & Reward.

Capital risk, liquidity risk, interest rate risk in the banking book, structural foreign exchange risk and transactional foreign exchange risk are the responsibility of the Executive Committee and the Risk Committee ('RC'). Treasury actively manages these risks on an ongoing basis, supported by the Asset and Liability Management Committee ('ALCO'), overseen by Treasury Risk Management. Pension Risk is overseen by a pension risk management meeting.

We use stress testing to inform management of the capital and liquidity needed to withstand internal and external shocks, including an economic downturn or a systems failure. Outside the stress testing framework, other risks may be identified that have the potential to affect our RWAs, capital and/or liquidity position.

For further details of our approach to treasury risk management including capital, liquidity, interest rate in the banking book, non-trading foreign exchange exposure and pensions risk management, please see page 73 of the HSBC Bank plc Annual Report and Accounts 2024.

Capital risk

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

HSBC Holdings plc is the sole provider of equity capital to the group and provides non-equity capital where necessary. Capital generated in excess of planned dividends is returned to the shareholder in the form of special dividends. Capital securities are regularly reviewed for compliance with regulatory requirements and guidelines. A list of the main features of our capital instruments in accordance with Article 437 of CRR II is also published on our website at www.hsbc.com with reference to our balance sheet on 31 December 2024. The full terms and conditions of our securities are also available at www.hsbc.com.

Liquidity risk

We aim to ensure that management have oversight of our liquidity and funding risks at group and entity level by maintaining comprehensive policies, metrics and controls. We maintain a strong liquidity base to support the risks inherent in our business and invest in accordance with our strategy, meeting both consolidated and local regulatory requirements at all times. We manage liquidity and funding risk at an operating entity level, in accordance with globally consistent policies, procedures and reporting standards.

Interest rate risk in the banking book

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

Our Global IRRBB Risk Management Framework is designed to help ensure that all material sources of IRRBB are identified, measured, managed, and monitored, with policies and frameworks in place.

Our IRRBB risks are measured and managed using a combination of economic value and earnings-based measures to ensure that the balance between stabilising earnings and generating value sensitivity is managed appropriately. These metrics measure IRRBB risks across the banking book, to support the overall monitoring against risk appetite, including:

- Banking net interest income sensitivity; and
- Economic value of equity sensitivity.

Non-trading book foreign exchange exposures

Structural foreign exchange exposures arise from the capital invested or net assets in a foreign operation. A foreign operation is an entity that is a subsidiary, associate, joint venture or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity. An entity's functional reporting currency is normally that of the primary economic environment in which the entity operates.

Exchange differences on structural exposures are recognised in other comprehensive income ('OCI'). We use the pound sterling as our presentation currency in our consolidated financial statements. Therefore, our consolidated balance sheet is affected by exchange differences between the pound sterling and all the non-pound sterling functional currencies of underlying foreign operations.

Our structural foreign exchange exposures are managed with the primary objective of ensuring, where practical, that our most constraining capital ratio is largely protected from the effect of changes in exchange rates. For capital efficiency reasons, we rely on net investment hedges held at HSBC Holdings plc to manage our structural foreign exchange positions.

Transactional foreign exchange risk arises primarily from day-to-day transactions in the banking book generating profit and loss or fair value through other comprehensive reserve ('FVOCI') reserves in a currency other than the reporting currency of the operating entity. Transactional foreign exchange exposure generated through profit and loss is periodically transferred to Markets and Securities Services and managed within limits, with the exception of limited residual foreign exchange exposure arising from timing differences or for other reasons. Transactional foreign exchange exposure generated through OCI reserves is managed by Markets Treasury business within the approved appetite.

Own Funds

The table below provides a detailed breakdown of the key components of our CET1, Tier 1 ('T1') and Tier 2 ('T2') capital, and the regulatory adjustments impacting our capital base on a transitional basis. Additional value adjustments are calculated on assets measured at fair value. The minimum deductions for holdings of own CET1, AT1 and T2 capital instruments are set by the PRA. The threshold deduction for significant investments relates to balances recorded on numerous lines on the balance sheet and includes: investments in insurance subsidiaries and non-consolidated associates; other CET1 equity held in financial institutions; connected funding of a capital nature; and other balance sheet lines.

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

			At	
			31 Dec 2024	31 Dec 2023
Ref*		Ref †	**£m**	£m
	Common equity tier 1 ('CET1') capital: instruments and reserves			
1	Capital instruments and related share premium accounts		**4,379**	1,801
	– ordinary shares	a	**4,379**	1,801
2	Retained earnings[1]	b	**24,328**	23,969
3	Accumulated other comprehensive income (and other reserves)[1]	c	**(6,448)**	(6,083)
5	Minority interests (amount allowed in consolidated CET1)	d	**89**	77
UK-5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	b	**716**	742
6	**Common equity tier 1 capital before regulatory adjustments**		**23,064**	20,506
	Common equity tier 1 capital: regulatory adjustments			
7	Additional value adjustments (negative amount)		**(484)**	(551)
8	Intangible assets (net of related deferred tax liability) (negative amount)	e	**(303)**	(203)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR II are met) (negative amount)	f	**(373)**	(542)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	g	**220**	313
12	Negative amounts resulting from the calculation of expected loss amounts	h	**(94)**	(130)
14	Gains or losses on liabilities at fair value resulting from changes in own credit standing	i	**(42)**	(85)
15	Defined-benefit pension fund assets (negative amount)	j	**(74)**	(51)
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	k	**(18)**	(27)
28	**Total regulatory adjustments to common equity tier 1**		**(1,168)**	(1,276)
29	**Common Equity Tier 1 ('CET1') capital**		**21,896**	19,230
	Additional tier 1 ('AT1') capital: instruments			
30	Capital instruments and the related share premium accounts		**3,922**	3,930
31	– classified as equity under IFRSs	l	**3,922**	3,930
34	Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in CET1) issued by subsidiaries and held by third parties	m	**10**	11
36	**Additional tier 1 capital before regulatory adjustments**		**3,932**	3,941
	Additional tier 1 capital: regulatory adjustments			
37	Direct and indirect holdings of own AT1 instruments (negative amount)		**—**	(47)
43	**Total regulatory adjustments to additional tier 1 capital**		**—**	(47)
44	**Additional tier 1 capital**		**3,932**	3,894
45	**Tier 1 capital (T1 = CET1 + AT1)**		**25,828**	23,124
	Tier 2 capital: instruments and provisions			
46	Capital instruments and related share premium accounts	n	**15,812**	14,222
UK-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	o	**10**	36
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in CET1 or AT1) issued by subsidiaries and held by third parties	p	**13**	145
51	**Tier 2 capital before regulatory adjustments**		**15,835**	14,403
	Tier 2 capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)		**(10)**	(31)

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

Ref*		Ref †	At 31 Dec 2024 £m	31 Dec 2023 £m
55	Direct and indirect holdings by the institution of T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	q	**(347)**	(365)
57	**Total regulatory adjustments to tier 2 capital**		**(357)**	(396)
58	**Tier 2 capital**		**15,478**	14,007
59	**Total capital (TC = T1 + T2)**		**41,306**	37,131
60	**Total Risk exposure amount**		**112,251**	107,449
	Capital ratios and buffers (%)			
61	Common equity tier 1 (as a percentage of total risk exposure amount)		**19.51**	17.90
62	Tier 1 (as a percentage of total risk exposure amount)		**23.01**	21.52
63	Total capital (as a percentage of total risk exposure amount)		**36.80**	34.56
64	Institution CET1 overall capital requirement (per Art 92 (1) CRR, plus additional requirement in accordance with point (a) of Article 104(1) CRR II, and combined buffer requirement in accordance with Article 128(6) CRR II expressed as a percentage of risk exposure amount)		**8.06**	7.86
65	– capital conservation buffer requirement		**2.50**	2.50
66	– countercyclical buffer requirement		**1.06**	0.86
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		**15.01**	13.40
	Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		**394**	1,177
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% threshold and net of eligible short positions)		**1,216**	1,169
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR II are met)		**394**	507
	Applicable caps on the inclusion of provisions in tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		**275**	249
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		**320**	325

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

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

1 We have updated the classification between components of shareholder's equity to present 'Retained Earnings' in Row 2 and 'Accumulated other comprehensive income (and other reserves)' in Row 3. The comparatives have been aligned.

Capital buffers

Our geographical breakdown and institution-specific countercyclical capital buffer ('CCyB') disclosure is provided in Appendix I on page 38 of this document.

Pillar 1 minimum capital requirements and RWA flow

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

Risk category	Scope of permissible approaches	Our approach
Credit risk	The Basel committee's framework applies three approaches of increasing sophistication to the calculation of Pillar 1 credit risk capital requirements. The most basic level, the standardised approach, requires banks to use external credit ratings to determine the risk weightings applied to rated counterparties. Other counterparties are grouped into broad categories, and standardised risk weightings are applied to these categories. The next level, the Foundation IRB ('FIRB') approach, allows banks to calculate their credit risk capital requirements on the basis of their internal assessment of a counterparty's probability of default ('PD'), but subjects their quantified estimates of 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 reporting, we have adopted the AIRB approach for the majority of our business. Some portfolios remain on the standardised or FIRB approaches: – pending the issuance of local regulations or model approval; – following supervisory prescription of a non-advanced approach; or – under exemptions from IRB treatment.
Counterparty credit risk ('CCR')	CCR covers the risk of counterparty default and potential mark-to-market losses in derivatives and securities financing transactions ('SFT's). The potential for mark-to-market losses is known as CVA risk. The exposure value, for a given netting set, is determined either by the credit risk mitigation ('CRM') approach, Standardised Approach for Counterparty Risk ('SA-CCR'), or by IMM. For SFTs either the simple or comprehensive approach is applied to recognition of collateral with SFTs or the Value at Risk ('VaR') approach. For CVA, permissible approaches are the Standardised Approach ('SA-CVA') and Advanced Approach ('AA-CVA').	We primarily use the SA-CCR and internal model method ('IMM') approaches for CCR. For CVA, we apply an approach consistent with our permissions. Details of the IMM permission we have received from the PRA can be found in the Financial Services Register on the PRA's website.
Equity	Capital requirements for non-trading book holdings of equity can be assessed under the standardised or IRB approaches. Underlying equity positions within collective investment undertakings ('CIU') must be treated using the IRB equity simple risk-weight approach.	We calculate capital requirements for: – non-trading book equity holdings using the standardised approach; and – underlying equity positions within collective investments undertakings using the IRB equity simple risk-weight approach.
Securitisation	The framework prescribes the following approaches: – internal ratings-based approach ('SEC-IRBA'); – standardised approach ('SEC-SA'); – external ratings-based approach ('SEC-ERBA'); and – internal assessment approach ('IAA').	Under the framework: – our originated positions are reported under SEC-IRBA; – our positions in the sponsored Solitaire programme and our investment in third-party positions are reported under SEC-SA and SEC-ERBA; and – our sponsored positions in Regency are reported under IAA. Our IAA approach is audited annually by internal model review and is subject to review by the PRA.
Market risk	Market risk capital requirements can be determined under either the standardised rules or the internal models approach ('IMA'). The latter involves the use of internal value at risk ('VaR') models to measure market risks and determine the appropriate capital requirement. In addition to the VaR models, other internal models permitted under IMA include stressed VaR ('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 standardised rules. Our internal market risk models comprise VaR, SVaR and IRC. Non-proprietary details of the scope of our IMA permissions are available in the Financial Services Register on the PRA's website.
Operational risk	The Basel Committee allows firms to calculate their operational risk capital requirement under the basic indicator approach, the standardised approach or the advanced measurement approach.	We currently use the standardised approach in determining our operational risk capital requirement. We have in place an operational risk model that is used for economic capital calculation purposes.

Risk-weighted assets

The table below shows total RWAs including free deliveries, and the corresponding total own funds requirement split by risk type. Equities under the simple risk-weighted approach include off-balance sheet collective investment undertakings ('CIU') equity exposures, calculated as per the PRA Rulebook Article 132(c) and 'Other counterparty credit risk' includes securities financing transactions RWAs.

Table 4: Overview of risk-weighted exposure amounts (OV1)

		At		
		31 Dec 2024	30 Sep 2024	**31 Dec 2024**
		RWAs	RWAs	**Total own funds requirement[1]**
		£m	£m	**£m**
1	**Credit risk (excluding counterparty credit risk)**	**57,911**	59,272	**4,633**
2	– standardised approach ('STD')	**19,112**	20,253	**1,529**
3	– foundation IRB ('FIRB') approach	**16,292**	15,185	**1,303**
4	– slotting approach	**522**	609	**42**
UK-4a	– equities under the simple risk weighted approach	**2,545**	3,106	**204**
5	– advanced IRB ('AIRB') approach	**19,440**	20,119	**1,555**
6	**Counterparty credit risk ('CCR')**	**18,201**	17,814	**1,456**
7	– standardised approach	**3,589**	3,961	**287**
8	– internal model method ('IMM')	**7,261**	6,422	**581**
UK-8a	– exposures to a central counterparty	**325**	352	**26**
UK-8b	– credit valuation adjustment ('CVA')	**908**	922	**73**
9	– other counterparty credit risk	**6,118**	6,157	**489**
15	**Settlement risk**	**27**	17	**2**
16	**Securitisation exposures in the non-trading book (after the cap)**	**3,545**	3,225	**284**
17	– internal ratings-based approach ('SEC-IRBA')	**852**	779	**68**
18	– external ratings-based approach ('SEC-ERBA') (including internal assessment approach ('IAA'))	**1,298**	1,398	**104**
19	– standardised approach ('SEC-SA')	**1,196**	935	**96**
UK-19a	– 1250% deduction	**199**	113	**16**
20	**Position, foreign exchange and commodities risks (Market risk)**	**18,519**	16,634	**1,481**
21	– standardised approach	**4,856**	3,854	**388**
22	– internal models approach ('IMA')	**13,663**	12,780	**1,093**
23	**Operational risk**	**14,048**	13,075	**1,124**
UK-23b	– standardised approach	**14,048**	13,075	**1,124**
29	**Total**	**112,251**	110,037	**8,980**
24	– of which: amounts below the thresholds for deduction (subject to 250% risk-weight)[1]	**4,023**	4,028	**322**

1 These balances are included in rows 2 and 5 of the table and include thresholds for the recognition of significant investments and deferred tax assets.

The quarter-on-quarter RWA movements in the table above are explained by risk type in the following comments.

Credit risk, including amounts below the thresholds for deduction

Credit risk RWAs reduced by £(1.4)bn. Excluding an increase of £0.6bn from foreign currency translation differences, RWAs fell by £(2.0)bn mainly driven by a £(0.9)bn decrease in equity claims and in balance sheet exposures, and the £(0.5)bn decrease due to exclusion of synthetic securitisation portfolio. This was further supplemented by the decrease of £(0.3)bn from the sale of our business in Armenia and £(0.3)bn fall in intercompany exposures.

Counterparty credit risk, including settlement risk

Counterparty credit risk RWAs increased by £0.4bn, mainly due to £1.2bn foreign currency translation differences, partly offset by a £(0.5)bn decrease in Securities Financing Transactions portfolio and a £(0.3)bn decrease in exposure with HSBC Securities USA Inc.

Securitisation

Securitisation RWAs rose by £0.3bn, mainly due to new positions.

Market risk

Market Risk RWAs rose by £1.9bn, mainly due to foreign currency translation differences, higher foreign exchange exposures and an increase in stressed value at risk.

Operational risk

Operational Risk RWAs rose by £1.0bn, primarily due to higher average revenue in the annual recalculation of operational risk.

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

Table 5: RWA flow statements of credit risk exposures under the IRB approach (CR8)

		Quarter ended			
		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024
Ref		**£m**	£m	£m	£m
1	**RWAs at opening period**	**38,033**	39,867	39,604	40,283
2	Asset size	**(226)**	(943)	(195)	2,383
3	Asset quality	**255**	319	(99)	178
4	Model updates	**—**	(172)	350	—
5	Methodology and policy	**(583)**	(194)	360	(569)
6	Acquisitions and disposals	**—**	—	—	(2,320)
7	Foreign exchange movements[1]	**346**	(844)	(153)	(351)
9	**RWAs at the closing period**	**37,825**	38,033	39,867	39,604

1 Foreign exchange movements in this disclosure are computed by retranslating the RWAs into pounds sterling based on the underlying transactional currencies, and other movements in the table are presented on a constant currency basis.

RWAs under IRB approach decreased by £(0.2)bn, mainly due to a £(0.6)bn fall in methodology and policy changes, driven by the exclusion of the synthetic securitization portfolio. This was further supplemented by £(0.2)bn balance sheet reductions mainly in corporate lending and other financial assets, partly offset by a £0.3bn increase due to foreign currency translation differences, and a £0.3bn increase due to portfolio mix changes.

The table below shows the drivers of the quarterly movements of counterparty credit risk RWAs under the internal model method approach.

Table 6: RWA flow statements of counterparty credit risk exposures under the IMM (CCR7)

		Quarter ended			
		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024
Ref		**£m**	£m	£m	£m
1	**RWAs at opening period**	**6,422**	6,676	6,322	6,231
2	Asset size	**409**	276	(112)	75
3	Credit quality of counterparties	**—**	(162)	465	(41)
5	Methodology and policy (IMM only)	**7**	0	—	—
7	Foreign exchange movement	**423**	(368)	1	57
9	**RWAs at the closing period**	**7,261**	6,422	6,676	6,322

RWAs under the internal model method increased by £0.8bn, mainly due to a £0.4bn increase in asset size driven by new trades and a £0.4bn increase due to foreign currency translation differences.

The table below shows the drivers of the quarterly movements of market risk RWAs under the internal model approach, split by value at risk ('VaR'), stressed value at risk ('SVaR'), incremental risk charge ('IRC') and other models.

Table 7: RWA flow statements of market risk exposures under IMA (MR2-B)

		VaR	**Stressed VaR**	**Incremental risk charge ('IRC')**	**Other**	**Total RWAs**	**Total own fund requirements**
Ref		**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
1	**RWAs at 1 Oct 2024**	**3,388**	**6,333**	**2,359**	**701**	**12,780**	**1,022**
2	Movement in risk levels	**(183)**	**203**	**39**	**(11)**	**48**	**4**
3	Model updates/changes	**(1)**	**—**	**—**	**1**	**—**	**—**
5	Acquisitions and disposals	**(1)**	**(7)**	**(1)**	**—**	**(8)**	**(1)**
6	Foreign exchange movements	**223**	**417**	**155**	**46**	**843**	**67**
8	**RWAs at 31 Dec 2024**	**3,427**	**6,947**	**2,553**	**737**	**13,663**	**1,093**
1	RWAs at 1 Jul 2024	3,799	7,247	2,198	743	13,987	1,119
2	Movement in risk levels	(196)	(486)	281	(2)	(403)	(32)
3	Model updates/changes	(6)	(28)	—	—	(34)	(3)
5	Acquisitions and disposals	—	—	—	—	—	—
6	Foreign exchange movements	(209)	(399)	(121)	(41)	(770)	(62)
8	RWAs at 31 Sep 2024	3,388	6,333	2,359	701	12,780	1,022
1	RWAs at 1 Apr 2024	4,029	7,432	1,450	733	13,644	1,092
2	Movement in risk levels	(230)	(186)	748	10	342	27
3	Model updates/changes	—	—	—	—	—	—
5	Acquisitions and disposals	—	—	—	—	—	—
6	Foreign exchange movements	—	1	—	—	1	—
8	RWAs at 30 Jun 2024	3,799	7,247	2,198	743	13,987	1,119

Table 7: RWA flow statements of market risk exposures under IMA (MR2-B) (continued)

Ref		VaR £m	Stressed VaR £m	Incremental risk charge ('IRC') £m	Other £m	Total RWAs £m	Total own fund requirements £m
1	RWAs at 1 Jan 2024	3,909	6,410	1,765	732	12,816	1,025
2	Movement in risk levels	84	963	(331)	(6)	710	57
3	Model updates/changes	—	—	—	—	—	—
5	Acquisitions and disposals	—	—	—	—	—	—
6	Foreign exchange movements	36	59	16	7	118	9
8	RWAs at 31 March 2024	4,029	7,432	1,450	733	13,644	1,092

RWAs under the internal model approach rose by £0.9bn in Q4 2024, mainly driven by an increase in SVaR over the period due to sensitivity to short-term interest rate shocks captured in the stressed period and foreign currency translation differences.

The table below shows the drivers of the quarterly movements of market risk RWAs under the internal model approach, split by VaR, SVaR, IRC and other models. Rows 1a/1b and 8a/8b represent differences between RWAs reported for the period and RWAs which include components that are calculated on a spot basis at the end of the reporting period, except RWAs in 'Other' which includes components that are calculated on an average basis.

Table 7a: RWA flow statements of market risk exposures under IMA (MR2-B)

Ref		**VaR £m**	**Stressed VaR £m**	**Incremental risk charge ('IRC') £m**	**Other £m**	**Total RWAs £m**	**Total own fund requirements £m**
1	**RWAs at 1 Oct 2024**	**3,388**	**6,333**	**2,359**	**701**	**12,780**	**1,022**
1a	Regulatory adjustment	**(2,482)**	**(5,392)**	**(314)**	**—**	**(8,188)**	**(655)**
1b	RWAs at the previous quarter-end (end of day)	**907**	**941**	**2,044**	**701**	**4,593**	**367**
2	Movement in risk levels	**(51)**	**1,345**	**(30)**	**(11)**	**1,253**	**100**
3	Model updates/changes	**(1)**	**—**	**—**	**1**	**—**	**—**
5	Acquisitions and disposals	**(1)**	**(7)**	**(1)**	**—**	**(8)**	**(1)**
6	Foreign exchange movements	**60**	**62**	**135**	**46**	**303**	**24**
8a	RWAs at the end of the disclosure period (end of day)	**914**	**2,341**	**2,148**	**737**	**6,140**	**491**
8b	Regulatory adjustment	**2,513**	**4,605**	**404**	**—**	**7,523**	**602**
8	**RWAs at 31 Dec 2024**	**3,427**	**6,947**	**2,553**	**737**	**13,663**	**1,093**
1	RWAs at 1 Jul 2024	3,799	7,247	2,198	743	13,987	1,119
1a	Regulatory adjustment	(2,815)	(5,880)	—	—	(8,695)	(696)
1b	RWAs at the previous quarter-end (end of day)	985	1,366	2,198	743	5,292	423
2	Movement in risk levels	(18)	(322)	(33)	(2)	(374)	(30)
3	Model updates/changes	(6)	(28)	—	—	(34)	(3)
5	Acquisitions and disposals	—	—	—	—	—	—
6	Foreign exchange movements	(54)	(75)	(121)	(41)	(292)	(23)
8a	RWAs at the end of the disclosure period (end of day)	907	941	2,044	701	4,593	367
8b	Regulatory adjustment	2,482	5,392	314	—	8,188	655
8	RWAs at 30 Sep 2024	3,388	6,333	2,359	701	12,780	1,022
1	RWAs at 1 April 2024	4,029	7,432	1,450	733	13,644	1,092
1a	Regulatory adjustment	(3,011)	(6,110)	(35)	—	(9,156)	(732)
1b	RWAs at the previous quarter-end (end of day)	1,018	1,322	1,416	733	4,489	359
2	Movement in risk levels	(33)	44	782	10	804	64
3	Model updates/changes	—	—	—	—	—	—
5	Acquisitions and disposals	—	—	—	—	—	—
6	Foreign exchange movements	—	—	—	—	—	—
8a	RWAs at the end of the disclosure period (end of day)	985	1,366	2,198	743	5,292	423
8b	Regulatory adjustment	2,815	5,880	—	—	8,695	696
8	RWAs at 30 Jun 2024	3,799	7,247	2,198	743	13,987	1,119

Leverage ratio

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

The RAS is monitored via the risk appetite profile report, which includes comparisons of actual performance against the risk appetite and tolerance thresholds assigned to each metric. This is to help ensure that any excessive risk is highlighted, assessed and mitigated appropriately. The risk appetite profile report is presented monthly to the Risk Management Meeting ('RMM') of the Group Executive Committee ('GEC') and the Group Risk Committee ('GRC').

For further details of our risk management tools and the management of our risk appetite through our global risk appetite framework, see page 41 of the Annual Report and Accounts 2024.

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

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

		At	
		31 Dec 2024	31 Dec 2023
Ref		**£m**	£m
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**431,910**	402,780
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	**1,663**	4,296
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**(33,790)**	(32,619)
6	(Asset amounts deducted in determining tier 1 capital (leverage))	**(854)**	(985)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**398,929**	373,472
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**21,950**	14,767
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**63,608**	61,257
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	**(11,131)**	(10,170)
11	Adjusted effective notional amount of written credit derivatives	**44,617**	49,700
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**(43,696)**	(48,013)
13	**Total derivative exposures**	**75,348**	67,541
	Securities financing transaction ('SFT') exposures		
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**168,496**	189,789
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**(98,696)**	(99,550)
16	Counterparty credit risk exposure for SFT assets	**6,513**	5,149
18	**Total securities financing transaction exposures**	**76,313**	95,388
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	**119,038**	116,510
20	(Adjustments for conversion to credit equivalent amounts)	**(73,034)**	(71,863)
22	**Total off-balance sheet exposures**	**46,004**	44,647
	Excluded exposures		
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	**—**	(200)
UK-22k	**(Total exempted exposures)**	**—**	(200)
	Capital and total exposures measure		
23	**Tier 1 capital (leverage)**	**25,828**	23,124
24	Total exposure measure including claims on central banks	**596,594**	580,848
UK-24a	(-) Claims on central banks excluded	**(128,037)**	(124,996)
UK-24b	**Total exposure measure excluding claims on central banks**	**468,557**	455,852
	Leverage ratios		
25	Leverage ratio excluding claims on central banks (%)	**5.51**	5.07
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.51**	5.07
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	**5.51**	5.07
UK-25c	Leverage ratio including claims on central banks (%)	**4.33**	3.98
26	Regulatory minimum leverage ratio requirement (%)	**3.25**	3.25
	Additional leverage ratio disclosure requirements – leverage ratio buffers		
27	Leverage ratio buffer (%)	**0.40**	0.30
UK-27b	of which: countercyclical leverage ratio buffer (%)	**0.40**	0.30
	Additional leverage ratio disclosure requirements – disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	**77,428**	90,448
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	**69,799**	90,239
UK-31	Average total exposure measure including claims on central banks	**604,577**	579,905
UK-32	Average total exposure measure excluding claims on central banks	**484,354**	449,733
UK-33	Average leverage ratio including claims on central banks (%)	**4.11**	4.10
UK-34	Average leverage ratio excluding claims on central banks (%)	**5.13**	5.29

The table below provides a reconciliation of the total assets in our published balance sheet under IFRS and the total leverage exposure.

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

		At	
		31 Dec 2024	31 Dec 2023
Ref		**£m**	£m
1	Total assets as per published financial statements	**727,330**	702,970
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	**(23,042)**	(22,582)
4	(Adjustment for exemption of exposures to central banks)	**(128,037)**	(124,996)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(4,024)**	(8,349)
7	Adjustment for eligible cash pooling transactions	**(7,497)**	(7,509)
8	Adjustment for derivative financial instruments	**(154,959)**	(134,860)
9	Adjustment for securities financing transactions ('SFTs')	**8,910**	4,628
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**46,004**	44,647
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	**(854)**	(985)
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	**0**	(200)
12	Other adjustments	**4,726**	3,088
13	**Total leverage ratio exposure**	**468,557**	455,852

The table below provides a breakdown of on-balance sheet exposures excluding derivatives, SFTs and exempted exposures by asset class.

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

		At	
		31 Dec 2024	31 Dec 2023
Ref		**£m**	£m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) of which:	**270,083**	245,007
UK-2	Trading book exposures	**100,727**	82,692
UK-3	Banking book exposures, of which:	**169,356**	162,315
UK-4	– Covered bonds	**676**	559
UK-5	– Exposures treated as sovereigns	**50,271**	38,165
UK-6	– Exposures to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereigns	**174**	212
UK-7	– Institutions	**11,110**	13,070
UK-8	– Secured by mortgages of immovable properties	**7,792**	22,107
UK-9	– Retail exposures	**7,491**	2,414
UK-10	– Corporates	**57,581**	50,985
UK-11	– Exposures in default	**1,329**	1,626
UK-12	– Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	**32,932**	33,177

Our leverage ratio was 5.5% at 31 December 2024, up from 5.1% at 31 December 2023. The increase in Tier1 capital led to a rise of 0.6 percentage points in the leverage ratio. This was offset by a fall of (0.2) percentage points due to a rise in leverage exposure driven by balance sheet growth.

At 31 December 2024, our UK minimum leverage ratio requirement of 3.25% was supplemented by a countercyclical leverage ratio buffer of 0.40%. The leverage ratio is expressed in terms of Tier1 capital but these buffers translated to CET1 capital values of £1.9bn. We exceeded these leverage requirements throughout 2024.

At 31 December 2024, our average leverage ratio excluding central bank claims was 5.1%, a decline of 0.2% from 5.3% at 31 December 2023. This is mainly due to a fall of 0.4 percentage points in the average leverage exposure, which was driven by balance sheet growth, partly offset by a rise of 0.2 percentage points in the average Tier 1 capital.

Liquidity

Management of liquidity and funding risk

We manage liquidity and funding risk at an operating entity level, in accordance with globally consistent policies, procedures and reporting standards.

Liquidity coverage ratio

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

The average HSBC Bank plc LCR for the 12 months to 31 December 2024 was 148%. It was consistent with the average LCR at 31 December 2023, and remained above the minimum required regulatory levels.

Net stable funding ratio

HSBC Bank plc uses a regulatory Net stable funding ratio (‘NSFR’) as a basis for ensuring the bank raises sufficient stable funding to support its business activities. The NSFR is defined as the ratio between the amount of stable funding available and the amount of stable funding required.

HSBC Bank plc average NSFR over the previous four quarters to 31 December 2024 decreased to 115% from 116% at 31 December 2023.

Currency mismatch in the LCR

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

Sources of funding

Our primary sources of funding are customer current accounts, repo and wholesale securities.

- For further details of our approach to managing Liquidity Risk, see Treasury Risk management section on page 6.
- More details on the concentration of funding and liquidity sources may be found on page 80 of the Annual Report of Accounts 2024.

The table below sets out the granular split of cash outflows and cash inflows, as well as the available HQLA on both an unweighted and weighted basis, which are used to derive the LCR. The LCR, HQLA and net outflows are based on the average over the preceding 12 months. Amounts in the table relate to HSBC Bank plc as a single entity and are not produced on a consolidated basis.

Table 11: Quantitative information of LCR (LIQ1)

		Quarter ended							
UK-1a		**31 Dec 2024**		30 Sep 2024		30 Jun 2024		31 Mar 2024	
		Total unweighted value	**Total weighted value**	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
		£m	**£m**	£m	£m	£m	£m	£m	£m
UK-1b	Number of data points used in the calculation of averages	**12**	**12**	12	12	12	12	12	12
High-quality liquid assets									
1	Total high-quality liquid assets (‘HQLA’)		**107,749**		105,182		104,346		104,159
Cash outflows									
2	Retail deposits and small business funding	**18,029**	**2,961**	17,832	2,849	17,764	2,732	18,081	2,692
	– of which:								
3	stable deposits	**2,008**	**100**	2,328	116	2,756	138	3,173	159
4	less stable deposits	**16,021**	**2,861**	15,503	2,733	15,008	2,594	14,907	2,534
5	Unsecured wholesale funding	**139,769**	**76,754**	139,696	76,270	138,595	75,658	139,568	75,614
6	– operational deposits (all counterparties) and deposits in networks of cooperative banks	**47,357**	**11,791**	48,728	12,134	48,952	12,191	49,498	12,328
7	– non-operational deposits (all counterparties)	**89,456**	**62,007**	88,466	61,633	87,618	61,442	88,328	61,544
8	– unsecured debt	**2,956**	**2,956**	2,502	2,502	2,025	2,025	1,742	1,742
9	Secured wholesale funding		**7,409**		6,664		7,631		8,825
10	Additional requirements	**40,146**	**18,811**	38,882	18,472	39,759	20,399	39,670	21,189
11	– outflows related to derivative exposures and other collateral requirements	**17,992**	**13,159**	17,164	12,858	18,626	14,862	18,836	15,655
13	– credit and liquidity facilities	**22,154**	**5,652**	21,718	5,614	21,133	5,537	20,834	5,534
14	Other contractual funding obligations	**20,257**	**9,238**	20,281	8,980	20,547	8,751	20,799	9,062
15	Other contingent funding obligations	**34,304**	**1,215**	34,355	1,144	34,689	1,131	35,176	1,117
16	**Total cash outflows**		**116,388**		114,380		116,302		118,501
Cash inflows									
17	Secured lending transactions (including reverse repos)	**118,623**	**17,704**	113,547	17,399	109,697	17,974	109,498	19,536
18	Inflows from fully performing exposures	**8,985**	**8,646**	8,937	8,612	8,768	8,411	8,849	8,474
19	Other cash inflows	**34,859**	**17,265**	35,809	16,629	37,304	18,216	38,934	19,360
20	**Total cash inflows**	**162,467**	**43,615**	158,293	42,641	155,769	44,601	157,280	47,370
UK-20c	Inflows subject to 75% cap[1]	**162,467**	**43,615**	158,293	42,641	155,769	44,601	157,280	47,370
Liquidity coverage ratio (adjusted value)									
UK-21	Liquidity buffer		**107,749**		105,182		104,346		104,159
22	Total net cash outflows		**72,773**		71,740		71,701		71,131
23	Liquidity coverage ratio (%)		**148**		147		146		146

1 In 2Q24 we updated the row UK-20c 'Inflows subject to 75% cap' to include collateral swaps inflow. The comparatives have been aligned accordingly.

The table below shows the components of the NSFR for unweighted values by residual maturity and the resultant weighted amounts. These amounts relate to HSBC Bank plc as a single entity and are not produced on a consolidated basis. The NSFR is the average of the preceding four quarters.

Table 12: Net Stable Funding Ratio (LIQ2)

		31 December 2024				
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		£m	£m	£m	£m	£m
Available stable funding ('ASF') Items						
1	Capital items and instruments[1]	23,935	616	542	15,428	39,469
2	– Own funds[1]	23,935	616	542	15,146	39,187
3	– Other capital instruments		—	—	282	282
4	Retail deposits		18,429	113	754	17,542
5	– Stable deposits		1,995	—	—	1,895
6	– Less stable deposits		16,434	113	754	15,647
7	Wholesale funding:		204,154	10,520	14,365	74,313
8	– Operational deposits		46,297	3	—	23,150
9	– Other wholesale funding		157,857	10,517	14,365	51,163
10	Interdependent liabilities		3,091	—	—	—
11	Other liabilities:	301	35,715	—	—	—
12	– NSFR derivative liabilities	301				
13	– All other liabilities and capital instruments not included in the above categories		35,715	—	—	—
14	**Total available stable funding ('ASF')**					131,324
Required stable funding ('RSF') Items						
15	Total high-quality liquid assets ('HQLA')					23,640
17	Performing loans and securities:		74,532	7,703	48,377	57,095
18	– Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		24,608	2,280	334	2,483
19	– Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		21,267	1,333	1,586	3,886
20	– Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs[2]		12,106	1,095	7,397	12,635
21	– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk[2]		168	65	1,270	942
22	– Performing residential mortgages[2]		50	49	2,392	1,785
23	– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk[2]		40	40	1,489	1,008
24	– Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		16,501	2,946	36,668	36,306
25	Interdependent assets		—	—	3,377	—
26	Other assets:		56,969	—	19,033	31,132
27	– Physical traded commodities				3,033	2,578
28	– Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		11,915	—	—	10,128
29	– NSFR derivative assets		971	—	—	971
30	– NSFR derivative liabilities before deduction of variation margin posted		26,636	—	—	1,332
31	– All other assets not included in the above categories		17,447	—	16,000	16,123
32	Off-balance sheet items		25,494	11,962	19,682	2,282
33	**Total RSF**					114,149
34	Net Stable Funding Ratio (%)					115

Table 12: Net Stable Funding Ratio (LIQ2) (continued)

		31 December 2023				
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
		£m	£m	£m	£m	£m
Available stable funding ('ASF') Items						
1	Capital items and instruments[1]	22,157	763	616	12,738	34,896
2	– Own funds[1]	22,157	763	616	12,200	34,357
3	– Other capital instruments		—	—	538	538
4	Retail deposits		18,400	—	—	16,726
5	– Stable deposits		3,304	—	—	3,139
6	– Less stable deposits		15,096	—	—	13,586
7	Wholesale funding:		199,090	8,723	11,192	64,681
8	– Operational deposits		47,266	40	—	23,653
9	– Other wholesale funding		151,824	8,683	11,192	41,028
10	Interdependent liabilities		2,485	—	—	—
11	Other liabilities:	1,001	38,798	—	—	—
12	– NSFR derivative liabilities	1,001				
13	– All other liabilities and capital instruments not included in the above categories		38,798	—	—	—
14	Total available stable funding ('ASF')					116,303
Required stable funding ('RSF') Items						
15	Total high-quality liquid assets ('HQLA')					16,122
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		96,016	7,088	44,698	54,448
18	– Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		32,873	2,370	166	2,324
19	– Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		35,542	1,308	1,459	4,435
20	– Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs[2]		13,273	1,215	8,304	13,931
21	– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk[2]		67	64	1,858	1,273
22	– Performing residential mortgages[2]		55	50	1,876	1,426
23	– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk[2]		32	32	1,104	750
24	– Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		14,272	2,145	32,893	32,332
25	Interdependent assets		—	—	2,485	—
26	Other assets:	—	58,155	—	17,049	27,616
27	– Physical traded commodities				2,093	1,779
28	– Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		10,465	—	—	8,895
29	– NSFR derivative assets		418	—	—	418
30	– NSFR derivative liabilities before deduction of variation margin posted		29,013	—	—	1,451
31	– All other assets not included in the above categories		18,259	—	14,956	15,073
32	Off-balance sheet items		25,564	10,534	19,993	1,908
33	Total RSF					100,094
34	Net Stable Funding Ratio (%)					116

1 In 2Q24 the table has been enhanced to include early redemption of capital. The comparatives have been aligned accordingly.
2 In 2Q24 the table has been enhanced to include weighted values for mortgages. The comparatives have been aligned accordingly.

Pillar 2 and ICAAP

Pillar 2

We conduct an Internal Capital Adequacy Assessment Process ('ICAAP') to determine a forward-looking assessment of our capital requirements given our business strategy, risk profile, risk appetite and capital plan. This process incorporates the group's risk management processes and governance framework. Our base capital plan undergoes stress testing. This, coupled with our economic capital framework and other risk management practices, is used to assess our internal capital adequacy requirements and inform our view of our internal capital planning buffer. The ICAAP is formally approved by the Board, which has the ultimate responsibility for the effective management of risk and approval of our risk appetite.

The ICAAP is reviewed by the PRA as part of the Supervisory Review and Evaluation Process. This process occurs periodically to enable the regulator to define the individual capital requirement ('ICR') or minimum capital requirements for the bank and to define the PRA buffer, where required. The PRA buffer is not intended to duplicate the Capital Requirements Regulation and Directive (CRD IV) buffers and, where necessary, will be set according to vulnerability in a stress scenario, as identified and assessed through the annual PRA stress testing exercise.

Pillar 2 comprises Pillar 2A and Pillar 2B. Pillar 2A considers, in addition to the minimum capital requirements for Pillar 1 risks described above, any supplementary requirements for those risks and any requirements for risk categories not captured by Pillar 1. The risk categories covered under Pillar 2A depend on the specific circumstances of a firm and the nature and scale of its business.

Pillar 2B, also known as the PRA buffer, consists of guidance from the PRA on the capital buffer a firm would require in order to remain above its ICR in adverse circumstances that may be largely outside the firm's normal and direct control; for example during a period of severe but plausible downturn stress, when asset values and the firm's capital surplus may become strained. This is quantified via any PRA buffer requirement the PRA may consider necessary. The assessment of this is informed by stress tests and a rounded judgement of a firm's business model, also taking into account the PRA's view of a firm's options and capacity to protect its capital position under stress. Where the PRA assesses that a firm's risk management and governance are significantly weak, it may also increase the PRA buffer to cover the risks posed by those weaknesses until they are addressed. The PRA buffer is intended to be drawn upon in times of stress, and its use is not of itself a breach of capital requirements that would trigger automatic restrictions on distributions. In specific circumstances, the PRA should agree a plan with a firm for its restoration over an agreed timescale.

Internal capital adequacy assessment

The Board manages the ICAAP, and together with the ALCO and Risk Committee, it examines the group's risk profile from both a regulatory and economic capital viewpoint. They aim to ensure that capital resources:

- remain sufficient to support our risk profile and outstanding commitments;
- meet current regulatory requirements, and that the group is well placed to meet those expected in the future;
- allow the group to remain adequately capitalised in the event of a severe economic downturn stress scenario; and
- remain consistent with our strategic and operational goals, and our shareholder and investor expectations.

The minimum regulatory capital that we are required to hold is determined by the rules and guidance established by the PRA for the bank and by local regulators for individual group companies. These capital requirements are a primary factor in influencing and shaping the business planning process, in which RWA targets are established for our global businesses in accordance with the group's strategic direction and risk appetite.

Economic capital is the internally calculated capital requirement that we deem necessary to support the risks to which we are exposed. The economic capital assessment is a more risk-sensitive measure than the regulatory minimum, and takes account of the substantial diversification of risk accruing from our operations. Both the regulatory and the economic capital assessments rely upon the use of models that are integrated into our risk management processes. Our economic capital models are calibrated to quantify the level of capital that is sufficient to absorb potential losses over a one-year time horizon to a 99.95% level of confidence for our banking and trading activities, to a 99.5% level of confidence for our insurance activities and pension risks, and to a 99.9% level of confidence for our operational risks.

Preserving our strong capital position remains a priority, and the level of integration of our risk and capital management helps to optimise our response to business demand for regulatory and economic capital. Risks that are explicitly assessed through economic capital are credit risk (including CCR), market risk, operational risk, interest rate risk in the banking book ('IRRBB'), insurance risk, pension risk, and structural foreign exchange risk.

Credit risk

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

Further details of our approach to credit risk may be found in 'Credit Risk' section on page 31 of the Annual Report and Accounts 2024.

Credit quality of assets

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

The IFRS 9 stages have the following characteristics:

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

For further details of credit-impaired (stage 3) exposures, see pages 65 and 70 of the Annual Report and Accounts 2024.

The table below breaks down the gross carrying amount of the performing and non-performing exposures and related impairments, and details of the collateral and financial guarantees received within each of the FINREP categories and definitions. Gross carrying amount includes reverse repos and settlement accounts, and the on-balance sheet exposures exclude assets held for sale. The staging analysis is non-additive as totals contain instruments not eligible for staging, such as those held at fair value through profit and loss.

Table 13: Performing and non-performing exposures and related provisions (CR1)

		Gross carrying amount/ nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures		Performing exposures			Non-performing exposures				
			of which: stage 1	of which: stage 2		of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	At 31 Dec 2024													
005	**Cash balances at central banks and other demand deposits**[1]	131,531	131,476	55	—	—	(1)	—	(1)	—	—	—	—	—
010	**Loans and advances**[1]	145,970	136,741	5,549	2,134	2,134	(153)	(56)	(96)	(696)	(696)	(9)	95,189	533
020	Central banks	1,810	1,810	—	—	—	—	—	—	—	—	—	1,632	—
030	General governments	2,065	1,967	98	40	40	(1)	(1)	—	(3)	(3)	—	202	—
040	Credit institutions	26,033	25,639	12	—	—	(1)	(1)	—	—	—	—	21,159	—
050	Other financial corporations	51,869	48,528	216	209	209	(9)	(6)	(3)	(144)	(144)	—	35,104	1
060	Non-financial corporations	44,504	40,063	4,268	1,627	1,627	(109)	(34)	(74)	(470)	(470)	(9)	17,835	355
070	– of which: SMEs	831	710	121	65	65	(7)	(4)	(3)	(21)	(21)	(9)	478	35
080	Households	19,689	18,734	955	258	258	(33)	(14)	(19)	(79)	(79)	—	19,257	177
090	**Debt securities**	52,404	51,866	63	—	—	(27)	(2)	(24)	—	—	—	5,027	—
100	Central banks	326	326	—	—	—	—	—	—	—	—	—	—	—
110	General governments	38,983	38,983	—	—	—	(2)	(2)	—	—	—	—	3,026	—
120	Credit institutions	10,935	10,814	38	—	—	—	—	—	—	—	—	1,986	—
130	Other financial corporations	1,708	1,609	12	—	—	(11)	—	(11)	—	—	—	15	—
140	Non-financial corporations	452	134	13	—	—	(14)	—	(13)	—	—	—	—	—
150	**Off-balance-sheet exposures**	150,490	120,026	4,882	350	208	(47)	(17)	(24)	(37)	(17)		710	10
160	Central banks	558	558	—	—	—	—	—	—	—	—		—	—
170	General governments	1,326	1,316	4	—	—	(1)	(1)	—	—	—		—	—
180	Credit institutions	33,915	31,368	31	1	1	(1)	—	—	(1)	(1)		—	—
190	Other financial corporations	30,362	27,490	1,031	16	14	(6)	(2)	(2)	(1)	(1)		226	—
200	Non-financial corporations	82,828	58,015	3,811	331	191	(39)	(14)	(22)	(35)	(15)		443	10
210	Households	1,501	1,279	5	2	2	—	—	—	—	—		41	—
220	**Total**	480,395	440,109	10,549	2,484	2,342	(228)	(75)	(145)	(733)	(713)	(9)	100,926	543

Table 13: Performing and non-performing exposures and related provisions (CR1) (continued)

		Gross carrying amount /nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures		Performing exposures			Non-performing exposures				
			of which: stage 1	of which: stage 2		of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	At 31 Dec 2023													
005	Cash balances at central banks and other demand deposits[1]	122,688	122,653	35	—	—	—	—	—	—	—	—	—	—
010	Loans and advances[1]	168,130	157,136	7,952	2,342	2,342	(189)	(73)	(115)	(888)	(888)	(10)	102,420	443
020	Central banks	7,026	6,970	56	—	—	—	—	—	—	—	—	4,603	—
030	General governments	1,233	1,124	109	49	49	—	—	—	(2)	(2)	—	205	—
040	Credit institutions	42,132	42,106	26	—	—	(1)	(1)	—	—	—	—	31,528	—
050	Other financial corporations	55,946	52,748	530	316	316	(16)	(5)	(10)	(137)	(137)	—	37,619	1
060	Non-financial corporations	48,976	42,741	5,861	1,763	1,763	(136)	(48)	(88)	(678)	(678)	(10)	16,575	307
070	– of which: SMEs	1,305	1,094	211	160	160	(12)	(5)	(7)	(84)	(84)	(10)	837	67
080	Households	12,817	11,447	1,370	214	214	(36)	(19)	(17)	(71)	(71)	—	11,890	135
090	Debt securities	39,001	38,553	64	—	—	(28)	(3)	(25)	—	—	—	4,746	—
100	Central banks	29	29	—	—	—	—	—	—	—	—	—	—	—
110	General governments	28,160	28,088	—	—	—	(3)	(2)	—	—	—	—	2,925	—
120	Credit institutions	8,741	8,702	39	—	—	(1)	(1)	—	—	—	—	1,655	—
130	Other financial corporations	1,679	1,572	13	—	—	(12)	—	(13)	—	—	—	117	—
140	Non-financial corporations	392	162	12	—	—	(12)	—	(12)	—	—	—	49	—
150	Off-balance-sheet exposures	154,079	120,814	7,448	461	250	(46)	(15)	(22)	(37)	(21)		1,472	1
160	Central banks	650	650	—	—	—	(1)	(1)	—	—	—		—	—
170	General governments	2,029	1,743	1	—	—	—	—	—	—	—		—	—
180	Credit institutions	42,520	39,575	66	—	—	(1)	—	—	—	—		—	—
190	Other financial corporations	24,735	20,392	2,471	19	17	(9)	(2)	(4)	(1)	(1)		453	—
200	Non-financial corporations	82,590	57,176	4,882	438	229	(35)	(12)	(18)	(36)	(20)		971	1
210	Households	1,555	1,278	28	4	4	—	—	—	—	—		48	—
220	Total	483,898	439,156	15,499	2,803	2,592	(263)	(91)	(162)	(925)	(909)	(10)	108,638	444

1 We have enhanced the table to present 'Cash balances at central banks and other demand deposit' numbers separately in Row 005. The comparatives have been aligned accordingly.

The table below presents the residual maturity breakdown of on- and off-balance sheet loans and debt securities. This table excludes on-balance sheet assets held for sale, cash balances with central banks and other demand deposits.

Table 14: Maturity of exposures (CR1-A)

		Net exposure value[1]					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
		£m	£m	£m	£m	£m	£m
1	Loans and advances	**18,071**	**75,781**	**33,149**	**16,911**	**3,343**	**147,255**
2	Debt securities	**129**	**10,184**	**26,854**	**14,962**	**248**	**52,377**
3	**Total at 31 Dec 2024[1]**	**18,200**	**85,965**	**60,003**	**31,873**	**3,591**	**199,632**
1	Loans and advances	38,447	127,809	71,640	29,885	—	267,780
2	Debt securities	—	6,519	21,522	9,991	—	38,032
3	Total at 31 Dec 2023	38,447	134,328	93,162	39,876	—	305,812

1 We enhanced our disclosures to align with table 13, performing and non-performing exposures and related provisions (CR1) and now include securitisation positions and settlement accounts, and exclude off-balance exposures of £151bn primarily in the less than 1 year maturity bucket. Further reporting process improvements resulted in reclassifications of exposures between different maturity buckets. These changes are not included at 31 December 2023.

The table below shows changes in gross carrying amount of on-balance sheet non-performing loans and advances during the 12 months to December 2024.

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

		12 months to 31 Dec	
		2024	2023
		Gross carrying value	Gross carrying value
		£m	£m
010	**Initial stock of non-performing loans and advances**	**2,359**	3,276
020	Inflows to non-performing portfolios	**927**	396
030	Outflows from non-performing portfolios	**(89)**	(547)
040	Outflows due to write-offs	**(333)**	(122)
050	Outflow due to other situations[1]	**(730)**	(644)
060	**Final stock of non-performing loans and advances**	**2,134**	2,359

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

Non-performing and forborne exposures

Tables 16 to 20 below are presented in accordance with the European Banking Authority's ('EBA') 'Guidelines on disclosure of non-performing and forborne exposures'. The PRA has acknowledged that, whilst the EBA's guidelines relating to the management of non-performing exposures and forborne exposures are not applicable in the UK, the prudential aspects of these guidelines broadly represent good credit risk management standards.

The EBA defines non-performing exposures as exposures with material amounts that are more than 90 days past due or exposures where the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of collateral, regardless of the existence of any past due amounts or number of days past due. For our retail portfolios a past due credit obligation is recognised where any amount of principal, interest or fees has not been paid at the date it was due (or the cycle date). Any debtors that are in default for regulatory purposes or impaired under the applicable accounting framework are always considered as non-performing exposures. The Annual Report and Accounts 2024 definition of stage 3 credit-impaired is aligned to the EBA's definition of non-performing exposures. Under the IFRS 9 accounting standard, ECL are classified as regulatory specific credit risk adjustments.

Forborne exposures are defined by the EBA as exposures where the bank has made concessions to a debtor that is experiencing or about to experience financial difficulties in meeting its financial commitments. Our definition of forborne captures non-payment related concessions.

In the Annual Report and Accounts 2024, forborne exposures are reported within the table 'Forborne loans and advances to customers at amortised cost by stage allocation'.

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

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

– The forborne exposure must have been considered to be performing for a 'probation period' of at least two years;

– Regular payments of more than an insignificant aggregate amount of principal or interest have been made during at least half of the probation period; and

– No exposure to the debtor is more than 30 days past due during or at the end of the probation period.

The table below breaks down performing and non-performing forborne exposures by FINREP counterparty sector and shows the gross carrying amount, accumulated impairments and collateral and financial guarantees received against these exposures. The on-balance sheet exposures exclude assets held for sale.

Table 16: Credit quality of forborne exposures (CQ1)

		Gross carrying amount/ nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
		Performing forborne	Total	of which: defaulted	of which: impaired	On performing forborne exposures	On non-performing forborne exposures	Total	of which: forborne non-performing exposures
		£m	£m	£m	£m	£m	£m	£m	£m
	At 31 Dec 2024								
010	**Loans and advances**	**1,200**	**1,258**	**1,258**	**1,258**	**(28)**	**(370)**	**726**	**176**
050	Other financial corporations	**4**	**3**	**3**	**3**	**—**	**—**	**3**	**1**
060	Non-financial corporations	**1,118**	**1,145**	**1,145**	**1,145**	**(24)**	**(334)**	**584**	**107**
070	Households	**78**	**110**	**110**	**110**	**(4)**	**(36)**	**139**	**68**
090	**Loan commitments given**	**—**	**66**	**66**	**66**	**—**	**—**	**—**	**—**
100	**Total**	**1,200**	**1,324**	**1,324**	**1,324**	**(28)**	**(370)**	**726**	**176**
	At 31 Dec 2023								
010	Loans and advances	1,633	940	940	940	(19)	(313)	795	219
050	Other financial corporations	36	3	3	3	(1)	(3)	—	—
060	Non-financial corporations	1,509	809	809	809	(13)	(270)	626	132
070	Households	88	128	128	128	(5)	(40)	169	87
090	Loan commitments given	14	89	89	89	—	—	1	—
100	Total	1,647	1,029	1,029	1,029	(19)	(313)	796	219

The table below presents an analysis of performing and non-performing exposures by days past due. The gross non-performing loan ('NPL') ratio at 31 December 2024 was 1.42% calculated in line with the EBA's guidelines.

Table 17: Credit quality of performing and non-performing exposures by past due days (CQ3)

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
		Total	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which: defaulted
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	At 31 Dec 2024												
005	**Cash balances at central banks and other demand deposits**[1]	**131,531**	**131,531**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
010	**Loans and advances**[1]	**145,970**	**145,922**	**48**	**2,134**	**1,749**	**28**	**60**	**36**	**199**	**27**	**35**	**2,134**
020	Central banks	1,810	1,810	—	—	—	—	—	—	—	—	—	—
030	General governments	2,065	2,065	—	40	12	—	—	—	28	—	—	40
040	Credit institutions	26,033	26,033	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	51,869	51,868	1	209	206	—	—	—	1	—	2	209
060	Non-financial corporations	44,504	44,476	28	1,627	1,420	9	14	15	155	11	3	1,627
070	– of which: SMEs	831	830	1	65	43	5	5	4	6	2	—	65
080	Households	19,689	19,670	19	258	111	19	46	21	15	16	30	258
090	**Debt securities**	**52,404**	**52,404**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
100	Central banks	326	326	—	—	—	—	—	—	—	—	—	—
110	General governments	38,983	38,983	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	10,935	10,935	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	1,708	1,708	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	452	452	—	—	—	—	—	—	—	—	—	—
150	**Off-balance-sheet exposures**	**150,490**			**350**								**350**
160	Central banks	558			—								—
170	General governments	1,326			—								—
180	Credit institutions	33,915			1								1
190	Other financial corporations	30,362			16								16
200	Non-financial corporations	82,828			331								331
210	Households	1,501			2								2
220	**Total**	**480,395**	**329,857**	**48**	**2,484**	**1,749**	**28**	**60**	**36**	**199**	**27**	**35**	**2,484**

Table 17: Credit quality of performing and non-performing exposures by past due days (CQ3) (continued)

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
		Total	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which: defaulted
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	At 31 Dec 2023												
005	Cash balances at central banks and other demand deposits[1]	122,688	122,688	—	—	—	—	—	—	—	—	—	—
010	Loans and advances[1]	168,130	167,822	308	2,343	1,741	32	55	362	40	27	86	2,343
020	Central banks	7,026	7,026	—	—	—	—	—	—	—	—	—	—
030	General governments	1,233	1,233	—	49	16	—	—	33	—	—	—	49
040	Credit institutions	42,132	42,122	10	—	—	—	—	—	—	—	—	—
050	Other financial corporations	55,946	55,942	4	316	32	—	2	273	1	2	6	316
060	Non-financial corporations	48,976	48,769	207	1,764	1,584	12	37	36	24	20	51	1,764
070	– of which SMEs	1,305	1,303	2	160	67	4	7	14	19	11	38	160
080	Households	12,817	12,730	87	214	109	20	16	20	15	5	29	214
090	Debt securities	39,001	39,001	—	—	—	—	—	—	—	—	—	—
100	Central banks	29	29	—	—	—	—	—	—	—	—	—	—
110	General governments	28,160	28,160	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	8,741	8,741	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	1,679	1,679	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	392	392	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	154,079			461								461
160	Central banks	650			—								—
170	General governments	2,029			—								—
180	Credit institutions	42,520			—								—
190	Other financial corporations	24,735			19								19
200	Non-financial corporations	82,590			438								438
210	Households	1,555			4								4
220	Total	483,898	329,511	308	2,804	1,741	32	55	362	40	27	86	2,804

1 We have enhanced the table to present 'Cash balances at central banks and other demand deposit' numbers separately in Row 005. The comparatives have been aligned accordingly.

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

Table 18: Collateral obtained by taking possession and execution processes (CQ7)

		At 31 Dec 2024		At 31 Dec 2023	
		Collateral obtained by taking possession		Collateral obtained by taking possession	
		Value at initial recognition	**Accumulated negative changes**	Value at initial recognition	Accumulated negative changes
		£m	**£m**	£m	£m
020	Other than property, plant and equipment ('PP&E')	**2.4**	**(0.4)**	3.7	(0.5)
030	– Residential immovable property	**0.8**	**(0.3)**	1.6	(0.4)
040	– Commercial immovable property	**1.6**	**(0.1)**	2.1	(0.1)
080	**Total**	**2.4**	**(0.4)**	3.7	(0.5)

Concentration risk

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

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

The table below shows the credit quality of on- and off-balance sheet exposures by geography. The geographical breakdown is based on the country or territory of residence of the immediate counterparty. The table presents the countries that are contributing 10% or more of the total on-balance sheet and off-balance sheet exposures separately, with the remaining exposures aggregated within 'other countries'. The on-balance sheet exposures exclude cash and balances at central banks and assets held for sale.

Table 19: Quality of non-performing exposures by geography (CQ4)

		a	b	c	d	e	f
		Gross carrying/ nominal amount					Provisions on off-balance sheet commitments and financial guarantee given
		Total	of which: non-performing	of which: defaulted	of which: subject to impairment	Accumulated impairment	
		£m	£m	£m	£m	£m	£m
010	**On balance sheet exposures**	**200,508**	**2,134**	**2,134**	**196,353**	**(876)**	
020	United Kingdom	**39,105**	**426**	**426**	**37,777**	**(338)**	
030	France	**32,017**	**656**	**656**	**32,017**	**(202)**	
040	United States	**30,613**	**25**	**25**	**29,626**	**(5)**	
070	Other countries/territories	**98,773**	**1,027**	**1,027**	**96,933**	**(331)**	
080	**Off balance sheet exposures**	**150,840**	**350**	**350**			**84**
090	France	**28,709**	**109**	**109**			**28**
100	United Kingdom	**23,212**	**35**	**35**			**17**
110	Germany	**21,477**	**93**	**93**			**11**
140	Other countries/territories	**77,442**	**113**	**113**			**28**
150	**Total at 31 Dec 2024**	**351,348**	**2,484**	**2,484**	**196,353**	**(876)**	**84**
010	On balance sheet exposures	209,474	2,343	2,343	206,048	(1,105)	
020	United Kingdom	47,778	166	166	47,163	(156)	
030	France	33,167	891	891	33,167	(426)	
040	United States	25,174	34	34	23,996	(12)	
070	Other countries/territories	103,355	1,252	1,252	101,722	(511)	
080	Off balance sheet exposures	154,541	461	461			83
090	United Kingdom	23,134	16	16			11
100	France	30,874	75	75			20
110	United States	5,091	7	7			3
140	Other countries/territories	95,442	363	363			49
150	Total at 31 Dec 2023	364,015	2,804	2,804	206,048	(1,105)	83

The table below shows the gross carrying amount of loans and advances to non-financial corporations, the related accumulated impairment, and the accumulated changes in fair value to credit risk by industry types. The on-balance sheet exposures exclude assets held for sale.

Table 20: Credit quality of loans and advances to non-financial corporations by industry (CQ5)

		Gross carrying amount				
		Total	of which: non-performing	of which: defaulted	of which: subject to impairment	Accumulated impairment
		£m	£m	£m	£m	£m
010	Agriculture, forestry and fishing	**242**	**17**	**17**	**242**	**(5)**
020	Mining and quarrying	**990**	**203**	**203**	**990**	**(1)**
030	Manufacturing	**10,131**	**255**	**255**	**10,016**	**(90)**
040	Electricity, gas, steam and air conditioning supply	**1,221**	**50**	**50**	**1,167**	**(4)**
050	Water supply	**303**	**—**	**—**	**303**	**—**
060	Construction	**663**	**68**	**68**	**663**	**(10)**
070	Wholesale and retail trade	**8,523**	**194**	**194**	**8,523**	**(94)**
080	Transport and storage	**3,110**	**205**	**205**	**3,110**	**(159)**
090	Accommodation and food service activities	**811**	**15**	**15**	**804**	**(7)**
100	Information and communication	**2,801**	**13**	**13**	**2,801**	**(7)**
110	Real estate activities	**4,002**	**161**	**161**	**4,002**	**(58)**
120	Financial and insurance activities	**37**	**—**	**—**	**37**	**(1)**
130	Professional, scientific and technical activities	**5,897**	**265**	**265**	**5,897**	**(74)**
140	Administrative and support service activities	**5,178**	**174**	**174**	**5,178**	**(61)**
150	Public administration and defense, compulsory social security	**3**	**—**	**—**	**3**	**—**
160	Education	**27**	**—**	**—**	**27**	**—**
170	Human health services and social work activities	**63**	**4**	**4**	**63**	**(3)**
180	Arts, entertainment and recreation	**171**	**1**	**1**	**171**	**(1)**
190	Other services	**1,958**	**2**	**2**	**1,958**	**(4)**
200	**Total at 31 Dec 2024**	**46,131**	**1,627**	**1,627**	**45,955**	**(579)**
010	Agriculture, forestry and fishing	342	28	28	342	(10)
020	Mining and quarrying	903	162	162	903	(4)
030	Manufacturing	10,855	349	349	10,646	(147)
040	Electricity, gas, steam and air conditioning supply	1,523	69	69	1,365	(9)
050	Water supply	406	5	5	406	(4)
060	Construction	653	39	39	653	(23)
070	Wholesale and retail trade	10,022	188	188	10,022	(119)
080	Transport and storage	3,218	151	151	3,218	(110)
090	Accommodation and food service activities	985	38	38	978	(17)
100	Information and communication	3,458	28	28	3,458	(33)
110	Real estate activities	4,591	184	184	4,591	(63)
120	Financial and insurance activities	45	7	7	45	(2)
130	Professional, scientific and technical activities	6,015	327	327	6,015	(174)
140	Administrative and support service activities	5,587	115	115	5,587	(71)
150	Public administration and defense, compulsory social security	5	—	—	5	—
160	Education	46	1	1	46	—
170	Human health services and social work activities	166	5	5	166	(2)
180	Arts, entertainment and recreation	124	3	3	124	(3)
190	Other services	1,795	64	64	1,795	(23)
200	Total at 31 Dec 2023	50,739	1,763	1,763	50,365	(814)

Risk mitigation

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

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

Collateral

The most common method of mitigating credit risk is to take collateral. In our commercial real estate ('CRE') businesses, a mortgage over the property is usually taken to help secure claims. Physical collateral is also taken in various forms of specialised lending and leasing transactions where income from the physical assets that are financed is also the principal source of facility repayment. In the commercial and industrial sectors, charges are created over business assets such as premises, stock and debtors. Loans to private banking clients may be made against a pledge of eligible marketable securities, cash or real estate. Facilities to small and medium-sized enterprises ('SMEs') are commonly granted against guarantees given by their owners and/or directors.

For credit risk mitigants in the form of immovable property, the key determinant of concentration at HSBC Group level is geographic. Use of immovable property mitigants for risk management purposes is predominantly in Asia and Europe.

Further information regarding collateral held over CRE is provided on page 67 of the Annual Report and Accounts 2024.

Financial collateral

In the institutional sector, trading facilities are supported by charges over financial instruments, such as cash, debt securities and equities. Financial collateral in the form of marketable securities is used in much of the HSBC Group's derivatives activities and in securities financing transactions, such as repos, reverse repos, securities lending and borrowing. Netting is used extensively and is a prominent feature of market standard documentation.

Further information regarding collateral held for trading exposures is on page 69 of the Annual Report and Accounts 2024.

In the non-trading book, we provide customers with working capital management products. In some cases, these products combine loans and advances to customers with customer accounts over which we have right of offset which comply with the regulatory requirements for on-balance sheet netting. Where this applies, the customer accounts are treated as cash collateral and are reflected in our LGD estimates.

Under on-balance sheet netting agreements, the customer accounts are treated as though they are covered by cash collateral and the effects of this collateral are incorporated in our LGD estimates. For risk management purposes, the net amounts of such exposures are subject to limits and the relevant customer agreements are subject to review to ensure the legal right of offset remains appropriate.

Other forms of credit risk mitigation

Our Global Banking and Markets ('GBM') business utilises credit risk mitigation to manage the credit risk of its portfolios, with the goal of reducing concentrations in individual names, sectors or portfolios. The techniques in use include credit default swap ('CDS') purchases, structured credit notes and securitisation structures. Buying credit protection creates credit exposure against the protection provider, which is monitored as part of the overall credit exposure to them. Where applicable, the transaction is entered into directly with a central clearing house counterparty; otherwise our exposure to CDS protection providers is diversified among mainly banking counterparties with strong credit ratings.

In our corporate lending, we also take guarantees from corporates and export credit agencies ('ECA'). Corporates would normally provide guarantees as part of a parent/subsidiary or common parent relationship and would span a number of credit grades. The ECAs will normally be investment grade.

Policy and procedures

Policies and procedures cover the end to end Credit lending process including the governance of the protection of our position from the outset of a customer relationship; for instance, in requiring standard terms and conditions or specifically agreed documentation permitting the offset of credit balances against debt obligations, and through controls over the integrity, current valuation and, if necessary, realisation of collateral security.

Valuing collateral

Valuation strategies are established to monitor collateral mitigants to ensure that they will continue to provide the anticipated secure secondary repayment source. The frequency of valuation increases with the volatility of the collateral. For market trading activities such as collateralised over-the-counter ('OTC') derivatives and securities financing transactions ('SFTs'), we typically carry out daily valuations. In the residential mortgage business, group policy prescribes revaluation of the portfolio at intervals of up to three years, or more frequently as the need arises; for example, where market conditions are subject to significant change, and for non performing loans on a regular basis (at least annually). Residential property collateral values are determined through a combination of professional appraisals, house price indices or statistical analysis.

For commercial real estate, where the facility exceeds regulatory threshold requirements, group policy requires an independent review of the valuation at least every three years, or more frequently as the need arises. Revaluations are sought where, for example, material concerns arise in relation to the performance of the collateral. CRE revaluation also occurs commonly in circumstances where an obligor's credit quality has declined sufficiently to cause concern that the principal payment source may not fully meet the obligation.

Recognition of risk mitigation under the IRB approach

Within an IRB approach, risk mitigants are considered in two broad categories:

– those which reduce the intrinsic PD of an obligor and therefore operate as determinants of PD; and

– those which affect the estimated recoverability of obligations and require adjustment of LGD or, in certain limited circumstances, EAD.

The first category typically includes full parental guarantees where one obligor within a group guarantees another. In these circumstances, the parent guarantor materially influences the PD of the guaranteed obligor. PD estimates are also subject to a 'sovereign ceiling', constraining the risk ratings assigned to obligors in countries of higher risk, and where only partial parental support exists. In certain jurisdictions, certain types of third-party guarantee are recognised by substituting the obligor's PD with that of the guarantor.

In the second category, LGD estimates are affected by a wider range of collateral, including cash, charges over real estate property, fixed assets, trade goods, receivables and floating charges such as mortgage debentures. Unfunded mitigants, such as third-party guarantees, are also considered in LGD estimates where there is evidence that they reduce loss expectation.

The main types of guarantor are banks, other financial institutions and corporates. The creditworthiness of providers of unfunded credit risk mitigation is taken into consideration as part of the guarantor's risk profile. Internal limits for such contingent exposure are approved in the same way as direct exposures.

EAD and LGD values are calculated using regulatory approved models, where available. For those portfolios where models are not permitted under the Permanent Partial Use rules, or are in the development pipeline, then regulatory values are used. For retail portfolios, credit risk mitigation data is incorporated into the internal risk parameters for exposures and feeds into the calculation of the expected loss ('EL') band value summarising both customer delinquency and product or facility risk. Credit and credit risk mitigation data form inputs submitted by all HSBC Group offices to centralised databases. A range of collateral recognition approaches are applied to IRB capital treatments:

- Unfunded protection, which includes credit derivatives and guarantees, is reflected through adjustment or determination of PD or LGD. Under the Advanced IRB approach, recognition may be through PD or LGD.
- Eligible financial collateral under the Advanced IRB approach is recognised in LGD models. Under the Foundation IRB approach, regulatory LGD values are adjusted. The adjustment to LGD is based on the degree to which the exposure value would be adjusted notionally if the financial collateral comprehensive method were applied.
- For all other types of collateral, including real estate, the LGD for exposures under the IRB advanced approach is calculated by models. For Foundation IRB, regulatory LGDs are adjusted depending on the value and type of the asset taken as collateral relative to the exposure. The types of eligible mitigation recognised under the Foundation IRB approach are more limited.

Table 21 sets out the exposure value and the effective value of credit risk mitigation expressed as the exposure value covered by the credit risk mitigant.

Recognition of risk mitigation under the standardised approach

Where credit risk mitigation is available in the form of an eligible guarantee, non-financial collateral or a credit derivative, the exposure is divided into covered and uncovered portions. The covered portion is determined after applying an appropriate 'haircut' for currency and maturity mismatches (and for omission of restructuring clauses in credit derivatives, where appropriate) to the amount of the protection provided and attracts the risk weight of the protection provider. The uncovered portion attracts the risk weight of the obligor.

The value of exposure fully or partially covered by eligible financial collateral is adjusted under the financial collateral comprehensive method using supervisory volatility adjustments (including those for currency mismatch) which are determined by the specific type of collateral (and its credit quality, in the case of eligible debt securities) and its liquidation period. The adjusted exposure value is subject to the risk weight of the obligor.

The table below provides a breakdown of loans and advances and debt securities by different credit risk mitigation techniques. The on-balance sheet exposures exclude assets held for sale.

Table 21: Credit risk mitigation techniques – overview (CR3)

		Exposures unsecured: carrying amount	Exposures secured: carrying amount	of which: Exposures secured by collateral	of which: Exposures secured by financial guarantees
		£m	£m	£m	£m
1	Loans and advances	**183,063**	**95,722**	**79,698**	**16,024**
2	Debt securities	**47,350**	**5,027**	**—**	**5,027**
3	**Total at 31 Dec 2024**	**230,413**	**100,749**	**79,698**	**21,051**
4	– of which: non-performing exposures	**905**	**533**	**343**	**190**
5	– of which: defaulted	**905**	**533**		
1	Loans and advances	189,220	102,863	85,744	17,119
2	Debt securities	34,228	4,746	—	4,746
3	Total at 31 Dec 2023	223,448	107,609	85,744	21,865
4	– of which: non-performing exposures	1,011	443	253	190
5	– of which: defaulted	1,011	443		

The table below presents the split of credit risk exposures under the standardised approach, reflecting EAD before and after the impact of CRM techniques and credit conversion factors ('CCF'). Securitisation positions are not included in this table. Collective investment undertakings includes equity calculated under the look-through approach using the equity simple risk-weight method.

Table 22: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4)

		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWAs density
		£m	£m	£m	£m	£m	%
	Asset classes						
1	Central governments or central banks	**139,620**	**743**	**147,028**	**1,266**	**940**	**1**
2	Regional governments or local authorities	**2,022**	**3**	**3,676**	**12**	**1**	**—**
3	Public sector entities	**4,585**	**194**	**33**	**—**	**7**	**20**
4	Multilateral development banks	**5,012**	**359**	**5,589**	**248**	**3**	**—**
5	International organisations	**3,318**	**—**	**3,318**	**—**	**—**	**—**
6	Institutions	**3,684**	**1,859**	**3,770**	**1,381**	**1,295**	**25**
7	Corporates	**9,697**	**5,338**	**12,869**	**1,630**	**9,216**	**64**
8	Retail	**5,389**	**638**	**499**	**83**	**429**	**74**
9	Secured by mortgages on immovable property	**5,711**	**83**	**5,711**	**19**	**2,584**	**45**
10	Exposures in default	**252**	**32**	**227**	**11**	**275**	**115**
11	Exposures associated with particularly high risk	**71**	**22**	**71**	**11**	**123**	**150**
14	Collective investment undertakings	**325**	**—**	**325**	**—**	**325**	**100**
15	Equity	**1,680**	**—**	**1,680**	**—**	**3,505**	**209**
16	Other items	**579**	**—**	**579**	**—**	**409**	**71**
17	**Total at 31 Dec 2024**	**181,945**	**9,271**	**185,375**	**4,661**	**19,112**	**10**
1	Central governments or central banks	135,148	1,657	142,579	1,212	1,259	1
2	Regional governments or local authorities	1,426	87	3,054	31	1	—
3	Public sector entities	4,144	55	34	—	7	21
4	Multilateral development banks	3,506	362	3,713	192	—	—
5	International organisations	2,071	—	2,071	—	—	—
6	Institutions	4,894	2,896	4,972	2,067	2,052	29
7	Corporates	6,884	4,012	5,873	848	6,212	92
8	Retail	538	1,184	484	151	452	71
9	Secured by mortgages on immovable property	4,209	103	4,209	24	1,967	46
10	Exposures in default	254	30	240	19	304	117
11	Exposures associated with particularly high risk	68	13	68	5	110	150
14	Collective investment undertakings	304	—	304	—	304	100
15	Equity	1,681	—	1,681	—	3,453	205
16	Other items	2,536	—	2,536	—	845	33
17	Total at 31 Dec 2023	167,663	10,399	171,818	4,549	16,966	10

The table below provides a breakdown of IRB credit risk RWAs before and after credit derivatives CRM effects. The table excludes securitisation positions, equity, corporate slotting exposures and non-credit obligation assets.

Table 23: IRB – Effect on the RWA of credit derivatives used as CRM techniques (CR7)

		At 31 Dec 2024		At 31 Dec 2023	
		Pre-credit derivatives RWAs	Actual RWAs	Pre-credit derivatives RWAs	Actual RWAs
		£m	£m	£m	£m
1	**Exposures under FIRB**	**16,588**	**16,292**	15,668	15,315
2	Central governments and central banks	**6**	**6**	6	6
3	Institutions	**1**	**1**	2	2
4	Corporates	**16,581**	**16,285**	15,659	15,306
4.1	– of which SMEs	**70**	**70**	54	54
4.3	– of which others	**16,511**	**16,215**	15,605	15,252
5	**Exposures under AIRB**	**18,575**	**18,467**	21,447	21,380
6	Central governments and central banks	**3,097**	**3,097**	2,119	2,119
7	Institutions	**1,829**	**1,829**	1,803	1,788
8	Corporates	**13,096**	**12,988**	14,014	13,962
8.1	– of which SMEs	**19**	**19**	30	30
8.2	– of which specialised lending	**422**	**422**	535	535
8.3	– of which others	**12,655**	**12,547**	13,449	13,396
9	Retail	**553**	**553**	3,511	3,511
9.1	– of which Retail – SMEs - Secured by immovable property collateral	**60**	**60**	139	139
9.2	– of which Retail – Non-SMEs - Secured by immovable property collateral	**207**	**207**	2,109	2,109
9.3	– of which Retail – Qualifying revolving	**67**	**67**	68	68
9.4	– of which Retail – SMEs - Other	**155**	**155**	302	302
9.5	– of which Retail – Non-SMEs- Other	**64**	**64**	894	894
10	**Total (including FIRB exposures and AIRB exposures)**	**35,163**	**34,759**	37,115	36,695

The table below discloses percentage of exposures secured by various CRM techniques, separately for each exposure class in AIRB and FIRB approaches. Specialised lending exposures under the slotting approach are disclosed separately in the table.

Table 24: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A)

			Funded credit protection ('FCP')					Unfunded credit Protection (UFCP)	Credit risk mitigation methods in the calculation of RWAs	
				Part of exposures covered by Other eligible collaterals (%)						
AIRB		Total exposures	Part of exposures covered by Financial Collaterals	Total	Part of exposures covered by Immovable property collaterals	Part of exposures covered by receivables	Part of exposures covered by Other physical collateral	Part of exposures covered by guarantees	RWA post-all CRM assigned to the obligor exposure class	RWA with substitution effects
		£m	%	%	%	%	%			
1	Central governments and central banks	24,254	0.00	0.00	0.00	0.00	0.00	0.66	3,004	3,097
2	Institutions	9,710	0.50	0.00	0.00	0.00	0.00	0.02	1,834	1,829
3	Corporates	38,884	12.60	6.36	5.02	0.91	0.42	1.33	12,990	12,988
3.1	– of which: Corporates – SMEs	25	0.00	76.42	73.07	3.35	0.00	0.00	20	19
3.2	Corporates – Specialised lending	1,070	0.00	0.00	0.00	0.00	0.00	3.27	437	422
3.3	Corporates – Other	37,789	13.30	6.65	5.25	0.96	0.45	1.31	12,533	12,547
4	Retail	4,788	38.60	45.35	44.85	0.48	0.02	0.00	553	553
4.1	– of which: Retail – immovable property SMEs	126	0.20	99.90	96.85	3.05	0.00	0.00	60	60
4.2	Retail – immovable property non-SMEs	2,025	0.00	100.00	100.00	0.00	0.00	0.00	207	207
4.3	Retail – qualifying revolving	226	0.00	0.00	0.00	0.00	0.00	0.00	67	67
4.4	Retail – other SMEs	480	2.40	4.15	0.00	3.96	0.20	0.00	155	155
4.5	Retail – other non-SMEs	1,931	95.00	0.00	0.00	0.00	0.00	0.00	64	64
5	**Total at 31 Dec 2024**	**77,636**	**8.70**	**5.90**	**5.20**	**0.50**	**0.20**	**0.90**	**18,380**	**18,467**
FIRB										
1	Central governments and central banks	—	0.00	0.00	0.00	0.00	0.00	0.00	0	6
2	Institutions	—	0.00	0.00	0.00	0.00	0.00	0.00	0	1
3	Corporates	55,077	40.00	1.80	1.00	0.80	0.00	0.00	16,392	16,285
3.1	– of which: Corporates – SMEs	112	0.70	9.20	9.20	0.00	0.00	0.00	70	70
3.2	Corporates – Specialised lending	—	0.00	0.00	0.00	0.00	0.00	0.00	0	0
3.3	Corporates – Other	54,965	40.10	1.80	1.00	0.80	0.00	0.00	16,322	16,215
4	**Total at 31 Dec 2024**	**55,077**	**40.00**	**1.80**	**1.00**	**0.80**	**0.00**	**0.00**	**16,392**	**16,292**
IRB										
	Specialised lending under the slotting approach	949	—	—	—	—	—	0.00	522	522
	Equity Exposures	1,291	—	—	—	—	—	0.00	2,545	2,545

Table 24: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) (continued)

			Funded credit protection ('FCP')						Unfunded credit Protection (UFCP)	Credit risk mitigation methods in the calculation of RWAs	
				Part of exposures covered by Other eligible collaterals (%)							
AIRB		Total exposures	Part of exposures covered by Financial Collaterals	Total	Part of exposures covered by Immovable property collaterals	Part of exposures covered by receivables	Part of exposures covered by Other physical collateral		Part of exposures covered by guarantees	RWA post-all CRM assigned to the obligor exposure class	RWA with substitution effects
		£m	%	%	%	%	%				
1	Central governments and central banks	17,022	0.00	0.00	0.00	0.00	0.00		0.00	2,083	2,119
2	Institutions	10,553	13.40	0.00	0.00	0.00	0.00		0.00	1,801	1,788
3	Corporates	36,387	2.40	6.90	5.50	1.00	0.40		1.30	13,959	13,962
3.1	– of which: Corporates – SMEs	54	0.00	46.30	44.40	1.90	0.00		0.00	30	30
3.2	Corporates – Specialised lending	1,342	0.00	0.00	0.00	0.00	0.00		3.80	535	535
3.3	Corporates – Other	34,991	2.60	7.30	5.70	1.10	0.50		1.20	13,394	13,396
4	Retail	21,437	5.50	29.70	29.50	0.10	0.00		54.80	3,511	3,511
4.1	– of which: Retail – immovable property SMEs	251	4.20	93.90	92.60	1.20	0.00		0.20	139	139
4.2	Retail – immovable property non-SMEs	17,970	0.90	33.90	33.90	0.00	0.00		65.20	2,109	2,109
4.3	Retail – qualifying revolving	218	0.00	0.00	0.00	0.00	0.00		0.00	68	68
4.4	Retail – other SMEs	855	10.30	3.40	0.00	3.20	0.20		1.60	302	302
4.5	Retail – other non-SMEs	2,143	43.20	0.00	0.00	0.00	0.00		0.60	894	894
5	Total at 31 Dec 2023	85,397	4.00	10.20	9.50	0.50	0.20		13.90	21,354	21,380
FIRB											
1	Central governments and central banks	—	0.00	0.00	0.00	0.00	0.00		0.00	0	6
2	Institutions	—	0.00	0.00	0.00	0.00	0.00		0.00	0	2
3	Corporates	53,425	36.90	1.60	1.20	0.40	0.00		0.00	15,357	15,306
3.1	– of which: Corporates – SMEs	118	14.40	4.50	4.50	0.00	0.00		0.00	54	54
3.2	Corporates – Specialised lending	—	0.00	0.00	0.00	0.00	0.00		0.00	0	0
3.3	Corporates – Other	53,307	37.00	1.60	1.20	0.40	0.00		0.00	15,303	15,252
4	Total at 31 Dec 2023	53,425	36.90	1.60	1.20	0.40	0.00		0.00	15,357	15,315
IRB											
	Specialised lending under the slotting approach	899	—	—	—	—	—		0.00	599	599
	Equity Exposures	1,495	—	—	—	—	—		0.00	2,990	2,990

The table below sets out the specialised lending exposures by different regulatory slotting categories split by remaining maturity. It also includes a separate disclosure of equity exposures under the simple risk-weighted approach. Off-balance sheet CIU equity exposures are calculated as per CRR II Article 132(c).

Table 25: Specialised lending and equity exposures under the simple risk-weighted approach (CR10)

Specialised lending: Project finance (Slotting approach)		**On-balance sheet amount**	**Off-balance sheet amount**	**Risk weight**	**Exposure amount**	**RWAs**	**Expected loss**
Regulatory categories	**Remaining maturity**	**£m**	**£m**	**%**	**£m**	**£m**	**£m**
Category 1	Less than 2.5 years	**33**	**—**	**50**	**33**	**13**	**—**
	Equal to or more than 2.5 years	**137**	**21**	**70**	**151**	**81**	**1**
Category 2	Less than 2.5 years	**16**	**—**	**70**	**16**	**11**	**—**
	Equal to or more than 2.5 years	**50**	**—**	**90**	**50**	**45**	**—**
Category 3	Less than 2.5 years	**2**	**2**	**115**	**2**	**2**	**—**
	Equal to or more than 2.5 years	**14**	**11**	**115**	**17**	**15**	**1**
Category 4	Less than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
Category 5	Less than 2.5 years	**—**	**—**	**—**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**—**	**—**	**—**	**—**
Total at 31 Dec 2024	Less than 2.5 years	**51**	**2**		**51**	**26**	**—**
	Equal to or more than 2.5 years	**201**	**32**		**218**	**141**	**2**
Category 1	Less than 2.5 years	—	—	50	—	—	—
	Equal to or more than 2.5 years	—	—	70	—	—	—
Category 2	Less than 2.5 years	—	—	70	—	—	—
	Equal to or more than 2.5 years	3	—	90	3	2	—
Category 3	Less than 2.5 years	—	—	115	—	—	—
	Equal to or more than 2.5 years	—	—	115	—	—	—
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	—	—	—	—	—	—
Total at 31 Dec 2023	Less than 2.5 years	—	—		—	—	—
	Equal to or more than 2.5 years	3	—		3	2	—

Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)		**On-balance sheet amount**	**Off-balance sheet amount**	**Risk weight**	**Exposure amount**	**RWAs**	**Expected loss**
Regulatory categories	**Remaining maturity**	**£m**	**£m**	**%**	**£m**	**£m**	**£m**
Category 1	Less than 2.5 years	**399**	**19**	**50**	**418**	**204**	**—**
	Equal to or more than 2.5 years	**48**	**10**	**70**	**57**	**39**	**—**
Category 2	Less than 2.5 years	**60**	**18**	**70**	**74**	**45**	**—**
	Equal to or more than 2.5 years	**—**	**6**	**90**	**5**	**4**	**—**
Category 3	Less than 2.5 years	**41**	**—**	**115**	**41**	**47**	**1**
	Equal to or more than 2.5 years	**—**	**—**	**115**	**—**	**—**	**—**
Category 4	Less than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
Category 5	Less than 2.5 years	**62**	**—**	**—**	**62**	**—**	**32**
	Equal to or more than 2.5 years	**—**	**—**	**—**	**—**	**—**	**—**
Total at 31 Dec 2024	Less than 2.5 years	**562**	**37**	**—**	**595**	**296**	**33**
	Equal to or more than 2.5 years	**48**	**16**		**62**	**43**	**—**
Category 1	Less than 2.5 years	239	26	50	262	131	—
	Equal to or more than 2.5 years	205	26	70	232	140	1
Category 2	Less than 2.5 years	206	36	70	233	163	1
	Equal to or more than 2.5 years	22	16	90	35	24	—
Category 3	Less than 2.5 years	108	2	115	108	124	3
	Equal to or more than 2.5 years	—	—	115	—	—	—
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	—	—	—	—	—	—
Total at 31 Dec 2023	Less than 2.5 years	554	64		604	418	4
	Equal to or more than 2.5 years	228	43		266	164	1

Table 25: Specialised lending and equity exposures under the simple risk-weighted approach (CR10) (continued)

Specialised lending: Object finance (Slotting approach)		**On-balance sheet amount**	**Off-balance sheet amount**	**Risk weight**	**Exposure amount**	**RWAs**	**Expected loss**
Regulatory categories	**Remaining maturity**	**£m**	**£m**	**%**	**£m**	**£m**	**£m**
Category 1	Less than 2.5 years	**—**	**—**	**50**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**22**	**—**	**70**	**22**	**16**	**—**
Category 2	Less than 2.5 years	**—**	**—**	**70**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**90**	**—**	**—**	**—**
Category 3	Less than 2.5 years	**—**	**—**	**115**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**115**	**—**	**—**	**—**
Category 4	Less than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
Category 5	Less than 2.5 years	**—**	**—**	**—**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**1**	**—**	**—**	**1**	**—**	**—**
Total at 31 Dec 2024	Less than 2.5 years	**—**	**—**		**—**	**—**	**—**
	Equal to or more than 2.5 years	**23**	**—**		**23**	**16**	**—**
Category 1	Less than 2.5 years	—	—	50	—	—	—
	Equal to or more than 2.5 years	22	—	70	22	15	—
Category 2	Less than 2.5 years	—	—	70	—	—	—
	Equal to or more than 2.5 years	—	—	90	—	—	—
Category 3	Less than 2.5 years	—	—	115	—	—	—
	Equal to or more than 2.5 years	—	—	115	—	—	—
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	2	—	—	2	—	1
Total at 31 Dec 2023	Less than 2.5 years	—	—		—	—	—
	Equal to or more than 2.5 years	24	—		24	15	1

Equity exposures under simple risk weighted approach	**On-balance sheet amount**	**Off-balance sheet amount**	**Risk weight**	**Exposure amount**	**RWAs**	**Expected losses**
Regulatory categories	**$m**	**$m**	**%**	**$m**	**$m**	**$m**
Private equity exposures	**892**	**—**	**190**	**892**	**1,695**	**7**
Exchange-traded equity exposures	**99**	**—**	**290**	**99**	**287**	**1**
Other equity exposures	**2**	**—**	**370**	**2**	**6**	**—**
Off balance sheet CIU equity exposures	**—**	**592**	**—**	**298**	**557**	**2**
Total at 31 Dec 2024	**993**	**592**		**1,291**	**2,545**	**10**
Private equity exposures	1,224	—	190	1,224	2,326	10
Exchange-traded equity exposures	—	—	290	—	—	—
Other equity exposures	—	—	370	—	—	—
Off balance sheet CIU equity exposures	—	541	—	271	664	2
Total at 31 Dec 2023	1,224	541		1,495	2,990	12

Remuneration

As a wholly-owned subsidiary, HSBC Bank plc is subject to the remuneration policy established by HSBC. Details of HSBC's remuneration practices, including details on the Remuneration Committee membership and its activities, the remuneration strategy, and remuneration structure of HSBC's Identified Staff and Material Risk-Takers ('MRT') is available in the Directors' Remuneration Report on pages 279 to 317 of the HSBC Holdings plc Annual Report 2024.

The following tables show the remuneration awards made to Identified Staff and MRTs in HSBC Bank plc for 2024. Individuals have been identified as MRTs as set out in the European Union Regulatory Technical Standard ('RTS') 2021/923. The tables below include the total remuneration of HSBC Bank plc senior management and other individuals identified as HSBC Bank plc MRTs based on their role and professional activities. This also includes certain individuals employed by the Group who have broader roles within HSBC, for example those with global roles.

Table 26: Remuneration awarded for the financial year (REM1)

		Supervisory function	Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	**9.0**	**2.0**	**15.0**	**232.0**
	Total fixed pay (£m)	**1.7**	**2.7**	**10.1**	**100.3**
	– of which: cash-based (£m)[1]	**1.7**	**2.7**	**10.1**	**100.3**
	– of which: shares or equivalent ownership interests (£m)[2]	—	—	—	—
	– of which: share-linked instruments or equivalent non-cash instruments (£m)	—	—	—	—
	– of which: other instruments (£m)	—	—	—	—
	– of which: other forms (£m)	—	—	—	—
Variable remuneration[3]	Number of identified staff	**9.0**	**2.0**	**15.0**	**232.0**
	Total variable remuneration (£m)[4]	—	**3.8**	**12.3**	**112.7**
	– of which: cash-based (£m)	—	**2.0**	**5.7**	**55.3**
	– of which: deferred (£m)	—	**0.9**	**3.2**	**27.2**
	– of which: shares or equivalent ownership interests (£m)[2]	—	**1.8**	**6.6**	**56.2**
	– of which: deferred (£m)	—	**1.2**	**4.1**	**31.7**
	– of which: share-linked instruments or equivalent non-cash instruments (£m)	—	—	—	**0.5**
	– of which: deferred (£m)	—	—	—	**0.3**
	– of which: other instruments (£m)	—	—	—	—
	– of which: deferred (£m)	—	—	—	—
	– of which: other forms (£m)	—	—	—	**0.7**
	– of which: deferred (£m)	—	—	—	**0.5**
Total remuneration (£m)		**1.7**	**6.5**	**22.4**	**213.0**

1 Cash-based fixed remuneration is paid immediately.
2 Paid in HSBC shares. Vested shares are subject to a retention period of up to one year.
3 Variable pay awarded in respect of 2024. In accordance with shareholder approval received on 3 May 2024 (99% in favour), and where regulations permit, for each MRT the variable component of remuneration for any one year is limited to ten times the fixed component of total remuneration, in line with the maximum pay ratio approved by the Group Remuneration Committee. HSBC Holdings plc continues to provide approval for entities regulated by the European Banking Authority to operate a maximum variable pay ratio of 200% of the fixed component of total remuneration for each MRT, where permitted to do so.
4 10 identified staff members were exempt from the application of the remuneration structure requirements for MRTs under the PRA and FCA remuneration rules.Their total remuneration is £1.5m, of which £1.2m is fixed pay and £0.3m is variable remuneration.

Table 27: Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) (REM2)

	Supervisory function	Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards[1]				
Number of identified staff	—	—	—	—
Total amount (£m)	—	—	—	—
– of which: guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap (£m)	—	—	—	—
Severance payments awarded in previous periods, that have been paid out during the financial year[2]				
Number of identified staff	—	—	—	—
Total amount (£m)	—	—	—	—
Severance payments awarded during the financial year[2]				
Number of identified staff	—	**1**	—	**5.0**
Total amount (£m)	—	**0.5**	—	**2.7**
– of which: paid during the financial year (£m)	—	—	—	**2.7**
– of which: deferred (£m)	—	—	—	—
– of which: severance payments paid during the financial year, that are not taken into account in the bonus cap (£m)	—	**0.5**	—	**2.7**
– of which: highest payment that has been awarded to a single person (£m)	—	**0.5**	—	**1.5**

1 No guaranteed variable remuneration awarded in 2024. HSBC would offer a guaranteed variable remuneration award in exceptional circumstances for new hires, and in the first year only. It would typically involve a critical new hire, and would also depend on factors such as the seniority of the individual, whether the new hire candidate has any competing offers and the timing of the hire during the performance year.
2 Includes payments such as payment in lieu of notice, statutory severance, outplacement service, legal fees, ex-gratia payments and settlements (excludes pre-existing benefit entitlements triggered on terminations).

Table 28: Deferred remuneration (REM3)

£m	Total amount of deferred remuneration awarded for previous performance periods	of which: due to vest in the financial year	of which: vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
Supervisory function	—	—	—	—	—	—	—	—
Cash-based	—	—	—	—	—	—	—	—
Shares	—	—	—	—	—	—	—	—
Share-linked instruments	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Management function	12.2	1.5	10.7	—	—	1.6	1.5	0.4
Cash-based	4.3	0.7	3.6	—	—	—	0.7	—
Shares	7.9	0.8	7.1	—	—	1.6	0.8	0.4
Share-linked instruments	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Other senior management	20.5	3.5	17.0	—	—	2.4	3.5	0.4
Cash-based	7.6	1.1	6.4	—	—	—	1.1	—
Shares	12.9	2.4	10.6	—	—	2.4	2.4	0.4
Share-linked instruments	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Other identified staff	210.4	41.2	169.2	—	—	24.2	41.1	8.0
Cash-based	79.1	17.1	62.0	—	—	—	17.1	—
Shares	128.9	23.5	105.4	—	—	23.8	23.4	7.4
Share-linked instruments	1.3	0.2	1.1	—	—	0.3	0.2	0.2
Other instruments	—	—	—	—	—	—	—	—
Other forms	1.1	0.4	0.7	—	—	0.1	0.4	0.4
Total amount	243.1	46.2	196.9	—	—	28.2	46.1	8.8

1 This table provides details of balances and movements during performance year 2024. For details of variable pay awards granted for 2024, refer to the 'Remuneration awarded for the financial year' table. Deferred remuneration is made in cash and/or shares. Share-based awards are made in HSBC shares.

Table 29: Remuneration of 1 million EUR or more per year (REM4)

	Identified staff that are high earners as set out in Article 450(i) CRR
€1,000,000 – 1,500,000	51
€1,500,000 – 2,000,000	26
€2,000,000 – 2,500,000	11
€2,500,000 – 3,000,000	5
€3,000,000 – 3,500,000	2
€3,500,000 – 4,000,000	4
€4,000,000 – 4,500,000	2
€4,500,000 – 5,000,000	2
€5,000,000 – 6,000,000	1
€6,000,000 – 7,000,000	1
€7,000,000 – 8,000,000	—
€8,000,000 – 9,000,000	—
€9,000,000 – 10,000,000	—
€10,000,000 – 11,000,000	—
€11,000,000 – 12,000,000	—

1 Table prepared in euros in accordance with Article 450 of the European Union Capital Requirements Regulation, using the exchange rates published by the European Commission for financial programming and budget for December of the reported year as published on its website.

Table 30: Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (REM5)

	Management body remuneration			Business areas				
£m	MB Supervisory function	MB Management function	Total MB	Retail banking	Corporate function	Independent internal control function	All other	Total
Total number of identified staff								**258.0**
– of which: members of the MB	**9.0**	**2.0**	**11.0**					
other senior management				**2.0**	**5.0**	**3.0**	**2.0**	
other identified staff				**27.0**	**8.0**	**42.0**	**9.0**	
Total remuneration of identified staff	**1.7**	**6.5**	**8.2**	**29.4**	**9.9**	**20.4**	**8.6**	
– of which: variable remuneration[1]	**—**	**3.8**	**3.8**	**14.5**	**4.5**	**8.3**	**3.8**	
fixed remuneration	**1.7**	**2.7**	**4.4**	**14.9**	**5.4**	**12.1**	**4.8**	

1 Variable pay awarded in respect of 2024. In accordance with shareholder approval received on 3 May 2024 (99% in favour), and where regulations permit, for each MRT the variable component of remuneration for any one year is limited to ten times the fixed component of total remuneration, in line with the maximum pay ratio approved by the Group Remuneration Committee. HSBC Holdings plc continues to provide approval for entities regulated by the European Banking Authority to operate a maximum variable pay ratio of 200% of the fixed component of total remuneration for each MRT, where permitted to do so.

Appendix I

Countercyclical capital buffer

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

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

Table 31: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (CCyB1)

	General credit exposures		Relevant credit exposures Market risk		Securitisation exposures		Own funds requirements						
	SA	IRB	Sum of long/short positions for SA	Internal models	Total Exposure value for non trading book	Total exposure value	Relevant credit risk exposures Credit risk	Relevant credit exposures Market risk	Securitisation positions in the non trading book	Total	Risk weighted exposure amounts	Share of total own funds require-ments	CCyB rate
Country	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
Armenia	—	5	—	—	—	5	—	—	—	—	4	0.01	1.50
Australia	—	601	—	18	—	619	12	1	—	13	161	0.24	1.00
Belgium	78	865	3	32	—	978	41.8	1	—	43	538	0.80	1.00
Bermuda	1,228	163	—	3	—	1,394	62	—	—	62	779	1.16	—
Bulgaria	—	6	—	—	—	6	0.1	—	—	—	1	—	2.00
Chile	27	89	—	140	—	255	6.2	5	—	11	134	0.20	0.50
Croatia	1	—	—	—	—	1	—	—	—	—	1	—	1.50
Cyprus	9	75	—	—	—	84	1	—	—	1	13	0.02	1.00
Czech Republic	14	380	—	5	—	399	20	2	—	22	269	0.40	1.25
Denmark	—	1,838	—	9	—	1,846	40	1	—	40	503	0.75	2.50
Estonia	—	—	—	—	—	—	—	—	—	—	1	—	1.50
France	7,653	16,295	146	48	6,036	30,178	745	7	85	837	10,463	15.58	1.00
Germany	552	12,010	90	95	987	13,732	477	7	12	496	6,198	9.23	0.75
Hong Kong	36	388	—	2	—	425	9	—	—	9	107	0.16	0.50
Hungary	—	776	—	—	—	776	9	—	—	9	109	0.16	0.50
Iceland	—	—	—	—	—	—	—	—	—	—	—	—	2.50
Ireland	314	3,694	654	22	852	5,535	105	13	10	128	1,602	2.39	1.50
Israel	259	1,308	—	15	—	1,581	57	2	—	59	737	1.10	—
Italy	211	1,332	216	48	450	2,255	58	9	6	73	911	1.36	—
Korea, Republic Of	34	117	—	4	—	155	1.1	—	—	1	15	0.02	1.00
Latvia	—	—	—	7	—	7	—	2	—	2	19	0.03	0.50
Lithuania	—	1	—	—	—	1	—	—	—	—	—	—	1.00
Luxembourg	675	5,029	116	39	—	5,859	215	4	—	218	2,727	4.06	0.50
Malta	2,385	127	—	—	—	2,512	106	—	—	106	1,321	1.97	—
Netherlands	687	5,022	288	24	491	6,512	195	8	4	207	2,592	3.86	2.00
Norway	—	145	—	1	—	146	4	1	—	5	58	0.09	2.50
Poland	193	660	—	1	231	1,085	35.5	—	3	39	482	0.72	—
Romania	—	9	—	1	—	9	—	—	—	1	7	0.01	1.00
Slovakia	—	39	—	2	—	41	1	—	—	1	11	0.02	1.50
Slovenia	5	—	—	7	—	12	—	—	—	1	7	0.01	0.50
South Africa	303	413	—	19	—	735	39	2	—	41	512	0.76	—
Spain	315	1,718	37	1	180	2,251	98	4	2	104	1,302	1.94	—
Sweden	33	496	—	30	—	559	16	2	—	18	226	0.34	2.00
Switzerland	2,664	8,490	—	48	—	11,201	298	3	—	300	3,752	5.59	—
United Arab Emirates	1,032	564	—	8	—	1,604	48	1	—	49	613	0.91	—
United Kingdom	4,051	54,080	520	543	5,676	64,870	1,585	42	138	1,765	22,059	32.84	2.00
United States	458	13,540	—	86	684	14,767	401	7	18	425	5,315	7.91	—
Other countries	981	9,231	87	592	156	11,047	224	63	2	289	3,617	5.36	—
Total	24,198	139,503	2,157	1,847	15,740	183,444	4,906	186	281	5,373	67,162	100.00	

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

Table 32: Amount of Institution specific countercyclical capital buffer (CCyB2)

	31 Dec 2024
Total risk exposure amount (£m)	**112,251**
Institution specific countercyclical capital buffer rate (%)	**1.06**
Institution specific countercyclical capital buffer requirement (£m)	**1,192**

Appendix II

Compliance with CRR II Pillar 3 Requirements

HSBC Bank plc Pillar 3 regular requirements are enclosed in CRR II level of application rule 2.3. The rule states that large subsidiaries of UK parent institutions as HSBC Bank plc, UK parent financial holding companies or UK parent mixed financial holding companies and large subsidiaries of parent undertakings established in a third country shall disclose the information specified in Articles 437, 438, 440, 442, 450, 451, 451a and 453 on an individual basis or on a sub-consolidated basis.

Article	Regulatory Requirements	Compliance reference
Disclosure requirements and policies		
431(1)	Institutions shall publicly disclose the information referred to in Titles II and III in accordance with the provisions laid down in this Title, subject to the exceptions referred to in Article 432.	HSBC Bank plc publishes Pillar 3 disclosures as required.
431 (2)	Institutions that have been granted permission by the competent authorities under Part Three for the instruments and methodologies referred to in Title III of this Part shall publicly disclose the information laid down therein.	Title III refers to the below articles, further information is provided within the compliance table. Article 453 Disclosure of the Use of Credit Risk Mitigation Techniques.
431(3)	The management body or senior management shall adopt formal policies to comply with the disclosure requirements laid down in this Part and put in place and maintain internal processes, systems and controls to verify that the institution's disclosures are appropriate and in compliance with the requirements laid down in this Part. At least one member of the management body or senior management shall attest in writing that the relevant institution has made the disclosures required under this Part in accordance with the formal policies and internal processes, systems and controls. The written attestation and the key elements of the institution's formal policies to comply with the disclosure requirements shall be included in the institutions' disclosures. Information to be disclosed in accordance with this Part shall be subject to the same level of internal verification as that applicable to the management report included in the institution's financial report. Institutions shall also have policies in place to verify that their disclosures convey their risk profile comprehensively to market participants. Where institutions find that the disclosures required under this Part do not convey the risk profile comprehensively to market participants, they shall publicly disclose information in addition to the information required to be disclosed under this Part. Nonetheless, institutions shall only be required to disclose information that is material and not proprietary or confidential in accordance with Article 432.	HSBC Bank plc has a Pillar 3 policy. Board members attest to the appropriateness of Pillar 3 Disclosures, and the Pillar 3 is governed by the HSBC Group's disclosure policy and internal controls framework as approved by the Board - Refer 'Governance' section on the page 2.
431(4)	All quantitative disclosures shall be accompanied by a qualitative narrative and any other supplementary information that may be necessary in order for the users of that information to understand the quantitative disclosures, noting in particular any significant change in any given disclosure compared to the information contained in the previous disclosures.	Narratives are included to explain quantitative disclosures where required. Refer page 2 for the overarching statement.
431(5)	Institutions shall, if requested, explain their rating decisions to SMEs and other corporate applicants for loans, providing an explanation in writing when asked. The administrative costs of the explanation shall be proportionate to the size of the loan.	The HSBC Credit Risk Management process is disclosed in the HSBC Bank plc Annual Report and Accounts 2024 on page 31.

Article	Regulatory Requirements	Compliance reference
Non-material, proprietary or confidential information		
432 (1)	With the exception of the disclosures laid down in point (c) of Article 435(2) and in Articles 437 and 450, institutions may omit one or more of the disclosures listed in Titles II and III where the information provided by those disclosures is not regarded as material. Information in disclosures shall be regarded as material where its omission or misstatement could change or influence the assessment or decision of a user of that information relying on it for the purpose of making economic decisions.	HSBC Bank plc complies with all relevant disclosure requirements.
432 (2)	Institutions may also omit one or more items of information referred to in Titles II and III where those items include information that is regarded as proprietary or confidential in accordance with this paragraph, except for the disclosures laid down in Articles 437 and 450. Information shall be regarded as proprietary to institutions where disclosing it publicly would undermine their competitive position. Proprietary information may include information on products or systems that would render the investments of institutions therein less valuable, if shared with competitors. Information shall be regarded as confidential where the institutions are obliged by customers or other counterparty relationships to keep that information confidential.	
432 (3)	In the exceptional cases referred to in paragraph 2, the institution concerned shall state in its disclosures the fact that the specific items of information are not disclosed and the reason for not disclosing those items, and publish more general information about the subject matter of the disclosure requirement, except where that subject matter is, in itself, proprietary or confidential.	
Frequency and scope of disclosures		
433	Institutions shall publish the disclosures required under Titles II and III in the manner set out in Articles 433a, 433b and 433c. Annual disclosures shall be published on the same date as the date on which institutions publish their financial statements or as soon as possible thereafter. Semi-annual and quarterly disclosures shall be published on the same date as the date on which the institutions publish their financial reports for the corresponding period where applicable or as soon as possible thereafter. Any delay between the date of publication of the disclosures required under this Part and the relevant financial statements shall be reasonable.	As a large institution, HSBC Bank plc complies with the frequency requirements set out in Article 433a. The annual Pillar 3 Disclosures are published the same date as the Annual Report and Accounts. HSBC Bank plc semi-annual and quarterly Pillar 3 disclosures are published as soon as possible after the interim and quarterly financial statements.
433a (1)	Large institutions shall disclose the information outlined below with the following frequency: (a) all the information required under this Part on an annual basis; (b) on a semi-annual basis the information referred to in: (i) point (a) of Article 437; (ii) point (e) of Article 438; (iii) points (e) to (l) of Article 439; (iv) Article 440; (v) points (c), (e), (f) and (g) of Article 442; (vi) point (e) of Article 444; (vii) Article 445; (viii) point (a) and (b) of Article 448(1); (ix) point (j) to (l) of Article 449; (x) points (a) and (c) of Article 451(1); (xi) Article 451a(3); (xii) point (g) of Article 452; (xiii) points (f) to (j) of Article 453; (xiv) points (d), (e) and (g) of Article 455; (c) on a quarterly basis the information referred to in: (i) points (d) and (h) of Article 438; (ii) the key metrics referred to in Article 447; (iii) Article 451a(2).	HSBC Bank plc comply with the frequency requirements set out in this article that are relevant for subsidiaries (in line with PRA paragraph 2.3).
433a (2)	By way of derogation from paragraph 1, large institutions other than GSIIs that are non-listed institutions shall disclose the information outlined below with the following frequency: (a) all the information required under this Part on an annual basis; (b) the key metrics referred to in Article 447 on a semi-annual basis.	HSBC Bank plc comply with the frequency requirements set out in this article that are relevant for subsidiaries (in line with PRA paragraph 2.3.).
433a (3)	Large institutions that are subject to Article 92a, or are material subsidiaries of non-UK G-SIIs and are not resolution entities or subsidiaries of a UK parent institution, shall disclose the information required under Article 437a on a semi-annual basis, except for the key metrics referred to in point (h) of Article 447, which are to be disclosed on a quarterly basis.	This disclosure is not applicable to HSBC Bank plc.
433a (4)	Large institutions that are LREQ firms shall disclose the information required under paragraphs (1)(a), (b) and (g), (2) and (3) of Article 451 on a quarterly basis.	HSBC Bank plc complies with this requirement and completes additional leverage disclosures on a quarterly basis.

Article	Regulatory Requirements	Compliance reference
Disclosures by small and non-complex institutions		
433b (1)	SDDTs and SDDT consolidation entities shall disclose the information outlined below with the following frequency: (a) on an annual basis the information referred to in: (i) point (d) of Article 438; (ii) points (a) to (d), (h), and (i) of Article 450(1); (b) on a semi-annual basis the key metrics referred to in Article 447	This disclosure is not applicable to HSBC Bank plc.
433b (2)	By way of derogation from paragraph 1 of this Article, SDDTs that are non-listed institutions shall disclose the key metrics referred to in Article 447 on an annual basis	This disclosure is not applicable to HSBC Bank plc.
Disclosures by other institutions		
433c (1)	Institutions that are not subject to Article 433a or 433b shall disclose the information outlined below with the following frequency: (a) all the information required under this Part on an annual basis; (b) the key metrics referred to in Article 447 on a semi-annual basis; (c) for such institutions that are LREQ firms, the information required under paragraphs (1)(a), (b) and (g), (2) and (3) of Article 451 on a quarterly basis.	This disclosure is not applicable to HSBC Bank plc.
433c (2)	By way of derogation from paragraph 1 of this Article, other institutions that are non-listed institutions shall disclose the following information on an annual basis: (a) points (a), (e) and (f) of Article 435(1); (b) points (a), (b) and (c) of Article 435(2); (c) point (a) of Article 437; (d) points (c) and (d) of Article 438; (e) the key metrics referred to in Article 447; (f) points (a) to (d), (h) to (k) of Article 450(1).	This disclosure is not applicable to HSBC Bank plc.
Means of disclosures		
434 (1)	Institutions shall disclose all the information required under Titles II and III in electronic format and in a single medium or location. The single medium or location shall be a standalone document that provides a readily accessible source of prudential information for users of that information or a distinctive section included in or appended to the institutions' financial statements or financial reports containing the required disclosures and being easily identifiable to those users.	HSBC Bank plc prepares Pillar 3 disclosures with clear references to the Annual Reporting and Accounts where distinctive sections provide regulatory disclosures.
434 (2)	Institutions shall make available on their website or, in the absence of a website, in any other appropriate location an archive of the information required to be disclosed in accordance with this Part. That archive shall be kept accessible for a period of time that shall be no less than the storage period set by national law for information included in the institutions' financial reports.	Pillar 3 disclosures are published on the HSBC Investor Relations website, www.hsbc.com/investors.
Timing and means of disclosures under Article 441		
434b (1)	By way of derogation from the second paragraph of Article 433, G-SIIs shall disclose the information required under Article 441 within four months after the end of the period to which the information relates.	These disclosures are not applicable to HSBC Bank plc.
434b (2)	By way of derogation from Article 434(1), where a G-SII relies on the derogation in paragraph 1, it may disclose the information required under Article 441 in a separate medium or location from the standalone document mentioned in Article 434(1).	
434b (3)	If, in accordance with paragraphs 1 and 2, a G-SII does not disclose the information required under Article 441 at the same time as, and in the same medium or location as, the other information required to be disclosed under Titles II and III, it shall include in the standalone document mentioned in Article 434(1) a statement specifying when and in what medium or location the information required under Article 441 will be disclosed.	

Article	Regulatory Requirements	Compliance reference
Own funds		
437	Institutions shall disclose the following information regarding their own funds:	HSBC Bank plc complies with the requirement as set out below.
437 (a)	full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied to own funds of the institution pursuant to Articles 32 to 36, 56, 66 and 79 with the balance sheet in the audited financial statements of the institution	Table 3: Composition of Regulatory own funds (UK CC1) on page 7. Table 2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (UK CC2) on page 5.
437 (b)	a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution	Summary of terms and conditions of own funds in accordance with Annex VIII is available separately on HSBC's investor relations website, www.hsbc.com/investors.
437 (c)	the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments	
437 (d)	a separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) items deducted pursuant to Articles 36, 56 and 66; (iii) items not deducted pursuant to Articles 47, 48, 56, 66 and 79	Table 3: Composition of Regulatory own funds (UK CC1) on page 7.
437 (e)	a description of all restrictions applied to the calculation of own funds in accordance with the Capital Regulation Requirements and the instruments, prudential filters and deductions to which those restrictions apply.	Table 3: Composition of Regulatory own funds (UK CC1) on page 7.
437 (f)	a comprehensive explanation of the basis on which capital ratios are calculated where those capital ratios are calculated by using elements of own funds determined on a basis other than the basis laid down in the CRR II.	HSBC Bank plc complies with the own fund calculations set out in the CRR II rules
Own funds requirement and risk-weighted exposure amounts		
438	Institutions shall disclose the following information regarding their compliance with Article 92 and rules 3.1(1)(a) and 3.4 of the Internal Capital Adequacy Assessment Part of the PRA Rulebook:	HSBC Bank plc complies with the requirement as set out below.
438 (a)	a summary of their approach to assessing the adequacy of their internal capital to support current and future activities	Refer to the 'Internal capital adequacy assessment' section on page 19.
438 (b)	the amount of the additional own funds requirements based on the supervisory review and evaluation process (within the meaning of regulation 34A of the Capital Requirements Regulations) and its composition in terms of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments	Table 1: Key metrics (KM1/IFRS9-FL on page 3.
438 (c)	the result of the institution's internal capital adequacy assessment process	Refer to the 'Internal capital adequacy assessment' section on page 19.
438 (d)	the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds.	Table 4: Overview of risk-weighted exposure amounts (OV1) on page 10.
438 (e)	the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2).	Table 25: Specialised lending and equity exposures under the simple risk-weight approach (CR10) on page 33.
438 (f)	the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis	This disclosure is not applicable to HSBC Bank plc.
438 (g)	the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with the provisions implementing Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied	This disclosure is not applicable to HSBC Bank plc.
438 (h)	the variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations	Table 5: RWA flow statements of credit risk exposures under the IRB approach (CR8) on page 11. Table 6: RWA flow statements of CCR exposures under IMM (CCR7) on page 11. Table 7: RWA flow statements of market risk exposures under IMA (MR2-B) on page 11.

Article	Regulatory Requirements	Compliance reference
Countercyclical capital buffers		
440	Institutions shall disclose the following information in relation to their compliance with the requirement for a countercyclical capital buffer referred to in regulation 2 of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014:	HSBC Bank plc with the requirement as set out below.
440 (a)	the geographical distribution of the exposure amounts and risk-weighted exposure amounts of its credit exposures used as a basis for the calculation of their countercyclical capital buffer	Table 31: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (UK CCyB1) on page 38.
440 (b)	the amount of their institution-specific countercyclical capital buffer	Table 32: Amount of institution-specific countercyclical capital buffer (UK CCyB2) on page 39.
Credit risk adjustments		
442	Institutions shall disclose the following information regarding their exposure to credit risk and dilution risk:	HSBC Bank plc complies with the requirement as set out below.
442 (a)	the scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes	Refer to 'Non-performing and forborne exposures' section on page 22.
442 (b)	a description of the approaches and methods adopted for determining specific and general credit risk adjustments	Refer to 'Non-performing and forborne exposures' section on page 22.
442 (c)	information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received	Table 16: Credit quality of forborne exposures (CQ1) on page 23. Table 18: Collateral obtained by taking possession and execution processes (CQ7) on page 25. Table 19: Quality of non-performing exposures by geography (CQ4) on page 26. Table 20: Credit quality of loans and advances to non-financial corporations by industry (CQ5) on page 27.
442 (d)	an ageing analysis of accounting past due exposures	Table 17: Credit quality of performing and non-performing exposures by past due days (CQ3) on page 24.
442 (e)	the gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off-balance-sheet exposures	Table 13: Performing and non-performing exposures and related provisions (CR1) on page 20. Table 16: Credit quality of forborne exposures (CQ1) on page 23. Table 19: Quality of non-performing exposures by geography (CQ4) on page 26. Table 20: Credit quality of loans and advances to non-financial corporations by industry (CQ5) on page 27.
442 (f)	any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off	Table 15: Changes in the stock of non-performing loans and advances (CR2) on page 22.
442 (g)	the breakdown of loans and debt securities by residual maturity	Table 14: Maturity of exposures (CR1-A) on page 22.
Remuneration disclosures		
450.1	Institutions shall disclose the following information regarding their remuneration policy and practices for those categories of staff whose professional activities have a material impact on risk profile of the institutions:	HSBC Bank plc complies with the requirement as set out below.
450 (1)(a)	information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	HSBC's remuneration policy, including the remuneration committee membership and activities, remuneration strategy and remuneration details of HSBC's identified staff and material risk takers, is set out in the Directors' Remuneration Report of the HSBC Holdings plc Annual Report and Accounts 2024 starting on page 279.
450 (1)(b)	information about the link between pay of the staff and their performance;	
450 (1)(c)	the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;	
450 (1)(d)	the ratios between fixed and variable remuneration set in accordance with rules 15.9 to 15.13 of the Remuneration Part of the PRA Rulebook;	
450 (1)(e)	information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;	
450 (1)(f)	the main parameters and rationale for any variable component scheme and any other non-cash benefits;	
450 (1)(g)	aggregate quantitative information on remuneration, broken down by business area;	Table 30: Information of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (REM5) on page 37.

Article	Regulatory Requirements	Compliance reference
450 (1)(h)	aggregate quantitative information on remuneration, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institutions, indicating the following: (i) the amounts of remuneration for the financial year, split into fixed remuneration including a description of the fixed components, and variable remuneration, and the number of beneficiaries; (ii) the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and the deferred part; (iii) the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years; (iv) the amount of deferred remuneration due to vest in the financial year, and the number of beneficiaries of those awards; (v) the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards; (vi) severance payments awarded in previous periods, that have been paid out during the financial year; (vii) the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person;	Table 26: Remuneration awarded for the financial year (REM1) on page 35; Table 27: Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) (REM2) on page 35; Table 28: Deferred remuneration (REM3) on page 36.
450 (1)(i)	the number of individuals that have been remunerated EUR 1 million or more per financial year, with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and with the remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;	Table 29: Remuneration of 1 million EUR or more per year (REM4) on page 36.
450 (1)(k)	information on whether the institution benefits from a derogation laid down in the Remuneration Part of the PRA Rulebook at 5.3, and/or 12.2 (second subparagraph), and 15.A1(3). For the purposes of point (k) of the first subparagraph of this paragraph, institutions that benefit from such a derogation shall indicate whether they benefit from that derogation on the basis of the Remuneration Part of the PRA Rulebook at 5.3 (for small CRR II firms), and/or 12.2 (second subparagraph (pension policy, referring to small CRR II firms and small third country CRR II firms)), and 15.A1(3) (where an employee subject to a buy-out is a material risk-taker in their previous firm). They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable	HSBC Bank plc is not a small CRR firm or a small third country CRR firm, therefore the benefits of provision 5.3 in the PRA Rulebook do not apply to HSBC Bank. 12.2 of the PRA Rulebook applies to a firm that is not a small CRR firm or a small third country CRR firm. HSBC Bank doesn't offer discretionary pension benefits, therefore we don't take advantage of the exemption in the second paragraph. HSBC Bank does benefit from the exemption under 15.A1(3) and the requirements of Article 540(1)(k) is complied with through Note 5 to REM1.
450 (2)	For large institutions, the quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members. Institutions shall comply with the requirements set out in this Article in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities and without prejudice to the GDPR.	Refer to the Directors' Remuneration Report of the HSBC Holdings plc Annual Report and Accounts 2024 starting on page 279.
Leverage		
451 (1)	Institutions shall disclose the following information regarding their leverage ratio as calculated in accordance with Article 429 of Chapter 3 of the Leverage Ratio (CRR II) Part and their management of the risk of excessive leverage:	HSBC Bank plc complies with the requirement as set out below.
451 (1) (a)	the leverage ratio;	Table 8: Leverage ratio common disclosure (UK LR2-LRCom) on page 13; Table 1: Key metrics (KM1/IFRS9-FL) on page 3.
451 (1) (b)	the leverage ratio calculated as if central bank claims were required to be included in the total exposure measure;	Table 8: Leverage ratio common disclosure (UK LR2-LRCom) on page 13; Table 1: Key metrics (KM1/IFRS9-FL) on page 3.
451 (1) (c)	a breakdown of the total exposure measure, as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;	Table 9: Summary reconciliation of accounting assets and leverage ratio exposures (UK LR1- LRSum) on page 14; Table 10: Leverage ratio – split of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (UK LR3-LRSpl) on page 14.
451 (1) (d)	a description of the processes used to manage the risk of excessive leverage;	Refer to Leverage ratio section on page 13.
451 (1) (e)	a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers;	
451 (1) (f)	in relation to the quarterly periods up to 31 December 2022, the leverage ratio calculated as if Article 468 of the CRR II did not apply for purposes of the capital measure under Article 429(3) of Chapter 3 of the Leverage Ratio (CRR II) Part;	No temporary treatment at HSBC level. In row UK-25b of template LR2-LRCom on page 13 leverage ratio is presented same as row UK-25.
451 (1) (g)	in relation to the quarterly periods up to 31 December 2024, the leverage ratio calculated as if Article 473a of the CRR II did not apply for purposes of the capital measure under Article 429(3) of Chapter 3 of the Leverage Ratio (CRR II) Part.	Table 8: Leverage ratio common disclosure (UK LR2-LRCom) on page 13; Table 1: Key metrics (KM1/IFRS9-FL) on page 3.

Article	Regulatory Requirements	Compliance reference
451 (2)	LREQ firm must disclose each of the following - a) average exposure measure; b) average leverage ratio; c) average leverage ratio calculated as if central bank claims were required to be included in the total exposure measure; and d) countercyclical leverage ratio buffer.	Table 8: Leverage ratio common disclosure (UK LR2-LRCom) on page 13; Table 1: Key metrics (KM1/IFRS9-FL) on page 3.
451 (3)	An LREQ firm must disclose such information as is necessary to enable users to understand changes in the firm's total exposure measure and tier 1 capital (leverage) over the quarter that have affected the firm's average leverage ratio.	Refer to Leverage ratio commentary on page 14.
451 (4)	Subject to paragraph 5 (see below):	See below
451 (4)(a)	for the purposes of paragraph 2(a) an LREQ firm must calculate its average exposure measure for a quarter as the sum of: (i) the arithmetic mean of the firm's total exposure measure in relation to on-balance sheet assets and securities financing transactions on each day in the quarter; and (ii) the arithmetic mean of the firm's total exposure measure excluding on-balance sheet assets and securities financing transactions on the last day of each month in the quarter; and	Table 8: Leverage ratio common disclosure (UK LR2-LRCom) on page 13; Table 1: Key metrics (KM1/IFRS9-FL) on page 3.
451 (4)(b)	for the purposes of paragraphs 2(a) and 3, an LREQ firm must calculate its average leverage ratio for a quarter as its capital measure divided by its exposure measure where the: (i) capital measure is the arithmetic mean of the firm's tier 1 capital (leverage) on the last day of each month in the quarter; and (ii) exposure measure is the sum derived in accordance with (a), unless paragraph 5 applies in which case it shall be the sum derived in accordance with that paragraph.	Table 8: Leverage ratio common disclosure (UK LR2-LRCom) on page 13; Table 1: Key metrics (KM1/IFRS9-FL) on page 3.
Disclosure of liquidity requirement		
451a (1)	Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article.	HSBC Bank plc complies with the requirement as set out below.
451a (2)	Institutions shall disclose the following information in relation to their liquidity coverage ratio as calculated in accordance with the Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook:	HSBC Bank plc complies with the requirement as set out below.
451a (2)(a)	the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	Table 11: Level and components of HSBC Bank plc consolidated liquidity coverage ratio (LIQ1) on page 16.
451a (2)(b)	the average or averages, as applicable, of their total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer;	Table 11: Level and components of HSBC Bank plc consolidated liquidity coverage ratio (LIQ1) on page 16.
451a (2)(c)	the averages of their liquidity outflows, inflows and net liquidity outflows as calculated in accordance with the Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition.	Table 11: Level and components of HSBC Bank plc consolidated liquidity coverage ratio (LIQ1) on page 16.
451a (3)	Institutions shall disclose the following information in relation to their net stable funding ratio as calculated in accordance with Title IV of Part Six:	HSBC Bank plc complies with the requirement as set out below.
451a (3)(a)	averages of their net stable funding ratio calculated in accordance with Chapter 2 of Title IV of Part Six for each quarter of the relevant disclosure period, based on end-of-the-quarter observations over the preceding four quarters;	Table 12: Net stable funding ratio (LIQ2) on page 17.
451a (3)(b)	an overview of the amount of available stable funding calculated in accordance with Chapter 3 of Title IV of Part Six for each quarter of the relevant disclosure period, comprising averages based on end-of-the quarter observations over the preceding four quarters;	Table 12: Net stable funding ratio (LIQ2) on page 17.
451a (3)(c)	an overview of the amount of required stable funding calculated in accordance with Chapter 4 of Title IV of Part Six for each quarter of the relevant disclosure period, comprising averages based on end-of-the quarter observations over the preceding four quarter	Table 12: Net stable funding ratio (LIQ2) on page 17.
451a (4)	Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with the Internal Liquidity Adequacy Assessment Part of the PRA Rulebook.	For details on our approach to managing Liquidity Risk, refer the Treasury Risk management section on page 6.
Use of credit risk mitigation techniques		
453	Institutions using credit risk mitigation techniques shall disclose the following information:	HSBC Bank plc complies with the requirement as set out below.

Article	Regulatory Requirements	Compliance reference
453 (a)	the core features of the policies and processes for on- and off-balance sheet netting and an indication of the extent to which institutions make use of balance sheet netting;	Refer to the 'Risk Mitigation Policies and procedures' section on page 28.
453 (b)	the core features of the policies and processes for eligible collateral evaluation and management;	
453 (c)	a description of the main types of collateral taken by the institution to mitigate credit risk;	
453 (d)	for guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purpose of reducing capital requirements, excluding those used as part of synthetic securitisation structures;	
453 (e)	information about market or credit risk concentrations within the credit mitigation taken;	Refer to 'Risk mitigation' section on page 28.
453 (f)	or institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments; the disclosure set out in this point shall be made separately for loans and debt securities and including a breakdown of defaulted exposures;	Table 21: Credit risk mitigation techniques – overview1 (CR3) on page 29.
453 (g)	the corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect;	Table 22: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4) on page 30 Table 24: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) on page 31.
453 (h)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation;	Table 22: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4) on page 30
453 (i)	or institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class;	Table 22: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4) on page 30
453 (j)	for institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission.	Table 23: IRB – Effect on the RWA of credit derivatives used as CRM techniques (CR7) on page 30.

Other Information

Abbreviations

The following abbreviated terms are used throughout this document.

A	
AIRB	Advanced internal ratings-based approach
ALCO	Asset, Liability and Capital Management Committee
Apr	April
AT1 capital	Additional tier 1 capital
ASF	Available stable funding
B	
Basel	Basel Committee on Banking Supervision
C	
CCF	Credit Conversion Factor
CCP[1]	Central counterparty
CCR[1]	Counterparty credit risk
CCyB[1]	Countercyclical capital buffer
CDS	Credit default swap
CET1[1]	Common equity tier 1
CIU	Collective investment undertakings
CRD[1]	Capital Requirements Regulation and Directive
CRE	Commercial Real Estate
CRM[1]	Credit risk mitigation/mitigant
CRR II	The regulatory requirements of the PRA Rulebook, Capital Requirements Regulation and Directive, and the CRR II regulation (EU 2019/876)
CVA[1]	Credit valuation adjustment
D	
Dec	December
E	
EAD[1]	Exposure at default
EBA	European Banking Authority
ECA	Export credit agencies
ECL[1]	Expected credit losses
EL[1]	Expected loss
ESG	Environmental, social and governance
EU	European Union
EVE	Economic value of equity
F	
FCA	Financial Conduct Authority
FCP	Funded Credit Protection
FINREP	Financial Reporting templates submitted to BoE
FIRB	Foundation internal-ratings based approach
FSE	Financial Sector Entities
FX	Foreign Exchange
G	
GBM	Global Banking and Markets
GEC	Group Executive Committee
GRC	Group Risk Committee
Group	HSBC Holdings together with subsidiary undertakings
H	
HQLA	High-quality liquid assets
HSBC	HSBC Holdings together with its subsidiary undertakings
I	
IAA	Internal Assessment Approach
IFRSs	International Financial Reporting Standards
IMA[1]	Internal Models Approach
IMM[1]	Internal Model Method
IRB[1]	Internal ratings based approach
IRC	Incremental risk charge
IRRBB	Interest rate risk in the banking book
J	
Jan	January
Jul	July
Jun	June
L	
LCR[1]	Liquidity Coverage Ratio
LGD[1]	Loss given default
M	
Mar	March
MRT	Material Risk-Takers
N	
NPL	Non-performing loan
NSFR[1]	Net Stable Funding Ratio
O	
Oct	October
P	
PD[1]	Probability of default
PRA[1]	Prudential Regulation Authority (UK)
R	
RAS	Risk appetite statement
RC	Risk Committee
RMM	Risk Management Meeting
RSF	Required Stable Funding
RWA[1]	Risk-weighted asset
S	
SA/STD[1]	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
SDDT	Small Domestic Deposit Takers
SEC-ERBA	Securitisation external rating-based approach
SEC-IRBA	Securitisation internal rating-based approach
SEC-SA	Securitisation standardised approach
Sep	September
SFT	Securities Financing Transactions
SME	Small- and medium-sized enterprise
SPE[1]	Special Purpose Entity
SREP	Supervisory Review and Evaluation Process
SVaR	Stressed Value at Risk
T	
T1 capital[1]	Tier 1 capital
T2 capital[1]	Tier 2 capital
U	
UK	United Kingdom
V	
VaR[1]	Value at risk

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

Cautionary statement regarding forward-looking statements

This Pillar 3 Disclosure at 31 December 2024 contains certain forward-looking statements with respect to the company's financial condition; results of operations and business, including the strategic priorities; financial, investment and capital targets; and the company's ability to contribute to the HSBC Group's environmental, social and governance ('ESG') ambitions, targets and commitments described herein.

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

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

– changes in general economic conditions in the markets in which the company operates, such as new, continuing or deepening recessions, prolonged inflationary pressures and fluctuations in employment levels and the creditworthiness of customers beyond those factored into consensus forecasts; the Russia-Ukraine war and the conflict in the Middle East and their impact on global economies and the markets where the company operates, which could have a material adverse effect on (among other things) the company's financial condition, results of operations, prospects, liquidity, capital position and credit ratings; deviations from the market and economic assumptions that form the basis for the company's ECL measurements (including, without limitation, as a result of the Russia-Ukraine war and the conflict in the Middle East and inflationary pressures and commodity price changes); changes and volatility in foreign exchange rates and interest rates levels; volatility in equity markets; lack of liquidity in wholesale funding or capital markets, which may affect the company's ability to meet its obligations under financing facilities or to fund new loans, investments and businesses; geopolitical tensions or diplomatic developments, both in Europe and in other regions such as Asia, producing social instability or legal uncertainty, such as the Russia-Ukraine war or the conflict in the Middle East (including the resurgence, continuation or escalation thereof) and the related imposition of sanctions and trade restrictions, supply chain restrictions and disruptions, sustained increases in energy prices and key commodity prices, claims of human rights violations and diplomatic tensions between China and the US, which may extend to and involve the UK and the EU, alongside other potential areas of tension, which may adversely affect the group by creating regulatory, reputational and market risks; the efficacy of government, customer, and the company's and the HSBC Group's actions in managing and mitigating ESG risks, in particular climate risk, nature-related risks and human rights risks, and in supporting the global transition to net zero carbon emissions, each of which can impact the company both directly and indirectly through its customers and which may result in potential financial and non-financial impacts; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; societal shifts in customer financing and investment needs, including consumer perception as to the continuing availability of credit; exposure to counterparty risk, including third parties using the company as a conduit for illegal activities without the company's knowledge; the discontinuation of certain key Ibors and the transition of the remaining legacy Ibor contracts to near risk-free benchmark rates, which continues to expose the company to some financial and non-financial risks; and price competition in the market segments that the company serves;

– changes in government policy and regulation, including trade and tariff policies, as well as monetary, interest rate and other policies of central banks and other regulatory authorities in the principal markets in which the company operates and the consequences thereof (including, without limitation, actions taken as a result of changes in government following national elections in the markets where the group operates); initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks, which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; changes to tax laws and tax rates applicable to the company, including the imposition of levies or taxes designed to change business mix and risk appetite; the practices, pricing or responsibilities of financial institutions serving their consumer markets; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; the UK's relationship with the EU, particularly with respect to the potential divergence of UK and EU law on the regulation of financial services; changes in government approach and regulatory treatment in relation to ESG disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to ESG across all sectors and markets; changes in UK macroeconomic and fiscal policy, which may result in fluctuations in the value of the pound sterling; general changes in government policy (including, without limitation, actions taken as a result of changes in government following national elections in the markets where the group operates) that may significantly influence investor decisions; the costs, effects and outcomes of regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where the company operates, including increased competition from non-bank financial services companies; and

– factors specific to the company and the HSBC Group, including the company's success in adequately identifying the risks it faces, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques); the company's ability to achieve its financial, investment, capital targets and the HSBC Group's ESG ambitions, targets and commitments, which may result in the company's failure to achieve any of the expected outcomes of its strategic priorities; evolving regulatory requirements and the development of new technologies, including artificial intelligence, affecting how the company manages model risk; model limitations or failure, including, without limitation, the impact that high inflationary pressures and rising interest rates have had on the performance and usage of financial models, which may require the company to hold additional capital, incur losses and/or use compensating controls, such as judgemental post-model adjustments, to address model limitations; changes to the judgements, estimates and assumptions the company bases its financial statements on; changes in the company's ability to meet the requirements of regulatory stress tests; a reduction in the credit ratings assigned to the company or any of its subsidiaries, which could increase the cost or decrease the availability of the company's funding and affect its liquidity position and net interest margin; changes to the reliability and security of the company's data management, data privacy, information and technology infrastructure, including threats from cyber-attacks, which may impact its ability to service clients and may result in financial loss, business disruption and/or loss of customer services and data; the accuracy and effective use of data, including internal management information that may not have been independently verified; changes in insurance customer behaviour and insurance claim rates; the company's dependence on loan payments and dividends from subsidiaries to meet its obligations; changes in the HSBC Group's reporting framework and accounting standards, which have had and may continue to have a material impact on the way the company prepares its financial statements; the company's ability to successfully execute planned strategic acquisitions and disposals; the company's success in adequately integrating acquired businesses into its business; our ability to successfully execute and implement the announced strategic reorganisation of the HSBC Group; changes in the company's ability to manage third-party, fraud, financial crime and reputational risks inherent in its operations; employee misconduct, which may result in regulatory sanctions and/or reputational or financial harm; changes in skill requirements, ways of working and talent shortages, which may affect the company's ability to recruit and retain senior management and an inclusive and skilled workforce; and changes in the company's ability to develop sustainable finance and ESG-related products consistent with the evolving expectations of its regulators, and the company's capacity to measure the environmental and social impacts from its financing activity (including as a result of data limitations and changes in methodologies), which may affect HSBC Group's ability to achieve its ESG ambitions, targets and commitments, and increase the risk of greenwashing. Effective risk management depends on, among other things, the company's ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; the company's success in addressing operational, legal and regulatory, and litigation challenges; and other risks and uncertainties that the company identifies in 'Risk – Risk Overview', 'Risk – Managing Risk' and 'Risk – Top and Emerging Risks' on pages 19 to 28 of the Annual Report and Accounts 2024.

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